

LAKESIDE WATER DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013



Leaf & Cole, LLP
Certified Public Accountants

**LAKESIDE WATER DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 6
Statements of Net Position	7 - 8
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows	10 - 11
Notes to Financial Statements	12 - 27
Supplementary Information: Schedule of Funding Progress for the Retiree Health Plan	28



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Steven W. Northcote, C.P.A.
Michael S. Schreiberman, C.P.A.
Michael J. Zizzi, C.P.A.
Julie A. Firl, C.P.A.
Nicholas M. Gines, C.P.A.

Members
American Institute of Certified Public Accountants
California Society of Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Lakeside Water District
10375 Vine Street
Lakeside, California 92040

Report on Financial Statements

We have audited the accompanying financial statements of Lakeside Water District, which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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 State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lakeside Water District, as of June 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress for the retiree health plan on pages 3 - 6 and 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 on inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

Leaf & Cole LLP

San Diego, California
October 17, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of the Lakeside Water District ("District") provides an overview of the District's financial activities for the year ended June 30, 2014. Please read it in conjunction with the District's financial statements which begin on page 7.

Financial Statements

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

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

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

- Net Investment in Capital Assets
- Restricted Net Position
- Unrestricted Net Position

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

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

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

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

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

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights

- The District's net position increased by \$955,753 to \$30,518,008.
- The District's total revenues increased from \$7,935,628 for the year ended June 30, 2013, to \$8,734,196 for the year ended June 30, 2014. The increase in water sales accounts for the majority of the increase.
- The District's total expenses decreased from \$10,656,613 for the year ended June 30, 2013 to \$7,825,743 for the year ended June 30, 2014. The loss from transferring the County Water Authority Connection to the San Diego County Water Authority (SDCWA) in the prior year accounts for the majority of the decrease.
- In 2013, the District transferred \$541,437 to CalPERS to pay off a side fund created when agencies with like pension formulas were pooled. This prepaid CalPERS contribution is being amortized over a six year period. Amortization expense related to this asset was \$90,240 and \$-0- for the years ended June 30, 2014 and 2013, respectively.

Financial Analysis of the District

Net Position

The following is a summary of the District's statement of net position at June 30:

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<u>Assets:</u>				
Current and other assets	\$ 21,510,055	\$ 20,074,481	\$ 1,435,574	7.15
Capital assets, net	<u>10,583,909</u>	<u>10,335,568</u>	<u>248,341</u>	2.40
Total Assets	<u>\$ 32,093,964</u>	<u>\$ 30,410,049</u>	<u>\$ 1,683,915</u>	5.54
<u>Liabilities:</u>				
Current liabilities	1,350,051	706,647	643,404	91.05
Noncurrent liabilities	<u>225,905</u>	<u>141,147</u>	<u>84,758</u>	60.05
Total liabilities	<u>\$ 1,575,956</u>	<u>\$ 847,794</u>	<u>\$ 728,162</u>	85.89
<u>Net Position:</u>				
Net investment in capital assets	10,583,989	10,335,568	248,421	2.40
Unrestricted	<u>19,934,019</u>	<u>19,226,687</u>	<u>707,332</u>	3.68
Total Net Position	<u>\$ 30,518,008</u>	<u>\$ 29,562,255</u>	<u>\$ 955,753</u>	3.23

As you can see from the table above, net position increased by \$955,753 from fiscal year 2013 to 2014. You will note that most of the change occurred in unrestricted net position, which increased \$707,332 in fiscal year 2014. This increase is the result of the nonoperating revenues such as taxes and assessments exceeding the loss from operations.

Net investment in capital assets increased \$248,341 due to amounts invested in capital assets exceeding depreciation expense in the current year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues, Expenses and Changes in Net Assets

The following is a summary of the District's revenues, expenses and changes in net position for the years ended June 30:

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<u>Revenues:</u>				
Operating revenues	\$ 7,708,049	\$ 7,055,640	\$ 652,409	9.25
Nonoperating revenues	813,549	776,252	37,297	4.80
Capital contributions	259,898	103,736	156,162	150.54
Total Revenues	<u>8,781,496</u>	<u>7,935,628</u>	<u>845,868</u>	10.66
<u>Expenses:</u>				
Depreciation expense	475,910	465,423	10,487	2.25
Other operating expenses	7,349,833	6,748,174	601,659	8.92
Nonoperating expense	-	3,443,016	(3,443,016)	(100.00)
Total Expenses	<u>7,825,743</u>	<u>10,656,613</u>	<u>(2,830,870)</u>	(26.56)
Change in Net Position	955,753	(2,720,985)	3,676,738	135.13
Net Position at Beginning of Year	<u>29,562,255</u>	<u>32,283,240</u>	<u>(2,720,985)</u>	(8.43)
Net Position at End of Year	<u>\$ 30,518,008</u>	<u>\$ 29,562,255</u>	<u>\$ 955,753</u>	3.23

