LAKESIDE WATER DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Leaf & Cole, LLP
Certified Public Accountants

LAKESIDE WATER DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

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, 2018 and 2017, 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 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 opinion.

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Opinion

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, 2018 and 2017, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As described in Note 10 to the financial statements, the District changed its method of accounting and financial reporting for postemployment benefits other than pensions in order to conform with "Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Our report is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required supplementary information on pages 37 to 41, as identified in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 audits 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
November 26, 2018

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 years ended June 30, 2018 and 2017. 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 difference reported as net position. Net position may be displayed in three 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 its liquidity and financial flexibility.

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 $491,495 to $36,706,398 for the year ended June 30, 2018.
- The District's operating revenues totaled $7,688,040 for the year ended June 30, 2018, an increase of $723,836. Water sales increased in continued response to the end of the drought which allowed for increased sales of water.
- The District's operating expenses totaled $7,938,035 for the year ended June 30, 2018, an increase of $566,548 from prior year. The 9% increase in source of supply represents 74% of this increase and would be anticipated based upon the increase in water sales.

Financial Analysis of the District

Net Position

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

	2018	2017	Change
Assets:			
Current and other noncurrent assets	$ 22,679,173	$ 22,124,893	$ 554,280
Capital assets, net	16,918,564	16,639,399	279,165
Total Assets	39,597,737	38,764,292	833,445
Deferred Outflows of Resources	604,123	431,359	172,764
Liabilities:			
Current liabilities	758,642	606,235	152,407
Noncurrent liabilities	2,578,669	2,210,179	368,490
Total Liabilities	3,337,311	2,816,414	520,897
Deferred Inflows of Resources	158,151	164,334	(6,183)
Net Position:			
Investment in capital assets	16,918,564	16,639,399	279,165
Unrestricted	19,787,834	19,575,504	212,330
Total Net Position	$ 36,706,398	$ 36,214,903	$ 491,495

Net position increased by $491,495 from fiscal year 2017 to 2018. Investment in capital assets increased $279,165 in fiscal year 2018 as additions to capital assets exceeded depreciation expense.

Unrestricted net position increased $212,330 as a result of the nonoperating revenues exceeding the loss from operations.

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:

	2018	2017	Change
Revenues:			
Operating revenues	$ 7,688,040	$ 6,964,204	$ 723,836
Nonoperating revenues	575,535	694,956	(119,421)
Capital contributions	165,955	155,488	10,467
Total Revenues	8,429,530	7,814,648	614,882
Expenses:			
Depreciation expense	656,386	654,691	1,695
Other operating expenses	7,281,649	6,716,796	564,853
Total Expenses	7,938,035	7,371,487	566,548
Change in Net Position	491,495	443,161	48,334
Net Position at Beginning of Year	36,214,903	35,771,742	443,161
Net Position at End of Year	$ 36,706,398	$ 36,214,903	$ 491,495

A closer examination of the source of changes in net position reveals that the District's operating revenues increased by $723,836 in fiscal year 2018 as a result of the end of state mandates for Californians to use less water. Nonoperating revenues decreased by $119,421 in fiscal year 2018 due to lower investment income and annexation fees. Operating expenses, exclusive of depreciation, increased $564,853 in fiscal year 2018 due to a increased water sales as well as rate increases received from the San Diego County Water Authority.

Capital Assets

Capital assets consist of the following at June 30:

	2018	2017	Change
Capital Assets Not Being Depreciated:			
Land	$ 138,659	$ 138,659	$ -
Construction in progress	885,711	143,237	742,474
Total Capital Assets Not Being Depreciated	$ 1,024,370	$ 281,896	$ 742,474

	2018	2017	Change
Capital Assets Being Depreciated:			
Pumping plant and distributions	$ 25,953,504	$ 26,147,655	$ (194,151)
Building and land improvements	612,015	612,015	-
Water development and treatment plant	2,109,903	2,109,903	-
Equipment	416,377	413,253	3,124
Autos and trucks	365,035	331,497	33,538
Office equipment	161,574	157,962	3,612
Total Capital Assets Being Depreciated	29,618,408	29,772,285	(153,877)
Less: Accumulated Depreciation	(13,724,214)	(13,414,782)	(309,432)
Net Capital Assets Being Depreciated	15,894,194	16,357,503	(463,309)
Net Capital Assets	$ 16,918,564	$ 16,639,399	$ 279,165

Capital assets, net of accumulated depreciation, increased $279,165 for the year ended June 30, 2018. Capital asset additions including the Almond Road Pipeline Replacement, the Gay Rio Reservoir Roof Replacement, and the Telementry System Conversion exceeded depreciation during the year ended June 30, 2018.

