Trabuco Canyon Water District

Trabuco Canyon, California

Annual Financial Report

For the Year Ended June 30, 2019

Board of Directors as of June 30, 2019

Name	Title	Elected/ Appointed	Current Term
Michael Safranski	President	Elected	12/19 - 12/23
Don Chadd	Vice-President	Elected	12/19 - 12/23
Glenn Acosta	Director	Elected	12/19 - 12/23
Stephen Dopudja	Director	Elected	12/16 - 12/20
Edward Mandich	Director	Elected	12/19 - 12/23

Trabuco Canyon Water District
Fernando Paludi General Manager
32003 Dove Canyon Drive
Trabuco Canyon, California 92679
(949) 858-0277 – www.tcwd.ca.gov

Trabuco Canyon Water District
Annual Financial Report
For the Years Ended June 30, 2019

Table of Contents

Davis Farr LLP
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DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Trabuco Canyon Water District
Trabuco Canyon, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Trabuco Canyon Water District (District), as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2019 and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
of the Trabuco Canyon Water District
Trabuco Canyon, California

Report on Summarized Comparative Information

We have previously audited the Trabuco Canyon Water District's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, Schedule of the District's Contributions to the Pension Plan, Schedule of Changes in Net OPEB Liability and Related Ratios and Schedule of OPEB Contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Davis Farr LLP

Irvine, California
December 13, 2019

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Trabuco Canyon Water District (District) introduces the financial statements of the District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2019, the District's net position decreased 4.98% or ($2,611,192) to $49,826,555 from a change in net position of ($2,611,192). This change in net position is primarily driven by general & administrative expense of $4,525,647, depreciation expense of $3,304,227 and lower capital grants contributions.

- In 2019, the District's operating revenues decreased 13.15%, or $1,127,480, primarily due to a $849,072 decrease in water consumption sales and a combined $335,871 decrease in reclaimed and recycled water sales.

- In 2019, the District's operating expenses decreased 4.92%, or $498,841, primarily due to a $447,136 decrease in source of supply costs and $271,567 in pumping expenses. These decreases were offset by increases of $190,432 in sewer operations and $79,500 in transmission and distribution.

- In 2019, the District utilized $2,586,510 in cash to construct new capital assets for the District's infrastructure or provide new equipment for District operations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The financial statements are comprised of two components: 1) financial statements and, 2) notes to financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

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

The *statement of cash flows* presents information showing the sources and uses of cash related to operating activities, noncapital financing activities, capital and related financing activities and investing activities. In addition, the statement provides information about significant non-cash investing, capital and financing activities.

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 Balance Sheet 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 and liabilities 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. One can think of the District's net position – the difference between assets and liabilities – as a way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are 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, population growth, natural disasters, 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.

Balance Sheets

Condensed Balance Sheets

	June 30, 2019	June 30, 2018	Change	% Change
Assets:				
Current assets	$ 3,897,714	$ 5,217,513	$ (1,319,799)	-25.30%
Restricted assets	7,429,487	9,175,099	(1,745,612)	-19.03%
Capital assets, net	46,398,051	47,115,767	(717,716)	-1.52%
Total assets	57,725,252	61,508,379	(3,783,127)	-6.15%
Deferred outflows of resources	1,126,152	1,305,732	(179,580)	-13.75%
Total assets and deferred outflows of resources	$ 58,851,404	$ 62,814,111	$ (3,962,707)	-6.31%
Liabilities:				
Current liabilities	$ 2,935,657	$ 3,042,974	$ (107,317)	-3.53%
Noncurrent liabilities	5,892,648	7,184,174	(1,291,526)	-17.98%
Total liabilities	8,828,305	10,227,148	(1,398,843)	-13.68%
Deferred inflows of resources	196,544	149,216	47,328	31.72%
Net position:				
Net investment in capital assets	43,977,274	44,564,894	(587,620)	-1.32%
Restricted	6,426,257	7,312,853	(886,596)	-12.12%
Unrestricted	(576,976)	560,000	(1,136,976)	-203.03%
Total net position	49,826,555	52,437,747	(2,611,192)	-4.98%
Total liabilities, deferred inflows and net position	$ 58,851,404	$ 62,814,111	$ (3,962,707)	-6.31%

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 $49,826,555, as of June 30, 2019.

By far the largest portion of the District's net position (88% as of June 30, 2019) reflects its 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.

As of June 30, 2019, the District showed a balance in its restricted net position of $6,426,257, which is restricted for future capital projects and debt service repayments.

Also, as of June 30, 2019, the District shows a negative balance in its unrestricted net position of ($576,976). This balance indicates that District liabilities, deferred inflows of resources, restricted net position, and the net investment in capital assets have created a deficit in unrestricted net position. This deficit in unrestricted net position will be unavailable in future years.

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	June 30, 2019	June 30, 2018	Change	% Change
Revenues:				
Operating revenues	$ 7,449,430	$ 8,576,910	$ (1,127,480)	-13.15%
Non-operating revenues	2,113,986	1,904,164	209,822	11.02%
Total revenues	9,563,416	10,481,074	(917,658)	-8.76%
Expenses:				
Operating expenses	9,632,710	10,131,551	(498,841)	-4.92%
Depreciation	3,304,227	3,050,782	253,445	8.31%
Non-operating expenses	140,550	244,633	(104,083)	-42.55%
Total expenses	13,077,487	13,426,966	(349,479)	-2.60%
Capital contributions	902,879	2,657,618	(1,754,739)	-66.03%
Change in net position	(2,611,192)	(288,274)	(2,322,918)	-805.80%
Net position:				
Beginning of year	52,437,747	53,097,067	(659,320)	-1.24%
Prior period adjustments	-	(371,046)	371,046	-100.00%
End of year	$ 49,826,555	$ 52,437,747	$ (2,611,192)	-4.98%

The statement of revenues, expenses, and changes in net position shows how the District's net position changes during the fiscal year. In the case of the District, net position decreased by ($2,611,192) to $49,826,555 largely driven by lower operating revenues due to lower water consumption in the fiscal year and a decrease of ($1,754,739) in capital contributions from rate payers and federal funding agencies.