A closer examination of the source of changes in net position reveals that the District's operating revenues increased by \$652,409 in fiscal year 2014. Nonoperating revenues increased by \$37,297 in fiscal year 2014 due to an increase in rent income. Operating expenses, exclusive of depreciation, increased \$601,659 in fiscal year 2014 due to the increase in cost of water from the SDCWA as well as an increase in the volume of water sold.

Capital Assets

Capital assets consist of the following at June 30:

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 138,659	\$ 138,659	\$ -	-
Construction in progress	600,116	571,187	28,929	5.06
Total Capital Assets Not Being Depreciated	<u>\$ 738,775</u>	<u>\$ 709,846</u>	<u>\$ 28,929</u>	4.08

MANAGEMENT'S DISCUSSION AND ANALYSIS

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<u>Capital Assets Being Depreciated:</u>				
Pumping plant and distribution	\$ 18,126,643	\$ 17,519,321	\$ 607,322	3.47
Building and land improvements	610,415	606,238	4,177	0.69
Water development and treatment plant	2,109,903	2,109,903	-	-
Equipment	402,098	395,046	7,052	1.79
Autos and trucks	291,515	227,182	64,333	2.83
Office equipment	<u>86,188</u>	<u>88,251</u>	<u>(2,063)</u>	<u>(2.34)</u>
Total Capital Assets Being Depreciated	21,626,762	20,945,941	680,821	3.25
Less: Accumulated Depreciation	<u>(11,781,628)</u>	<u>(11,320,219)</u>	<u>(461,409)</u>	<u>(4.08)</u>
Net Capital Assets Being Depreciated	<u>9,845,134</u>	<u>9,625,722</u>	<u>219,412</u>	<u>2.28</u>
 Net Capital Assets	 <u><u>\$ 10,583,909</u></u>	 <u><u>\$ 10,335,568</u></u>	 <u><u>\$ 248,341</u></u>	 <u>2.40</u>

Capital assets, net of accumulated depreciation, increased \$248,341 for the year ended June 30, 2014. Capital asset additions consisted of the Oak Creek pipeline, the Valle Vista pipeline replacements and a Ford F-650 truck.

Economic Factors and Future Rates and Budgets

Imported water expense has continued to increase and another large increase is anticipated during the year ended June 30, 2016 as a result of costs related to the Carlsbad Desalination Plant. The average cost per acre foot of water has increased from \$1,139 in 2012, to \$1,226 in 2013, and \$1,314 in 2014. Imported water cost is estimated to be \$1,404 per acre foot in 2015. To minimize the impact of the rising cost of imported water, the District has utilized local well production for about 12% to 17% of its water needs. Well water is produced at an estimated cost of \$277 per acre foot on average. Well production is estimated to have saved the District \$572,000 in 2014 and \$555,000 in 2013.

Metropolitan Water District of Southern California and The San Diego County Water Authority (SDCWA) had mandated water use restrictions as of July 2009 resulting in water sales reductions and a potential revenue loss. These restrictions were lifted effective May 2011, leading to increased water sales during the fiscal years ended June 30, 2012 and 2013. Future water restrictions are possible for 2015 as the region is currently experiencing its third consecutive year with below normal rainfall. If water use restrictions are placed on the District, sales revenue could be reduced.

Beginning July 1, 2014, the District's contributions on behalf of the employee's annual required contributions to the California Public Employees Retirement System will be reduced from 2% to zero.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages. If you have any questions about this report or need additional financial information, contact the Lakeside Water District's office at 10375 Vine Street, Lakeside, California, 92040, (619) 443-3805.