Economic Factors and Future Rates and Budgets

Imported water expense has continued to increase and a small increase is anticipated during the year ended June 30, 2019. The average cost per acre foot of water has increased from $1,614 in 2017, to $1,627 in 2018. Imported water cost is estimated to be $1,665 per acre foot in 2019. To minimize the impact of the rising cost of imported water, the District has utilized local well production for about 20% to 25% of its water needs. Well water is produced at an estimated cost of $345 per acre foot on average. Well production is estimated to have saved the District $1,040,984 in 2018 and $984,744 in 2017.

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 subsequent fiscal years. Future water restrictions are possible for 2018 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.

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 DISRICT
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017

ASSETS

	2018	2017
Current Assets: (Notes 1 and 2)		
Cash and cash equivalents	$ 895,711	$ 495,969
Investments	19,957,987	20,034,208
Accounts receivable, net	1,360,991	1,246,086
Taxes receivable	8,168	6,444
Accrued interest receivable	74,162	58,602
Inventory	126,856	115,232
Prepaid expenses	31,644	29,231
Total Current Assets	22,455,519	21,985,772
Noncurrent Assets:		
Capital Assets: (Notes 1 and 3)		
Nondepreciable	1,024,370	281,896
Depreciable, net of accumulated depreciation	15,894,194	16,357,503
Total Capital Assets, Net	16,918,564	16,639,399
Other Noncurrent Assets: (Notes 1 and 6)		
Net OPEB asset	223,654	139,121
Total Other Noncurrent Assets	223,654	139,121
Total Noncurrent Assets	17,142,218	16,778,520
TOTAL ASSETS	$ 39,597,737	$ 38,764,292
DEFERRED OUTFLOWS OF RESOURCES: (Notes 1 and 7)		
Deferred outflows related contributions	175,264	159,865
Deferred outflows related to pensions	428,859	271,494
Total Deferred Outflows of Resources	604,123	431,359

(Continued)

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

LAKESIDE WATER DISRICT
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2018 AND 2017

LIABILITIES	2018	2017
Current Liabilities: (Notes 1, 4 and 5)		
Accounts payable	$ 648,983	$ 543,398
Prepaid rent	4,359	4,232
Unearned revenue	33,699	-
Compensated absences	71,601	58,605
Total Current Liabilities	758,642	606,235
Noncurrent Liabilities: (Notes 1, 5 and 7)		
Customer deposits	366,796	310,471
Compensated absences, net of current portion	80,727	78,914
Net pension liability	2,131,146	1,820,794
Total Noncurrent Liabilities	2,578,669	2,210,179
Total Liabilities	3,337,311	2,816,414
DEFERRED INFLOWS OF RESOURCES: (Notes 1 and 7)		
Deferred inflows related to pensions	158,151	164,334
Commitments and Contingencies (Notes 6, 7 and 8)		
NET POSITION:		
Investment in capital assets	16,918,564	16,639,399
Unrestricted	19,787,834	19,575,504
Total Net Position	$ 36,706,398	$ 36,214,903

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

LAKESIDE WATER DISRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Operating Revenues:		
Water sales	$ 7,345,591	$ 6,560,929
Infrastructure access fee	274,266	324,490
Installation and service fees	58,318	70,334
Other operating revenues	9,865	8,451
Total Operating Revenues	7,688,040	6,964,204
Operating Expenses:		
Source of supply	4,890,803	4,468,950
Transmission and distribution	1,051,802	955,904
General and administrative	756,838	796,303
Depreciation	656,386	654,691
Pumping	327,006	297,381
Customer accounts	129,185	145,101
Water treatment	126,015	53,157
Total Operating Expenses	7,938,035	7,371,487
Operating Loss	(249,995)	(407,283)
Nonoperating Revenues (Expenses):		
Taxes and assessments	507,719	477,731
Rent income	194,585	190,524
Gain (loss) on disposal of capital assets	(18,551)	2,300
Investment income	(108,218)	24,401
Total Nonoperating Revenues (Expenses)	575,535	694,956
Income Before Capital Contributions	325,540	287,673
Capital Contributions	165,955	155,488
Change in Net Position	491,495	443,161
Net Position at Beginning of Year	36,214,903	35,771,742
NET POSITION AT END OF YEAR	$ 36,706,398	$ 36,214,903