Revenues

Operating revenues:	June 30, 2019	June 30, 2018	Change	% Change
Water consumption sales	$ 2,966,405	$ 3,815,477	$ (849,072)	-22.25%
Water service charges	973,161	977,405	(4,244)	-0.43%
Sewer service charges	1,680,061	1,670,020	10,041	0.60%
Reclaimed water sales	444,032	660,279	(216,247)	-32.75%
Recycled water sales	106,614	226,238	(119,624)	-52.88%
Wholesale water sales – BTP	1,164,972	1,191,063	(26,091)	-2.19%
Other service charges	114,185	36,428	77,757	213.45%
Total operating revenues	7,449,430	8,576,910	(1,127,480)	-13.15%
Non-operating revenues:				
Property taxes	1,768,140	1,629,212	138,928	8.53%
Investment earnings	228,244	149,070	79,174	53.11%
Rental revenue	23,410	22,728	682	3.00%
Other non-operating revenue	94,192	103,154	(8,962)	-8.69%
Total non-operating revenues	2,113,986	1,904,164	209,822	11.02%
Total revenue	$ 9,563,416	$ 10,481,074	$ (917,658)	-8.76%

In fiscal year 2019, operating revenues decreased by 13.15%, or $1,127,480, primarily due to a $849,072 decrease in water consumption sales and a combined $335,871 decrease in reclaimed and recycled water sales.

In fiscal year 2019, non-operating revenues increased by $209,822 due to increases in property taxes and investment earnings.

Expenses

Operating expenses:	**June 30, 2019**	**June 30, 2018**	**Change**	**% Change**
Source of supply	$ 2,846,965	$ 3,324,101	$ (477,136)	-14.35%
Pumping	497,539	769,106	(271,567)	-35.31%
Water treatment	56,539	76,568	(20,029)	-26.16%
Transmission and distribution	216,180	136,680	79,500	58.17%
Sewer operations	1,489,840	1,299,408	190,432	14.66%
General and administrative	4,525,647	4,525,688	(41)	0.00%
Total operating expenses	9,632,710	10,131,551	(498,841)	-4.92%
Depreciation	3,304,227	3,050,782	253,445	8.31%
Non-operating expenses:				
Interest expense	121,869	176,023	(54,154)	-30.77%
Debt administration expense	7,214	6,468	746	11.53%
Property tax administration charge	11,467	12,142	(675)	-5.56%
Other non-operating expense	-	50,000	(50,000)	-100.00%
Total non-operating expenses	140,550	244,633	(104,083)	-42.55%
Total expenses	$ 13,077,487	$ 13,426,966	$ (349,479)	-2.60%

In fiscal year 2019, operating expenses decreased by 4.92%, or $498,841, primarily due to a $477,136 decrease in source of supply costs and $271,567 in pumping expenses. These decreases were offset by increases of $190,432 in sewer operations and $79,500 in transmission and distribution expenses.

In fiscal year 2019, non-operating expenses decreased by $104,083 due to the District continuing to have a lower amount of outstanding obligations such as interest expense ($54,154) along with a one-time expense of $50,000 for a refund on a capital project that occurred in the prior year.

Capital Asset Administration

Description	June 30, 2019	June 30, 2018
Non-depreciable assets	$ 2,819,033	$ 2,748,352
Depreciable assets	111,814,889	109,822,376
Accumulated depreciation	(68,235,871)	(65,454,961)
Total capital assets, net	$ 46,398,051	$ 47,115,767

In 2019, the District utilized $2,586,510 in cash to construct new capital assets for the District's infrastructure or provide new equipment for District operations, while depreciation expense for the year totaled $3,304,227. The capital asset activities of the District are summarized above and described in greater detail in Note 5 to the basic financial statements.

Debt Administration

Description	June 30, 2019	June 30, 2018
Bonds payable, net	$ 890,000	$ 1,711,898
Loans payable	2,492,943	2,663,469
Total long-term debt	$ 3,382,943	$ 4,375,367

The debt administration activities of the District are summarized above and described in greater detail in Note 7 to the basic financial statements.

Conditions Affecting Current Financial Position

Management is unaware of any conditions which could have a significant impact on the District's current financial position, net position or operating results based on past, present and future events.

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's General Manager, at 32003 Dove Canyon Drive, Trabuco Canyon, California 92679, (949) 858-0277.