**LAKESIDE WATER DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013**

ASSETS

	<u>2014</u>	<u>2013</u>
<u>Current Assets:</u> (Notes 1, 2, 3 and 5)		
Cash and cash equivalents	\$ 460,397	\$ 326,220
Investments	18,757,388	17,314,982
Accounts receivable, net	1,384,557	1,391,283
Accrued interest receivable	35,671	37,548
Taxes receivable	6,075	5,523
Inventory	113,208	113,524
Prepaid expenses	27,050	8,123
Prepaid PERS contribution	90,240	90,240
Current portion of due from Padre Dam Water District	44,800	44,800
Total Current Assets	<u>20,919,386</u>	<u>19,332,243</u>
 <u>Noncurrent Assets:</u>		
<u>Capital Assets:</u> (Notes 1 and 4)		
Nondepreciable	738,775	709,846
Depreciable, net of accumulated depreciation	9,845,134	9,625,722
Total Capital Assets, net	<u>10,583,909</u>	<u>10,335,568</u>
 <u>Other Noncurrent Assets:</u> (Notes 1, 3, 5 and 7)		
Due from Padre Dam Water District, net of current portion	44,800	89,600
Prepaid PERS contribution	360,957	451,197
Net OPEB asset	184,912	201,441
Total Other Noncurrent Assets	<u>590,669</u>	<u>742,238</u>
 Total Noncurrent Assets	<u>11,174,578</u>	<u>11,077,806</u>
 TOTAL ASSETS	 <u>\$ 32,093,964</u>	 <u>\$ 30,410,049</u>

(Continued)

The accompanying notes are an integral part of the financial statements.

**LAKESIDE WATER DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2014 AND 2013**

LIABILITIES

	<u>2014</u>	<u>2013</u>
<u>Current Liabilities:</u> (Notes 1 and 7)		
Accounts payable	\$ 1,291,687	\$ 655,847
Prepaid rent	4,994	-
Compensated absences	53,370	50,800
Total Current Liabilities	<u>1,350,051</u>	<u>706,647</u>
 <u>Noncurrent Liabilities:</u> (Notes 1 and 7)		
Compensated absences	75,664	65,047
Customer deposits	150,241	76,100
Total Noncurrent Liabilities	<u>225,905</u>	<u>141,147</u>
Total Liabilities	<u>1,575,956</u>	<u>847,794</u>
 <u>Commitments and Contingencies</u> (Notes 8, 9 and 10)		
 <u>NET POSITION:</u>		
Net investment in capital assets	10,583,989	10,335,568
Unrestricted	19,934,019	19,226,687
Total Net Position	<u>\$ 30,518,008</u>	<u>\$ 29,562,255</u>

The accompanying notes are an integral part of the financial statements.

LAKESIDE WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>Operating Revenues:</u>		
Water sales	\$ 7,384,140	\$ 6,733,119
Infrastructure access fee	258,439	255,320
Installation and service fees	58,441	60,948
Other operating revenues	7,029	6,253
Total Operating Revenues	<u>7,708,049</u>	<u>7,055,640</u>
<u>Operating Expenses:</u>		
Source of supply	5,201,312	4,744,752
Transmission and distribution	860,327	876,477
General and administrative	736,535	687,543
Depreciation	475,910	465,423
Pumping	276,971	230,223
Customer accounts	137,555	128,325
Water treatment	137,133	80,854
Total Operating Expenses	<u>7,825,743</u>	<u>7,213,597</u>
Operating Loss	<u>(117,694)</u>	<u>(157,957)</u>
<u>Nonoperating Revenues and (Expenses):</u>		
Taxes and assessments	414,525	415,154
Investment income	222,388	219,703
Rent income	176,636	141,395
Loss on disposal of capital assets	-	(3,443,016)
Total Nonoperating Revenues and (Expenses)	<u>813,549</u>	<u>(2,666,764)</u>
Income (Loss) Before Capital Contributions	695,855	(2,824,721)
Capital Contributions	<u>259,898</u>	<u>103,736</u>
Change in Net Position	955,753	(2,720,985)
Net Position at Beginning of Year	<u>29,562,255</u>	<u>32,283,240</u>
NET POSITION AT END OF YEAR	<u><u>\$ 30,518,008</u></u>	<u><u>\$ 29,562,255</u></u>

The accompanying notes are an integral part of the financial statements.