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

LAKESIDE WATER DISRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash Flow From Operating Activities:		
Cash received from customers	$ 7,653,294	$ 6,856,852
Cash payments to suppliers for goods and services	(5,886,600)	(5,646,168)
Cash payments to employees for services	(1,241,820)	(1,200,840)
Other operating cash receipts	9,865	8,451
Net Cash Provided by (Used in) Operating Activities	534,739	18,295
Cash Flow From Noncapital Financing Activities:		
Cash received from rent income	194,712	194,756
Receipts from taxes, and assessments	505,995	477,086
Net Cash Provided by Noncapital Financing Activities	700,707	671,842
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(954,902)	(262,651)
Proceeds from disposal of capital assets	800	2,300
Capital contributions	165,955	155,488
Net Cash Used in Capital and Related Financing Activities	(788,147)	(104,863)
Cash Flows From Investing Activities:		
Proceeds from sale and maturities of investments	3,902,888	8,080,231
Purchase of investments	(4,288,193)	(9,904,278)
Investment income	337,748	334,422
Net Cash Used in Investing Activities	(47,557)	(1,489,625)
Net Increase (Decrease) in Cash and Cash Equivalents	399,742	(904,351)
Cash and Cash Equivalents at Beginning of Year	495,969	1,400,320
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 895,711	$ 495,969

(Continued)

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

LAKESIDE WATER DISRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

		2018		2017
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:				
Operating loss	$	(249,995)	$	(407,283)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation		656,386		654,691
(Increase) Decrease in:				
Accounts receivable, net		(114,905)		(139,732)
Inventory		(11,624)		(6,728)
Prepaid expenses		(2,413)		(825)
Deferred outflows related to contributions		(15,399)		(16,895)
Deferred outflows related to pensions		(157,365)		(264,871)
Net OPEB asset		(84,533)		14,631
(Decrease) Increase in:				
Accounts payable		105,585		(216,582)
Unearned revenue		33,699		-
Customer deposits		56,325		40,831
Compensated absences		14,809		6,071
Net pension liability		310,352		448,822
Deferred inflows related to pensions		(6,183)		(93,835)
Net Cash Provided by (Used in) Operating Activities	$	534,739	$	18,295
Supplemental Disclosures of Cash Flow Information:				
Net unrealized loss on investments	$	463,568	$	324,489

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

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. Taxes and assessments are recognized as revenues based upon amounts reported to the District by the County of San Diego.

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 receivable totaled $57,400 and $46,300 at June 30, 2018 and 2017, 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, 2018, 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.

Capital Assets

Capital assets purchased or acquired with a cost exceeding $4,000 and an estimated useful life more than one year are reported at historical cost. 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. Donated capital assets, donated works of art, and similar items, and capital assets received in service concession agreements are reported at acquisition value. Depreciation is calculated on the straight-line method over the following estimated useful lives:

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

Significant Accounting Policies (Continued)

Capital Assets (Continued)

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
Autos and trucks	5 - 10 years
Office equipment	3 - 10 years

Depreciation aggregated $656,386 and $654,691 for the years ended June 30, 2018 and 2017, respectively.

Compensated Absences

Accumulated and unpaid vacation and sick leave totaling $152,328 and $137,519 is accrued when incurred and included in current and noncurrent liabilities at June 30, 2018 and 2017, respectively.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources are defined as a consumption of net assets by the District that is applicable to a future period and an acquisition of net assets by the District that is applicable to a future reporting period respectively. Deferred outflows of resources and deferred inflows of resources are more fully described in Notes 6 and 7.

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, 2018, the District participated in the self-insurance programs of the Authority as follows:

Property Loss - Insured up to $500 million per occurrence (total insurable value $1,442,613 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 million per occurrence; the Authority is self-insured up to $5 million and excess insurance coverage has been purchased. The general and auto liability program has no deductible.

Public Officials' Liability - Insured up to $60 million per occurrence; the Authority is self-insured up to $5 million and excess insurance coverage has been purchased.

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 million; 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 $46,680 and $22,220 for the years ended June 30, 2018 and 2017, respectively, net of a refund in the amount of $-0- and $22,428. There were no instances in the past three years where a settlement exceeded the District's coverage.

Postemployment Benefits (OPEB)

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 Other Postemployment Benefit Programs of the Retiree Health 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 the District using the alternative measurement method. 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, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS financial office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS website under Forms and Publications.

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

Significant Accounting Policies (Continued)

Pensions (Continued)

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report the following timeframes are used:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	June 30, 2016 to June 30, 2017

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The District's statements of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- U.S. Agency securities and certificates of deposit are considered Level 2 assets and are reported at the fair value reported by the counter-party.
- Investments in the California Local Agency Investment Fund (LAIF) are considered Level 2 assets and are reported at the fair value of the underlying assets as provided LAIF.