BASIC FINANCIAL STATEMENTS

Trabuco Canyon Water District
Statement of Net Position
June 30, 2019
(with prior year data for informational purposes)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2019	2018
Current assets:		
Cash and investments (Note 2)	$ 1,326,418	$ 2,243,445
Accrued interest receivable	3,582	9,299
Accounts receivable – water sales and services, net (Note 4)	911,843	1,409,491
Accounts receivable – due from other governments	1,269,527	1,269,527
Accounts receivable – other	244,640	162,311
Prepaid items	141,704	123,440
Total current assets	3,897,714	5,217,513
Non-current assets:		
Restricted – cash and investments (Note 2 and 3)	7,388,423	9,137,347
Restricted – accrued interest receivable (Note 3)	41,064	37,752
Capital assets – not being depreciated (Note 5)	2,819,033	2,748,352
Capital assets – being depreciated, net (Note 5)	43,579,018	44,367,415
Total non-current assets	53,827,538	56,290,866
Total assets	57,725,252	61,508,379
Deferred outflows of resources:		
Deferred amounts related to net pension liability (Note 8)	869,316	1,069,302
Deferred amounts related to OPEB liability (Note 9)	256,836	236,430
Total deferred outflows of resources	1,126,152	1,305,732
Total assets and deferred outflows of resources	$ 58,851,404	$ 62,814,111

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2019	2018
Current liabilities:		
Accounts payable and accrued expenses	$ 1,081,004	$ 1,058,527
Deposits and unearned revenue	706,383	964,108
Accrued interest payable	27,146	52,308
Long-term liabilities – due within one year:		
Compensated absences (Note 6)	58,651	58,252
Bonds payable (Note 7)	890,000	825,000
Loans payable (Note 7)	172,473	84,779
Total current liabilities	2,935,657	3,042,974
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 6)	108,922	108,182
Bonds payable (Note 7)	-	886,898
Loans payable (Note 7)	2,320,470	2,578,690
Net pension liability (Note 8)	2,892,988	2,932,288
Net other post-employment benefits liability (Note 9)	570,268	678,116
Total non-current liabilities	5,892,648	7,184,174
Total liabilities	8,828,305	10,227,148
Deferred inflows of resources:		
Deferred amounts related to net pension liability (Note 8)	155,790	106,054
Deferred amounts related to OPEB liability (Note 9)	40,754	43,162
Total deferred inflows of resources	196,544	149,216
Net position:		
Net investment in capital assets (Note 10)	43,977,274	44,564,894
Restricted – capital projects	6,426,257	7,312,853
Unrestricted	(576,976)	560,000
Total net position	49,826,555	52,437,747
Total liabilities, deferred inflows of resources and net position	$ 58,851,404	$ 62,814,111

See accompanying Notes to the Basic Financial Statements.

Trabuco Canyon Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ending June 30, 2019
(with prior year data for informational purposes)

	2019	**2018**
Operating revenues:		
Water consumption sales	$ 2,966,405	$ 3,815,477
Water service charges	973,161	977,405
Sewer service charges	1,680,061	1,670,020
Reclaimed water sales	444,032	660,279
Recycled water sales	106,614	226,238
Wholesale water sales – Baker Treatment Plant	1,164,972	1,191,063
Other service charges	114,185	36,428
Total operating revenues	7,449,430	8,576,910
Operating expenses:		
Source of supply	2,846,965	3,324,101
Pumping	497,539	769,106
Water treatment	56,539	76,568
Transmission and distribution	216,180	136,680
Sewer operations	1,489,840	1,299,408
General and administrative	4,525,647	4,525,688
Total operating expenses	9,632,710	10,131,551
Operating (loss) before depreciation	(2,183,280)	(1,554,641)
Depreciation expense	(3,304,227)	(3,050,782)
Operating (loss)	(5,487,507)	(4,605,423)
Non-operating revenues(expenses):		
Property taxes	1,768,140	1,629,212
Investment earnings	228,244	149,070
Rental revenue	23,410	22,728
Interest expense	(121,869)	(176,023)
Debt administration expense	(7,214)	(6,468)
Property tax administration charge	(11,467)	(12,142)
Other non-operating revenue	94,192	103,154
Other non-operating expense	-	(50,000)
Total non-operating revenues, net	1,973,436	1,659,531
Net (loss) before capital contributions	(3,514,071)	(2,945,892)
Capital contributions:		
Water reliability and emergency storage fees	854,770	962,266
Capital grants	48,109	1,695,352
Total capital contributions	902,879	2,657,618
Change in net position	(2,611,192)	(288,274)
Net position:		
Beginning of year	52,437,747	52,726,021
End of year	$ 49,826,555	$ 52,437,747

See accompanying Notes to the Basic Financial Statements.

Trabuco Canyon Water District
Statements of Cash Flows
For the Year Ending June 30, 2019
(with prior year data for informational purposes)

	2019	2018
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	$ 7,593,404	$ 8,807,583
Cash paid to employees for salaries and wages	(1,931,372)	(1,915,254)
Cash paid to vendors and suppliers for materials and services	(7,498,625)	(8,041,112)
Net cash (used in) operating activities	(1,836,593)	(1,148,783)
Cash flows from non-capital financing activities:		
Proceeds from property taxes	1,781,761	1,630,902
Property tax administration charge	(11,467)	(12,142)
Net cash provided by non-capital financing activities	1,770,294	1,618,760
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,586,510)	(2,803,344)
Capital contributions	854,770	962,266
Capital grants	48,109	425,825
Debt administration charges	(7,214)	(6,468)
Principal paid	(995,526)	(1,033,637)
Interest paid	(143,929)	(230,113)
Net cash (used in) capital and related financing activities	(2,830,300)	(2,685,471)
Cash flows from investing activities:		
Proceeds from investment earnings	230,648	128,890
Net cash provided by investing activities	230,648	128,890
Net increase (decrease) in cash and cash equivalents	(2,665,951)	(2,086,604)
Cash and cash equivalents		
Beginning of year	11,380,792	13,467,396
End of year	$ 8,714,841	$ 11,380,792
Reconciliation of cash and cash equivalents:		
Cash and investments	$ 1,326,418	$ 2,243,445
Restricted – cash and investments	7,388,423	9,137,347
Total cash and cash equivalents	$ 8,714,841	$ 11,380,792

See accompanying Notes to the Basic Financial Statements.