**LAKESIDE WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<u>Cash Flow From Operating Activities:</u>		
Receipts from customers	\$ 7,781,887	\$ 6,808,861
Payments to suppliers	(5,507,277)	(5,916,279)
Payment to employees	(1,105,371)	(1,346,697)
Other operating revenues	7,029	6,253
Net Cash Provided by (Used in) Operating Activities	<u>1,176,268</u>	<u>(447,862)</u>
<u>Cash Flow From Noncapital Financing Activities:</u>		
Cash received from rent	181,630	141,395
Proceeds from taxes, assessments, and annexation fees	413,973	447,541
Due from Padre Dam Water District	44,800	44,800
Net Cash Provided by Noncapital Financing Activities	<u>640,403</u>	<u>633,736</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(724,251)	(684,022)
Proceeds from capital contributions	259,898	103,736
Net Cash Used in Capital and Related Financing Activities	<u>(464,353)</u>	<u>(580,286)</u>
<u>Cash Flows From Investing Activities:</u>		
Proceeds from sale and maturities of investments	6,157,865	8,174,142
Purchase of investments	(7,628,092)	(9,242,154)
Investment income	252,086	283,969
Net Cash Used in Investing Activities	<u>(1,218,141)</u>	<u>(784,043)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	134,177	(1,178,455)
Cash and Cash Equivalents at Beginning of Year	<u>326,220</u>	<u>1,504,675</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 460,397</u></u>	<u><u>\$ 326,220</u></u>

(Continued)

The accompanying notes are an integral part of the financial statements.

**LAKESIDE WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<u>Reconciliation of Operating Loss to Net Cash</u>		
<u>Provided by (Used in) Operating Activities:</u>		
Operating loss	\$ (117,694)	\$ (157,957)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	475,910	465,423
(Increase) Decrease in:		
Accounts receivable, net	6,726	(264,675)
Inventory	316	(9,222)
Prepaid expenses	(18,927)	20,048
Prepaid PERS contribution	90,240	(541,437)
Net OPEB asset	16,529	18,394
(Decrease) Increase in:		
Accounts payable	635,840	105,984
Compensated absences	13,187	(108,569)
Customer deposits	74,141	24,149
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,176,268</u>	<u>\$ (447,862)</u>
<u>Supplemental Disclosures of Cash Flow Information:</u>		
Net unrealized loss (gain) on investments	<u>\$ 27,821</u>	<u>\$ 53,227</u>
Loss on disposal of capital assets	<u>\$ -</u>	<u>\$ 3,443,016</u>

The accompanying notes are an integral part of the financial statements.

**LAKESIDE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 1 - Organization and Significant Accounting Policies:

Organization

Lakeside Water District (the “District”) was established in 1924 pursuant to the irrigation section of the California Water Code for the purpose of supplying water services to properties in the District. Effective November 16, 2006, the Riverview Water District was merged with the District.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Cod. Sec. 2100 “Defining the Financial Reporting Entity”. The District is the primary government unit. Component units are those entities, which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit’s board, or because the component unit will provide a financial benefit or impose a financial burden on the District. The District has no component units.

Significant Accounting Policies

A summary of the District’s significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Method of Accounting

The District utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, the statements of net position and the statements of revenues, expenses and changes in net position have been prepared using the economic resources measurement focus and the accrual basis of accounting.

The District has not elected to apply the option allowed in GASB Cod. Sec. P80.103, “Proprietary Fund Accounting and Financial Reporting” and as a consequence will continue to apply GASB statements and interpretations.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The District recognizes revenues from water sales, infrastructure access fees, installation and service fees, and other operating revenues when they are earned. Operating activities generally result from providing services and producing and delivering goods. As such, the District considers fees received from water sales, infrastructure access fees, and installation and service fees to be operating revenues.

**LAKESIDE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Investments

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

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. The allowance for doubtful accounts totaled \$52,000 and \$12,800 at June 30, 2014 and 2013, respectively.

Taxes and Assessments

Property taxes and assessments are billed by the County of San Diego to property owners. The District's property tax calendar for the fiscal year ended June 30, 2014, was as follows:

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

The County collects the taxes from the property owners and remits the funds to the District periodically during the year. The District has an arrangement with the County whereby the County remits taxes which are delinquent as of each June 30 to the District in exchange for the right to retain the delinquent taxes, penalties, and interest when these amounts are subsequently collected.

Inventory

Inventory consists primarily of materials used in the construction and maintenance of capital assets and is valued at the lower of cost or market using the first-in, first-out (FIFO) method.