Economic Dependency

The District purchases approximately 78% of its water from the San Diego County Water Authority. Interruption of this source would impact the District negatively.

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

Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statements 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 November 26, 2018, the date the financial statements were available to be issued.

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:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Quality Requirements
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)	N/A	None	None
County Pooled Investment Funds	N/A	None	None

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

Note 2 - Cash and Investments:

Investment Authorized by the California Government Code and the District's Investment Policy (Continued)

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.

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

	Maturity in Years			
	One Year or Less	1 - 5 Years	2018 Total	2017 Total
Cash on hand	$ 862	$ -	$ 862	$ 800
California Local Agency Investment Fund (LAIF)	204,608	-	204,608	201,727
Deposits with financial institutions	690,241	-	690,241	293,442
U.S. Agency Securities	118,636	5,076,217	5,194,853	6,131,206
Certificates of Deposits	437,167	14,325,967	14,763,134	13,903,002
Total Cash and Investments	$ 1,451,514	$ 19,402,184	$ 20,853,698	$ 20,530,177

	2018	2017
Financial Statement Classification:		
Cash and cash equivalents	$ 895,711	$ 495,969
Investments	19,957,987	20,034,208
Total Cash and Investments	$ 20,853,698	$ 20,530,177

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 at June 30, 2018.

Note 2 - Cash and Investments: (Continued)

Disclosures Relating to Credit Risk

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

	Rating as of Year End Standard & Poor's
California Local Agency Investment Fund (LAIF)	Not Rated
Certificates of Deposits	Not Rated
U.S. Agency Securities	AA+ and AAA

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, 2018, reportable investments representing more than 5% of the District's investment portfolio are as follows:

U.S. Agency Securities:		
Fannie Mae	$ 2,751,700	13%

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 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.

At June 30, 2018, 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 were held by the same broker dealer (counter party) that was used by the District to purchase the securities.

Note 2 - Cash and Investments: (Continued)

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.

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 at June 30:

	2018	2017
Deposits with financial institutions	$ 690,241	$ 293,442
California Local Agency Investment Fund (LAIF)	204,608	201,727
Cash on hand	862	800
	$ 895,711	$ 495,969

Note 3 - Capital Assets:

Capital assets consist of the following at June 30:

	2018			
	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018
Capital Assets Not Being Depreciated:				
Land	$ 138,659	$ -	$ -	$ 138,659
Construction in progress	143,237	861,499	(119,025)	885,711
Total Capital Assets not Being Depreciated	$ 281,896	$ 861,499	$ (119,025)	$ 1,024,370
Capital Assets Being Depreciated:				
Pumping plant and distribution	$ 26,147,655	$ 151,681	$ (345,832)	$ 25,953,504
Building and land improvements	612,015	-	-	612,015
Water development and treatment plant	2,109,903	-	-	2,109,903
Equipment	413,253	3,124	-	416,377
Autos and trucks	331,497	54,011	(20,473)	365,035
Office equipment	157,962	3,612	-	161,574
Total Capital Assets Being Depreciated	29,772,285	212,428	(366,305)	29,618,408
Less: Accumulated depreciation	(13,414,782)	(656,386)	346,954	(13,724,214)
Net Capital Assets being Depreciated	16,357,503	(443,958)	(19,351)	15,894,194
Net Capital Assets	$ 16,639,399	$ 417,541	$ (138,376)	$ 16,918,564

Note 3 - Capital Assets: (Continued)

	2017			
	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017
Capital Assets Not Being Depreciated:				
Land	$ 138,659	$ -	$ -	$ 138,659
Construction in progress	565,252	169,947	(591,962)	143,237
Total Capital Assets not Being Depreciated	$ 703,911	$ 169,947	$ (591,962)	$ 281,896
Capital Assets Being Depreciated:				
Pumping plant and distribution	$ 25,511,703	$ 641,981	$ (6,029)	$ 26,147,655
Building and land improvements	612,015	-	-	612,015
Water development and treatment plant	2,109,903	-	-	2,109,903
Equipment	406,111	7,142	-	413,253
Autos and trucks	323,623	34,473	(26,599)	331,497
Office equipment	159,056	1,070	(2,164)	157,962
Total Capital Assets Being Depreciated	29,122,411	684,666	(34,792)	29,772,285
Less: Accumulated depreciation	(12,794,883)	(654,691)	34,792	(13,414,782)
Net Capital Assets being Depreciated	16,327,528	29,975	-	16,357,503
Net Capital Assets	$ 17,031,439	$ 199,922	$ (591,962)	$ 16,639,399

Note 4 - Unearned Revenue:

Unearned revenue consists of unearned connection fees and other contract related costs for the installation of services and other infrastructure. Unearned revenue totaled $33,699 and $-0- at June 30, 2018 and 2017, respectively.