Trabuco Canyon Water District
Statements of Cash Flows (Continued)
For the Year Ending June 30, 2019
(with prior year data for informational purposes)

	2019	2018
Reconciliation of operating (loss) to net cash (used in) operating activities:		
Operating (loss)	$ (5,487,507)	$ (4,605,423)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation expense	3,304,227	3,050,782
Rental revenue	23,410	22,728
Other non-operating revenue	94,192	103,154
Other non-operating expense	-	(50,000)
Changes in assets – (increase)decrease:		
Accounts receivable – water sales and services, net	497,648	(480,905)
Accounts receivable – other	(82,329)	55,072
Prepaid items	(18,264)	20,310
Change in deferred outflows of resources – (increase)decrease:		
Deferred amounts related to net pension liability	199,986	(58,193)
Deferred amounts related to other post-employment benefits liability	(20,406)	(60,941)
Changes in liabilities – increase(decrease):		
Accounts payable and accrued expenses	22,477	(166,645)
Deposits and unearned revenue	(257,725)	656,506
Compensated absences	1,139	(15,837)
Net other post-employment benefits liability	(107,848)	(82,908)
Net pension liability	(39,300)	423,757
Change in deferred inflows of resources – increase(decrease):		
Deferred amounts related to net pension liability	49,736	(3,402)
Deferred amounts related to other post-employment benefits liability	(2,408)	43,162
Total adjustments	3,664,535	3,456,640
Net cash (used in) operating activities	$ (1,822,972)	$ (1,148,783)

There were no significant non-cash investing, capital and financing activities for the years ended June 30, 2019 and 2018.

See accompanying Notes to the Basic Financial Statements.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

The Trabuco Canyon Water District (District) was organized in January 1962, under provisions of the County Water District Act (Sections 30000 et. seq. of the Water Code of the State of California). The District is governed by a Board of Directors made up of five members elected by the qualified voters in the District. The purpose of the District is to finance, construct, operate and maintain a water system and wastewater system to serve properties within the District's boundaries. The Trabuco Canyon Water District includes the accounts of the District, Trabuco Canyon Improvement Corporation and Trabuco Canyon Public Financing Authority as blended component units.

The Trabuco Canyon Public Financing Authority (Authority) was organized on August 8, 1993, pursuant to the Government Code of the State of California (Title 1, Division 7 Section 6500 of the California Government Code), as a Joint Powers Agency, solely for the purpose of providing financial assistance to the District.

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

Complete financial statements for the Authority are available at the District's office or upon request of the District's Treasurer at 32003 Dove Canyon Drive, Trabuco Canyon, California 92679.

Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

The financial statements are reported using the *"economic resources"* measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses, not included in the above categories, are reported as non-operating revenues and expenses.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

> ***Deferred Outflows of Resources*** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.
>
> ***Deferred Inflows of Resources*** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, will not be recognized as revenue until that time.

Financial Reporting

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

Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results most likely will differ from those estimates.

Cash and Cash Equivalents

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

Investments

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

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Investments (Continued)

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the balance sheet, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

Accounts Receivable and Allowance for Uncollectible Accounts

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

Property Taxes

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

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

The County of Orange Assessor's Office assesses all real and personal property within the County each year. The County of Orange Auditor-Controller's Office bills and collects the District's share of property taxes and assessments. The County of Orange Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Prepaid Items

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

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Capital Assets

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

Water transmission and distribution system	5 to 40 years
Wastewater system	4 to 40 years
Structures and improvements	10 to 30 years
Machinery equipment	3 to 15 years

Construction-in-Process

The costs associated with developmental stage projects are accumulated in an in-progress account until the project is fully developed. Once the project is complete and in use, the entire cost of the project is transferred to a capital asset account and depreciated over its estimated useful life.

Compensated Absences

The District's policy is to permit employees to accumulate earned vacation up to a total of 240 hours with amounts exceeding the limit being paid out as part of the employee's regular compensation. Upon termination of employment, employees are paid all unused vacation and forfeit any unused sick time. Upon Retirement employees are paid all unused vacation and 50% of any unused sick time.

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 pension of the District's pension plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retires) as of the beginning of the measurement period.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan), the assets of which are held by the California Employers' Retiree Benefit Trust (CERBT), and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Net Position

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

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.

Restricted – This component of net position consists of external constraints placed on net position imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

Water Sales and Sewer Services

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

Capital Contributions

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

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Comparative Financial Statements and Reclassifications

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain amounts presented in the prior year financial statements have been reclassified in order to be consistent with the current year's presentation.

Note 2 – Cash and Investments

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Description	June 30, 2019
Cash and investments	$ 1,326,418
Restricted - cash and investments	7,388,423
Total Cash and investments	$ 8,714,841

Cash and investments as of June 30, 2019 consisted of the following:

Description	June 30, 2019
Cash on hand	$ 500
Deposits with financial institutions	753,489
Investments	7,960,852
Total Cash and investments	$ 8,714,841

Demand Deposits

At June 30, 2019 the carrying amount of the District's demand deposits was $753,489 and the financial institution balance was $882,865. The $129,376 net differences as of June 30, 2019 represent outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to $250,000 by the FDIC.

The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Note 2 – Cash and Investments (Continued)

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Credit Risk

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.

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 fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table below.