**LAKESIDE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Capital Assets

Capital assets purchased or acquired with a cost exceeding \$1,000 and an estimated useful life more than one year are reported at historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is calculated on the straight-line method over the following estimated useful lives:

Pumping plant and distribution	10 - 60 years
Building and land improvements	10 - 50 years
Water development and treatment plant	25 - 40 years
Equipment	5 - 10 years
Auto and trucks	5 - 10 years
Office equipment	3 - 10 years

Depreciation aggregated \$475,910 and \$465,423 for the years ended June 30, 2014 and 2013, respectively.

Compensated Absences

Accumulated unpaid vacation and sick leave totaling \$129,034 and \$115,847 is accrued when incurred and included in current and noncurrent liabilities at June 30, 2014 and 2013, respectively.

Risk Management

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Authority). The Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of the 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, 2014, the District participated in the self-insurance programs of the Authority as follows:

Property Loss - Insured up to \$100,000,000 per occurrence (total insurable value \$1,377,021 with \$1,000 deductible for buildings, personal property, fixed equipment and mobile equipment and \$500 for licensed vehicles. The Authority is self-insured up to \$100,000 per occurrence and excess insurance coverage has been purchased.

General and Auto Liability - Insured up to \$60,000,000 per occurrence; the Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased. The general and auto liability program has no deductible.

Public Officials' Liability - Insured up to \$60,000,000 per occurrence; the Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased.

**LAKESIDE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Risk Management (Continued)

Fidelity Bond - Insured up to \$100,000 per occurrence with a \$1,000 deductible.

Workers' Compensation - Insured up to the statutory limits; the Authority is self-insured up to \$2 million and excess insurance coverage has been purchased. Employer's liability is insured up to \$4,000,000; the Authority is self-insured up to \$2 million and excess insurance coverage has been purchased.

The District pays annual premiums for this coverage. They are subject to retrospective adjustments based on claims experienced. The nature and amounts of the adjustments cannot be estimated and are charged to expense as invoiced. The District's insurance expense was \$15,489 and \$32,590 for the years ended June 30, 2014 and 2013 respectively. There were no instances in the past three years where a settlement exceeded the District's coverage.

Economic Dependency

The District purchases approximately 87% of its water from the San Diego County Water Authority. Interruption of this source would impact the District negatively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all investment instruments purchased with a maturity of three months or less to be cash.

Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through October 17, 2014, the date the financial statements were available to be issued.

**LAKESIDE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 2 - Cash and Investments:

Investment 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. 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 the District rather than the general provision of the California Government Code or the District's investment policy:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Quality Requirements</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations	5 years	None	None
California Local Agency Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances *	180 days	40%	None
Commercial Paper *	270 days	25%	A1
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements *	1 year	None	None
Reverse Repurchase Agreements *	92 days	20%	None
Medium-Term Notes *	5 years	30%	A Rating
Mutual Funds	N/A	20%	Multiple
Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities *	5 years	20%	AA Rating
Time Deposits	5 years	None	None
California Local Agency Investment Fund (LAIF)	5 years	None	None
County Pooled Investment Funds	N/A	None	None

* Requires consent of the Board of Directors before investing District funds.

The District's investment policy is more restrictive than the California Government Code. The District limits the percentage of its portfolio that can be invested in bankers acceptances, commercial paper, mutual funds, and money market mutual funds.

**LAKESIDE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 2 - Cash and Investments: (Continued)

Cash and investments held by the District were comprised of the following at June 30:

	<u>Maturity in Years</u>		<u>2014 Total</u>	<u>2013 Total</u>
	<u>One Year or Less</u>	<u>1 - 5 Years</u>		
Cash on hand	\$ 800	\$ -	\$ 800	\$ 800
California Local Agency Investment Fund (LAIF)	7,181	-	7,181	7,164
Deposits with financial institutions	452,416	-	452,416	318,256
U.S. Agency Securities	-	6,075,719	6,075,719	3,663,077
Time Deposits	<u>2,306,369</u>	<u>10,375,300</u>	<u>12,681,669</u>	<u>13,651,905</u>
Total Cash and Investments	<u>\$ 2,766,766</u>	<u>\$ 16,451,019</u>	<u>\$ 19,217,785</u>	<u>\$ 17,641,202</u>

	<u>2014</u>	<u>2013</u>
Financial Statement Classification:		
Cash and cash equivalents	\$ 460,397	\$ 326,220
Investments	<u>18,757,388</u>	<u>17,314,982</u>
Total Cash and Investments	<u>\$ 19,217,785</u>	<u>\$ 17,641,202</u>

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. The district manages its exposure to interest rate risk 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 over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided in the previous table that shows the distribution of the District's investments by maturity as of June 30, 2013.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of the year for each investment type.