Investments

Investments as of June 30, 2019 consisted of the following:

Type of Investments	Measurement Input	Credit Rating	Minimum Rating	June 30, 2019	Maturity 12 Months or less
Local Agency Investment Fund (LAIF)	n/a*	not rated	n/a	$ 6,998,689	$ 6,998,689
Money market funds	n/a*	AAA	AAA	962,163	962,163
Total investments				$ 7,960,852	$ 7,960,852

*investments not required to be measured at fair value

Note 2 – Cash and Investments (Continued)

Authorized Investments and Investment Policy

The table below identifies the investment types that are authorized for Trabuco Canyon by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate 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 Trabuco Canyon, rather than the general provision of the California Government Code or Trabuco Canyon's investment policy.

Authorized Investment Type	Authorized by Investment Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	Yes	5 year	None	None
U.S. agency securities	Yes	5 year	None	None
Bankers acceptances	Yes	180 days	15%	5%
California municipal obligations	Yes	5 year	10%	5%
State municipal obligations	Yes	5 year	10%	5%
Commercial paper	Yes	270 days	25%	10%
Certificates of deposits	Yes	5 year	30%	5%
Repurchase agreements	No	1 year	None	None
Reverse repurchase agreements	No	92 days	20% of base value	None
Medium-term notes	Yes	5 year	30%	5%
Mutual funds	No	N/A	20%	10%
Money market mutual funds	Yes	N/A	20%	10%
Mortgage pass-through securities	No	5 year	20%	None
LAIF	Yes	N/A	None	None
Supranational	Yes	5 year	30%	None

Investment in California – Local Agency Investment Fund (LAIF)

The District is a voluntary participant in LAIF which 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 entity's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Further information about LAIF is available on the California State Controller's website: www.treasurer.ca.gov/pmia-laif/

Note 2 – Cash and Investments (Continued)

Investment in California – Local Agency Investment Fund (LAIF) (Continued)

The District's investments with LAIF at June 30, 2019 included a portion of the pool funds invested in structured notes and asset-backed securities:

> ***Structured Notes***: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

> ***Asset-Backed Securities***: generally, mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

The District had $6,998,689 invested in LAIF. The LAIF fair value factor of 1.00171179 was used to calculate the fair value of the investments in LAIF as of June 30, 2019.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments that are subject to disclosure.

Note 3 – Restricted Assets

Restricted assets as of June 30, 2019 are classified in the accompanying financial statements as follows:

Description	June 30, 2019
Restricted - cash and investments	$ 7,388,423
Restricted - accrued interest receivable	41,064
Total restricted assets	$ 7,429,487

Restricted assets for the year ended June 30, 2019 were restricted as follows:

Description	June 30, 2019
Proceeds for water reliability and emergency storage	$ 2,469,652
Proceeds for developer and other capital improvements	2,953,510
Proceeds from debt service	2,006,325
Total restricted assets	$ 7,429,487

Note 4 – Accounts Receivable

Accounts receivable for the year ended June 30, 2019 consisted of the following:

Description	June 30, 2019
Accounts receivable - water sales and services	$ 948,928
Allowance for doubtful accounts	(37,085)
Accounts receivable - water sales and services, net	$ 911,843

Note 5 – Capital Assets

Changes in capital assets for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Deletions/ Transfers	Balance June 30, 2019
Non-depreciable assets:				
Land and land rights	$ 2,339,113	$ -	$ -	$ 2,339,113
Construction-in-process	409,239	2,049,496	(1,978,815)	479,920
Total non-depreciable assets	2,748,352	2,049,496	(1,978,815)	2,819,033
Depreciable assets:				
Water transmission and distribution system	54,388,755	1,251,392	(281,879)	55,358,268
Recycled Water and Wastewater system	53,174,807	956,099	(214,392)	53,916,514
Structures and improvements	1,557,342	52,280	-	1,609,622
Machinery and equipment	701,472	256,058	(27,045)	930,485
Total depreciable assets	109,822,376	2,515,829	(523,316)	111,814,889
Accumulated depreciation:				
Water transmission and distribution system	(30,031,622)	(1,565,622)	281,879	(31,315,365)
Recycled Water and Wastewater system	(34,184,606)	(1,517,820)	214,392	(35,488,034)
Structures and improvements	(1,085,663)	(54,585)	-	(1,140,248)
Machinery and equipment	(153,070)	(166,199)	27,045	(292,224)
Total accumulated depreciation	(65,454,961)	(3,304,226)	523,316	(68,235,871)
Total depreciable assets, net	44,367,415	(788,397)	-	43,579,018
Total capital assets, net	$47,115,767	$1,261,099	$(1,978,815)	$ 46,398,051

Construction-In-Process

The construction-in-process balances at June 30, 2019 were as follows:

Project Description	June 30, 2019
Supervisory Control and Data Acquisition Upgrades	$ 218,467
Recycled Water Pump Stations Replacement	88,042
Ridgeline Pump Station Improvements	138,347
Various other minor projects	35,064
Total construction-in-process	$ 479,920

Note 6 – Compensated Absences

Changes in compensated absences for the years ending June 30, 2019 was as follows:

Balance July 1, 2018	Earned	Taken	Balance June 30, 2019	Current Portion	Non-current Portion
$ 166,434	$223,306	$(222,167)	$ 167,573	$58,651	$ 108,922

Note 7 – Long-Term Debt

Changes in long-term debt amounts for the year ended June 30, 2019 were as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Amount Due Within One Year	Amount Due In More Than One Year
Bonds payable:						
1994 Series C refunding revenue bonds	$ 1,715,000	$ -	$ (825,000)	$ 890,000	$ 890,000	$ -
Discount on refunding bonds	(3,102)	-	3,102	-	-	-
Total bonds payable	1,711,898	-	(821,898)	890,000	890,000	-
Loans payable:						
2011 State revolving fund loan	2,663,469	-	(170,526)	2,492,943	172,473	2,320,470
Total loans payable	2,663,469	-	(170,526)	2,492,943	172,473	2,320,470
Total long-term debt	$ 4,375,367	$ -	$ (992,424)	$ 3,382,943	$ 1,062,473	$ 2,320,470

1994 Series C – Refunding Revenue Bonds

On April 15, 1994, the District issued $12,080,000 of water and wastewater refunding revenue bonds to refund a prior outstanding issuance. The bonds are scheduled to mature in fiscal year 2020. Interest installments are payable each fiscal year at rates of 6.0% to 6.1% on July 1st and January 1st, while principal payments are due on July 1st. The debt service reserve fund for this issuance is $962,166. Annual debt service requirements on the bonds are as follows:

Fiscal Year	Principal	Interest	Total
2020	$ 890,000	$ 27,145	$ 917,145
Total	$ 890,000	$ 27,145	$ 917,145

2011 State Revolving Fund Loan

In fiscal year 2011, the District and the State of California, Department of Public Health, entered into a contract for a construction loan in the amount of $3,694,264 under the Safe Drinking Water State Revolving Fund Law of 1977. The purpose of the loan was to assist the District in financing construction of the Trabuco Creek Wells Facility, which will enable the District to meet the State of California's safe drinking water standards. The loan proceeds were disbursed to the District based upon project expenditures submitted. The final construction costs totaled and submitted were $3,682,316, which was $11,948 less than the original contracted amount. The loan is scheduled to mature in fiscal year 2032. Principal and interest installments are payable each fiscal year at a rate of 2.2836% on July 1st and January 1st. Annual debt service requirements on the loan are as follows:

Fiscal Year	Principal	Interest	Total
2020	$ 86,756	$ 57,908	$ 144,664
2021	176,434	53,947	230,381
2022	180,486	49,895	230,381
2023	184,631	45,750	230,381
2024	188,842	41,509	230,351
2025-2029	1,011,451	140,455	1,151,906
2030-2032	664,343	26,800	691,143
Total	$ 2,492,943	$ 416,264	$ 2,909,207

Note 8 – Net Pension Liability and Defined Benefit Pension Plan

General Information about the Pension Plans

The Plans Description Schedule

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	Miscellaneous Plans	
	Classic Tier 1	**PEPRA Tier 2**
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0 @ 62
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.0%
Required member contribution rates	7.948%	6.750%
Required employer contribution rates	11.763%	7.363%

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Members Covered by Benefit Terms

At June 30, 2017 (Valuation Date), the following members were covered by the benefit terms:

	Miscellaneous Plans		
Plan Members	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Active members	16	5	21
Transferred and terminated members	28	-	28
Retired members and beneficiaries	8	-	8
Total plan members	52	5	57

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous and Safety members are calculated as a percentage of their plan based the average final 36 months compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months compensation.

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members’ accumulated contributions, where interest is currently credited at 7.65 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of $500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each member’s retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ending June 30, 2018 (Measurement Date), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRA Miscellaneous Plan are based above in the Plans Description schedule.

Contributions for the year ended June 30, 2019 consisted of the following:

	Miscellaneous Plans		
Contribution Type	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Contributions – employer	$ 318,210	$ 29,744	$ 347,954
Contributions – members	110,374	27,268	137,642
Total contributions	$ 428,584	$ 57,012	$ 485,596

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement period ending June 30, 2018 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2018 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2017 Valuation was based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Note 8– Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

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

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

Investment Type	New Strategic Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.96%
Liquidity	1.00%	0.00%	-0.92%
	100.00%		

[1] An expected inflation rate-of-return of 2.0% is used for years 1 – 10.

[2] An expected inflation rate-of-return of 2.92% is used for years 11+.

Note 8– Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate for the June 30, 2018 Valuation Date as follows:

	Plan's Net Pension Liability/(Asset)		
Plan Type	**Discount Rate - 1% 6.15%**	**Current Discount Rate 7.15%**	**Discount Rate + 1% 8.15%**
CalPERS – Miscellaneous Plan	$ 4,397,129	$ 2,892,988	$ 1,651,345

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2019:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2017 (Measurement Date)	$ 10,785,543	$ 7,853,255	$ 2,932,288
Balance as of June 30, 2018 (Measurement Date)	$ 11,119,446	$ 8,226,458	$ 2,892,988
Change in Plan Net Pension Liability	$ 333,903	$ 373,203	$ (39,300)

The District's proportionate share of the net pension liability for the June 30, 2018 measurement date was as follows:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2019	**Fiscal Year Ending June 30, 2018**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2018	June 30, 2017	
Percentage of Risk Pool Net Pension Liability	0.030020%	0.029570%	0.000450%

Note 8– Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

For the year ended June 30, 2019 the District recognized pension expense/(credit) in the amounts of $558,376 for the CalPERS Miscellaneous Plan.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (EARSL) for PERF C for the measurement date ending June 30, 2018 is 3.8 years, which was obtained by dividing the total service years of 516,147 (the sum of remaining service lifetimes of the active employees) by 135,474 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

The District will recognize $347,954 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2020, as noted above.