	<u>Rating as of Year End Standard & Poor's</u>
California Local Agency Investment Fund (LAIF)	Not Rated
U.S. Agency Securities	AA+
Time Deposits	Not Rated

**LAKESIDE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 2 - Cash and Investments: (Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude to the District's investment in a single issue.

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. At June 30, 2014, reportable investments representing more than 5% of the District's investment portfolio are as follows:

U.S. Agency Securities:		
Federal Home Loan Bank	\$ 1,814,568	10%
Federal Home Loan Mortgage Corporation	\$ 1,536,997	8%
Federal Farm Credit Banks	\$ 1,476,498	8%
Federal National Mortgage Association	\$ 1,135,900	6%

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 counter-party (e.g., broker-dealer) the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local 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 be 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, 2014, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. The District's U.S. agency securities investments were held by the same broker dealer (counter party) that was used by the District to purchase the securities.

Investment in State Investment Pool

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

**LAKESIDE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 2 - Cash and Investments: (Continued)

Investment in State Investment Pool

The statements of cash flows have been prepared by considering all investment instruments purchased with a maturity of three months or less to be cash equivalents. Following is a detail:

	<u>2014</u>	<u>2013</u>
California Local Agency Investment Fund (LAIF)	\$ 7,181	\$ 7,164
Deposits with financial institutions	452,416	318,256
Cash on hand	800	800
	<u>\$ 460,397</u>	<u>\$ 326,220</u>

Note 3 - Due from Padre Dam Water District:

The District had a wholesale agreement with Padre Dam Municipal Water District (Padre Dam). Effective November 16, 2006, the District detached from Padre Dam. Per the detachment agreement, Padre Dam is to make ten annual payments to the District of \$44,800. The following is summary of activity for the year ended June 30, 2014:

	2014				
	Balance June 30, 2013	Additions	Payments	Balance June 30, 2014	Due Within One Year
Due from Padre Dam	\$ 134,400	\$ -	\$ 44,800	\$ 89,600	\$ 44,800
	2013				
	Balance June 30, 2012	Additions	Payments	Balance June 30, 2013	Due Within One Year
Due from Padre Dam	\$ 179,200	\$ -	\$ 44,800	\$ 134,400	\$ 44,800

**LAKESIDE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 4 - Capital Assets:

Capital assets consist of the following at June 30:

	2014			
	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Capital Assets Not Being Depreciated:				
Land	\$ 138,659	\$ -	\$ -	\$ 138,659
Construction in progress	571,187	626,531	(597,602)	600,116
Total Capital Assets not Being Depreciated	<u>\$ 709,846</u>	<u>\$ 626,531</u>	<u>\$ (597,602)</u>	<u>\$ 738,775</u>
Capital Assets Being Depreciated:				
Pumping plant and distribution	\$ 17,519,321	\$ 609,826	\$ (2,504)	\$ 18,126,643
Building and land improvements	606,238	4,177	-	610,415
Water development and treatment plant	2,109,903	-	-	2,109,903
Equipment	395,047	7,051	-	402,098
Autos and trucks	227,181	64,334	-	291,515
Office equipment	88,251	9,934	(11,997)	86,188
Total Capital Assets Being Depreciated	20,945,941	695,322	(14,501)	21,626,762
Less: Accumulated depreciation	(11,320,219)	(475,910)	14,501	(11,781,628)
Net Capital Assets being Depreciated	<u>9,625,722</u>	<u>219,412</u>	<u>-</u>	<u>9,845,134</u>
Net Capital Assets	<u>\$ 10,335,568</u>	<u>\$ 845,943</u>	<u>\$ (597,602)</u>	<u>\$ 10,583,909</u>