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 347,954	$ -
Difference between actual and proportionate share of employer contributions	2,655	17,193
Adjustment due to differences in proportions	63,597	19,995
Differences between expected and actual experience	110,999	37,772
Differences between projected and actual earnings on pension plan investments	14,302	-
Changes in assumptions	329,809	80,830
Total Deferred Outflows/(Inflows) of Resources	$ 869,316	$ 155,790

Note 8– Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2020	$ 305,610
2021	179,666
2022	(93,682)
2023	(26,022)
Total	$ 365,572

Note 9 – Net Other Post-Employment Benefits Liability

Plan Description

The District has established a Retiree Healthcare Plan (Plan), an agent multiple-employer defined benefit retiree healthcare plan. The Plan provides employees who retire directly from the District, at a minimum age of 55, that are vested in their CalPERS pension benefit and commence payment of their pension benefit upon retirement with the District with the following benefits. For employees hired prior to April 1, 2014 The District’s financial obligation is to pay for the retiree and eligible dependent coverage up to a monthly maximum which is targeted at the PERS Choice Plan at the family coverage level (currently $1,857.52 and scheduled to decrease to $1,817.30 effective January 1, 2018). The District’s contribution will continue for the lifetime of the retiree and any surviving eligible spouse. For employees hired on or after April 1, 2014 the District’s contribution is 100% of the coverage level elected by the retiree up to the 100/90 State Annuitant rates multiplied by a vesting schedule. 100/90 amount is 100% of the weighted average of single coverage and 90% of the weighted average of the additional premium for two party and family coverage for the 4 PEMHCA plans with the highest State enrollment in the prior year. The 100/90 State Annuitant rates are published each year. The current 2017 monthly rates are $707 single, $1,349 two-party and $1,727 family and the 2018 monthly rates are $725 single, $1,377 two-party and $1,766 family. Vesting requires at least 5 years of CalPERS eligible service.

Employees Covered

As of the June 30, 2018 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	19
Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to, but not yet receiving benefits	-
Total	25

Note 9 – Net Other Post-Employment Benefits Obligation (Continued)

Contributions

The Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2019, the District's cash contributions were $172,589 in payments to the trust, $72,485 cash paid for benefits and the estimated implied subsidy was $11,762 resulting in total payments of $256,836. In Fiscal Year 2016, joined the California Employers' Retiree Benefit Trust (CERBT), an OPEB trust administrator and affiliate program of CalPERS, for the purpose of prefunding obligations for past services.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that was rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Salary Increases	3.00% per annum, in aggregate
Investment Rate of Return	7.00%, assuming actuarially determined contributions funded into CERBT Investment Strategy 1
Mortality Rate(1)	Derived using CalPERS' Membership Data for all funds
Pre-Retirement Turnover(2)	Derived using CalPERS' Membership Data for all funds
Healthcare Trend Rate	7.0% HMO & 7.5% PPO decreasing to 4.5% HMO & 4.5% PPO over future periods

Notes:

(1) Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

(2) The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

Note 9 – Net Other Post-Employment Benefits Obligation (Continued)

Net OPEB Liability (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Strategy 1	
Asset Class	Target Allocation	Long-Term expected real Rate of return
Global Equities	57.00%	5.50%
US Fixed Income	27.00%	2.35%
Inflation Assets	5.00%	1.50%
Commodities	3.00%	1.75%
REITs	8.00%	3.65%
Total	100.00%	

* Long-term expected rate of return is 7.00%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 9 – Net Other Post-Employment Benefits Obligation (Continued)

Changes in the OPEB Liability

The changes in the net OPEB liability for the Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net position (b)**	**Net OPEB Liability/(Asset) (c) = (a) - (b)**
Balance at June 30, 2018 *(Measurement Date June 30, 2017)*	**$ 2,534,414**	**$ 1,856,298**	**$ 678,116**
Changes recognized for the measurements period:			
Service cost	98,521	-	98,521
Interest	181,652	-	181,652
Changes of assumptions	-	-	-
Contributions - employer	-	245,243	(245,243)
Net Investment income	-	146,228	(146,228)
Benefit payments	(75,817)	(75,817)	-
Administrative expense	-	(3,450)	3,450
Net Changes	204,356	312,204	(107,848)
Balance at June 30, 2019 *(Measurement Date June 30, 2018)*	$ 2,738,770	$ 2,168,502	$ 570,268

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

1% Decrease 6.00%	**Current Discount Rate 7.00%**	**1% Increase 8.00%**
$ 979,333	$ 570,268	$ 234,946

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease	**Current Healthcare Cost Trend Rate**	**1% Increase**
	5.0% HMO & 5.5% PPO decreasing to 4.0% HMO & 4.0% PPO	6.0% HMO & 6.5% PPO decreasing to 5.0% HMO & 5.0% PPO	7.0% HMO & 7.5% PPO decreasing to 6.0% HMO & 6.0% PPO
Net OPEB Liability	$ 172,326	$ 570,268	$ 1,066,292

Note 9 – Net Other Post-Employment Benefits Obligation (Continued)

OPEB Plan Fiduciary Net Position

The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94429-2703.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

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

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

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected Average Remaining Service Lifetime (EARSL)

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

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of $134,987. As of fiscal year ended June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions made Subsequent to Measurement Date	$ 256,836	$ -
OPEB - Net Difference in Earnings on Plan Investments	-	(40,754)
Total	$ 256,836	$ (40,754)

The $40,754 reported as deferred inflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

(Financial Statement Basis) Fiscal Year Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2020	$ (12,886)
2021	(12,886)
2022	(12,886)
2023	(2,096)
Thereafter	-
Total	$ (40,754)

Note 10 – Net Investment in Capital Assets

Net investment in capital assets as of June 30, 2019 consisted of the following:

Description	June 30, 2019
Capital assets – not being depreciated	$ 2,819,033
Capital assets – being depreciated, net	43,579,018
Bonds payable – current	(890,000)
Loans payable – current	(172,473)
Loans payable – noncurrent	(2,320,470)
Unspent bond proceeds	962,166
Total net investment in capital assets	$ 43,977,274

Note 11 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2018 the District participated in the liability and property programs of the ACWA/JPIA as follows:

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

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

- Employee dishonesty coverage up to $100,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of $100 million per occurrence, subject to a $2,500 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to $50 million per occurrence, subject to various deductibles depending on the type of equipment.
- Dam failure liability coverage up to $5.0 million per occurrence; the ACWA/JPIA is self-insured up to $50,000 and excess insurance coverage has been purchased.
- Workers' compensation insurance up to California statutory limits for all work-related injuries/illnesses covered by California law. The ACWA/JPIA is self-insured up to $2.0 million and excess insurance coverage has been purchased.

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 ending June 30, 2019. Liabilities are recorded when it is probable that a loss has been incurred, and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payables as of June 30, 2019.

Note 12 – Commitments and Contingencies

Economic Dependency

The District purchases a majority of its source of supply from the Santiago Aqueduct Commission. Interruption of this source would impact the District negatively.

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and capital contributions.

Litigation

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

REQUIRED SUPPLEMENTARY INFORMATION

Trabuco Canyon Water District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability
For the Year Ended June 30, 2019

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date:	**June 30, 2018[1]**	**June 30, 2017[1]**	**June 30, 2016[1]**	**June 30, 2015[1]**	**June 30, 2014[1]**
District's Proportion of the Net Pension Liability	0.076763%	0.074380%	0.028990%	0.029498%	0.024334%
District's Proportionate Share of the Net Pension Liability	$ 2,892,988	$ 2,932,288	$ 2,508,531	$ 2,024,702	$ 1,514,199
District's Covered Payroll	$ 1,688,233	$ 1,650,240	$ 1,718,534	$ 1,668,480	$ 1,619,883
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	171.36%	177.69%	145.97%	121.35%	93.48%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	73.98%	74.06%	74.06%	76.75%	83.03%

[1] Historical information is required only for measurement periods for which GASB No. 68 is applicable.

Summary of Changes of Benefits or Assumptions:
Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool.

Changes in Assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Trabuco Canyon Water District
Required Supplementary Information (Unaudited)
Schedule of the District's Contributions to the Pension Plan
For the Year Ended June 30, 2019

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year:	**2018-19[1]**	**2017-18[1]**	**2016-17[1]**	**2015-16[1]**	**2014-15[1]**	**2013-14[1]**
Actuarially Determined Contribution[2]	$ 347,954	$ 301,990	$ 278,521	$ 264,450	$ 265,436	$ 255,864
Contribution in Relation to the Actuarially Determined Contribution[2]	(347,954)	(301,990)	(278,521)	(264,450)	(265,436)	(255,864)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
District''s Covered Payroll	$ 1,768,682	$ 1,688,233	$ 1,650,240	$ 1,718,534	$ 1,668,479	$ 1,619,883
Contributions as a Percentage of Covered Payroll	19.67%	17.89%	16.88%	15.39%	15.91%	15.80%

[1] Historical information is required only for measurement periods for which GASB No. 68 is applicable.

Notes to schedule:
The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ended June 30, 2019 were from the June 30, 2016 pubic agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level of Percent of Payroll
Actuarual Assumptions	
Discount Rate	7.375%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increases	Contract COLA up to 2.75% until Purchasing Power Protection Floor On Purchasing Power applies, 2.75% thereafter

The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

Changes in assumptions. On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three year phase-in beginning with the June 30, 2016 actuarial valuations.

Trabuco Canyon Water District
Schedule of Changes in Net OPEB Liability and Related Ratios
for the Measurement Periods Ended June 30

Measurement Period	2018	2017
Total OPEB Liability		
Service cost	$ 98,521	$ 92,077
Interest on the total OPEB liability	181,652	167,849
Actual and expected experience difference	-	-
Changes in assumptions	-	-
Changes in benefit terms	-	-
Benefit payments	(75,817)	(62,564)
Net change in total OPEB liability	204,356	197,362
Total OPEB liability - beginning	2,534,414	2,337,052
Total OPEB liability - ending (a)	$ 2,738,770	$ 2,534,414
Plan Fiduciary Net Position		
Contribution - employer	$ 245,243	$ 175,489
Net investment income	146,228	168,197
Benefit payments	(75,817)	(62,564)
Administrative expense	(993)	(852)
Other expense	(2,457)	-
Net change in plan fiduciary net position	312,204	280,270
Plan fiduciary net position - beginning	1,856,298	1,576,028
Plan fiduciary net position - ending (b)	$ 2,168,502	$ 1,856,298
Net OPEB liability - ending (a)-(b)	$ 570,268	$ 678,116
Plan fiduciary net position as a percentage of the total OPEB liability	79.18%	73.24%
Covered-employee payroll	$ 1,668,352	$ 1,688,233
Net OPEB liability as a percentage of covered-employee payroll	34.18%	40.17%

Notes to Schedule:

Changes in assumptions. The discount rate was changed from 7.28 percent (net of administrative expense) to 7.00 percent for the measurement period ended June 30, 2017.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.