	2013			
	Balance <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2013</u>
Capital Assets Not Being Depreciated:				
Land	\$ 138,659	\$ -	\$ -	\$ 138,659
Construction in progress	79,706	583,874	(92,393)	571,187
Total Capital Assets not Being Depreciated	<u>\$ 218,365</u>	<u>\$ 583,874</u>	<u>\$ (92,393)</u>	<u>\$ 709,846</u>
Capital Assets Being Depreciated:				
Pumping plant and distribution	\$ 20,984,225	\$ 79,629	\$ (3,544,533)	\$ 17,519,321
Building and land improvements	606,238	-	-	606,238
Water development and treatment plant	2,109,903	-	-	2,109,903
Equipment	311,557	96,156	(12,666)	395,047
Autos and trucks	240,550	14,933	(28,302)	227,181
Office equipment	83,252	4,999	-	88,251
Total Capital Assets Being Depreciated	24,335,725	195,717	(3,585,501)	20,945,941
Less: Accumulated depreciation	(10,994,105)	(465,423)	139,309	(11,320,219)
Net Capital Assets being Depreciated	<u>13,341,620</u>	<u>(269,706)</u>	<u>(3,446,192)</u>	<u>9,625,722</u>
Net Capital Assets	<u>\$ 13,559,985</u>	<u>\$ 314,168</u>	<u>\$ (3,538,585)</u>	<u>\$ 10,335,568</u>

**LAKESIDE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 5 - Prepaid PERS Contribution:

During the year ended June 30, 2013, the District prepaid the accumulated PERS side fund liability resulting from risk pooling as of June 30, 2003, valued at \$541,437. This value was determined based on a valuation as of June 30, 2012. The prepayment is amortizable over a six year period and will result in a decrease to the District's PERS employer contribution rate. The following is a detail:

	2014				
	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Prepaid PERS contributions	\$ 541,437	\$ -	\$ (90,240)	\$ 451,197	\$ 90,240

	2013				
	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Prepaid PERS contributions	\$ -	\$ 541,437	\$ -	\$ 541,437	\$ 90,240

Note 6 - Noncurrent Liabilities:

Noncurrent liabilities consist of the following at June 30:

	2014				
	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Compensated absences	\$ 115,847	\$ 464,785	\$ (451,598)	\$ 129,034	\$ 53,370
Customer deposits	76,100	84,501	(10,360)	150,241	-
	<u>\$ 191,947</u>	<u>\$ 549,286</u>	<u>\$ (461,958)</u>	<u>\$ 279,275</u>	<u>\$ 53,370</u>

	2013				
	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Compensated absences	\$ 224,416	\$ 129,958	\$ (238,527)	\$ 115,847	\$ 50,800
Customer deposits	51,951	29,710	(5,561)	76,100	-
	<u>\$ 276,367</u>	<u>\$ 159,668</u>	<u>\$ (244,088)</u>	<u>\$ 191,947</u>	<u>\$ 50,800</u>

**LAKESIDE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 7 - Postretirement Benefits:

Plan Description

The Lakeside Water District administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides limited full coverage until age 65, and then provides lifetime annual limited payments to supplement government Medicare coverage for eligible retirees and their spouses through the District’s group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the District and the bargaining units representing the employees. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy

Contribution requirements also are negotiated between the District and the bargaining units. The District contributes 100% of the employees and 50% of spouse’s current-year premiums for eligible retired plan members and their spouses. The District contributed \$7,571 and \$6,991 for the years ended June 30, 2014 and 2013, respectively.

Annual OPEB Cost and Net OPEB Asset

The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Cod. Sec. P50.132 “Postemployment Benefits Other Than Pension Benefits - Employer Reporting”. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District’s Board of Directors established a net OPEB asset in the amount of \$287,436 during fiscal year 2010 and has been funding the ARC from that asset. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, including benefits paid to retirees, and changes in the District’s net OPEB obligation for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 15,884	\$ 17,712
Interest on net OPEB obligation	645	682
Annual OPEB cost	<u>16,529</u>	<u>18,394</u>
Contributions made	-	-
Increase in net OPEB obligation (asset)	<u>16,529</u>	<u>18,394</u>
Net OPEB obligation (asset) at beginning of year	<u>(201,441)</u>	<u>(219,835)</u>
Net OPEB obligation (asset) at end of year	<u><u>\$ (184,912)</u></u>	<u><u>\$ (201,441)</u></u>

**LAKESIDE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 7 - Postretirement Benefits: (Continued)

Annual OPEB Cost and Net OPEB Asset (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014 and the two preceding fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2012	\$ 19,582	100%	\$ (219,835)
June 30, 2013	18,394	100%	(201,441)
June 30, 2014	16,529	100%	(184,912)

Funded Status and Funding Progress

The actuarial accrued liability for benefits was \$171,033 and \$181,034 at June 30, 2014 and 2013, respectively, all of which was funded. The covered payroll (annual payroll of active employees covered by the plan) was \$675,886 and \$587,309 for the years ended June 30, 2014 and 2013, respectively.

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

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

Retirement Age for Active Employees

Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

**LAKESIDE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 7 - Postretirement Benefits: (Continued)

Methods and Assumptions (Continued)

Marital Status

Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality

Life expectancies were based on mortality tables from the National Center for Health Statistics. The United States Life Tables for Males and for Females were used.

Turnover

Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare Cost Trend Rate

The expected rate of increase in healthcare insurance premiums was based on internal projections. A rate of 4.0 percent was used.

Health Insurance Premiums

For the years ended June 30, 2014 and 2013, health insurance premiums were limited to \$3,000 as a basis for calculating the present value of total benefits to be paid after employees reach the age of 65.

Inflation Rate

The expected long-term inflation assumption of 3.3 percent was based on recent experience.

Payroll Growth Rate

The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the District's investment portfolio, a discount rate of 7.06 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was thirty years.

**LAKESIDE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 8 - Defined Benefit Pension Plan:

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer defined benefit pension plan. The District participates in the Miscellaneous 3.0% at 60 Risk Pool and a 1.5% at 65 Risk Pool plan for new employees (hired after January 1, 2013). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the state of California. CalPERS requires agencies with less than 100 active members in the plan to participate in a risk pool. A menu of benefits provisions as well as other requirements is established by State Statutes within the Public Employees Retirement Law. The plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS executive office - 400 P Street - Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 8% of their annual covered salary. The District makes 2% of the contributions required of District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate. The required employer contribution rate for the fiscal years ended June 30, 2014 and 2013 was 28.116% and 27.705%, respectively. The contribution requirements of the plan members and the District are established and may be amended by CalPERS. The District's contributions for the years ended June 30, 2014, 2013 and 2012 were \$196,252, \$180,234 and \$254,129, respectively, which were equal to the required contributions each year.

Note 9 - Commitments and Contingencies:

In the opinion of District counsel and management, the District had no material claims which would require loss provision in the financial statements at June 30, 2014 and 2013, respectively.

**LAKESIDE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 10 - New Governmental Accounting Standards:

GASB No. 66

In March 2012, the Governmental Accounting Standards Board issued Statement No. 66, "Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62". This pronouncement is effective for periods beginning after December 15, 2012. This statement resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". This Statement amends Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) service fee rate. These changes clarify how to apply Statement No. 13, "Accounting for Operating Leases with Scheduled Rent Increases", and result in guidance that is consistent with the requirements in Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", respectively. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

GASB No. 67

In June 2012, the Governmental Accounting Standards Board issued Statement No. 67, "Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25". This pronouncement is effective for periods beginning after June 15, 2013. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans", and No. 50, "Pension Disclosures", as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

GASB No. 68

In June 2012, the Governmental Accounting Standards Board issued Statement No. 68, "Accounting and Financial Reporting for Pensions". This pronouncement is effective for periods beginning after June 15, 2013. This pronouncement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans, as well as for nonemployer governments that have a legal obligation to contribute to those plans. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

**LAKESIDE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 10 - New Governmental Accounting Standards: (Continued)

GASB No. 69

In January 2013, The Governmental Accounting Standard Board issued Statement No. 69, “Government Combinations and Disposals of Government Operations.” This pronouncement is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and should be applied on a prospective basis. Earlier application is encouraged. This statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, this statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. This pronouncement is not anticipated to have a material effect on the financial statements of the District in the year of implementation.

GASB No. 70

In April 2013, The Governmental Accounting Standard Board issued Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.” This pronouncement is effective for financial reporting periods beginning after June 15, 2013. Earlier application is encouraged. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that the government will be required to make a payment on the guarantee. The Government that issued the obligation guaranteed in a nonexchange transaction should recognize revenue to the extent that its guaranteed obligations have been reduced. If that government is required to repay a guarantor for making a payment, they should continue to reflect the liability until legally released as an obligor. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 71

In November 2013, The Governmental Accounting Standards Board issue Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68. This pronouncement is effective simultaneously with the implementation of Statement 68. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

**LAKESIDE WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE RETIREE HEALTH PLAN**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Simplified Entry Age	Unfunded AAL (UALL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2010	\$ 287,436	\$ 287,436	-	100%	\$ 653,279	-
June 30, 2011	356,382	194,443	-	100%	716,375	-
June 30, 2012	353,824	194,443	-	100%	734,732	-
June 30, 2013	384,634	181,034	-	100%	587,309	-
June 30, 2014	377,643	171,033	-	100%	675,886	-