Note 5 - Noncurrent Liabilities:

Noncurrent liabilities consist of the following at June 30:

	2018				
	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018	Due Within One Year
Customer deposits	$ 310,471	$ 96,675	$ (40,350)	$ 366,796	$ -
Compensated absences	137,519	71,601	(56,792)	152,328	71,601
Net pension liability	1,820,794	556,780	(246,428)	2,131,146	-
	$ 2,268,784	$ 725,056	$ (343,570)	$ 2,650,270	$ 71,601

	2017				
	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017	Due Within One Year
Customer deposits	$ 269,640	$ 102,456	$ (61,625)	$ 310,471	$ -
Compensated absences	131,448	58,605	(52,534)	137,519	58,605
Net pension liability	1,371,972	666,247	(217,425)	1,820,794	-
	$ 1,773,060	$ 827,308	$ (331,584)	$ 2,268,784	$ 58,605

Note 6 - Other Postemployment Benefits:

General Information About the OPEB Plan

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.

Employees Covered - As of the June 30, 2017 measurement date, the following current and former employees were covered by the benefit terms under the OPEB Plan.:

Active employees	$	11
Inactive employees or beneficiaries currently receiving benefit payments		1
Inactive employees entitled to but not yet receiving benefit payments		-
	$	12

Contributions - The District has and continues to prefund its OPEB liability. The District has 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. At June 30, 2017 the Plan’s fiduciary net pension exceeded the total OPEB liability. Thus, no contributions were made during the measurement period.

Net OPEB Liability (Asset)

The District’s net OPEB liability (asset) was measured as of June 30, 2017 and the total OPEB liability was determined as of the same date, based on the alternative measurement method and the following assumptions:

Actuarial Cost Method	Projected Unit Credit and Level Dollar
Discount Rate	6.73%
Inflation	3.30%
Salary Increases	3.30%
Investment Rate of Return	6.73%

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:

Note 6 - Other Postemployment Benefits: (Continued)

Net OPEB Liability (Asset) (Continued)

Methods and Assumptions (Continued)

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.

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 was 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 3.5% was used.

Health Insurance Premiums

For the year ended June 30, 2018, 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% was based on recent experience.

Note 6 - Other Postemployment Benefits: (Continued)

Net OPEB Liability (Assets) (Continued)

Methods and Assumptions (Continued)

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 6.73% was used. In addition, a simplified version of the entry age actuarial cost method was used.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	40.00%	5.25%
Global Debt Securities	39.00%	2.25%
REITs	8.00%	4.50%
Inflation Assets	10.00%	1.25%
Commodities	3.00%	1.25%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.73 percent. The projection of cash flows used to determine the discount rate assumed that the District will continue to prefund its OPEB liability. 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 of OPEB plan investments was applied to all periods of projected benefit payments to determine any OPEB liability.

Note 6 - Other Postemployment Benefits: (Continued)

Changes in the OPEB Liability (Asset)

The changes in the net OPEB liability (asset) for the OPEB 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, 2017	$ 292,609	$ 431,730	$ (139,121)
Changes recognized for the measurement period:			
Service cost	(53,514)	-	(53,514)
Net investment income	-	31,237	(31,237)
Benefit payments	(2,733)	(2,733)	-
Administrative expense	-	(218)	218
Net Changes	(56,247)	28,286	(84,533)
Balance at June 30, 2018	$ 236,362	$ 460,016	$ (223,654)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

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

	1% Decrease (5.73%)	Current Discount Rate (6.73%)	1% Increase (7.73%)
Net OPEB Asset	$ (191,788)	$ (223,654)	$ (252,079)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB asset of the District, as well as what the District's net OPEB asset would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease (4%)	Current Healthcare Cost Trend Rates (5%)	1% Increase (6%)
Net OPEB Asset	$ (247,916)	$ (223,654)	$ (194,300)

Note 6 - Other Postemployment Benefits: (Continued)

OPEB Plan Fiduciary Net Position

The California Public Employees' Retirement System's California Employers' Retirement Benefit Trust (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, Post Office Box 942703, Sacramento, California 94429-2703.

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

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) (3.2 Years at June 30, 2017)

For the period from July 1, 2017 to June 30, 2018, the District recognized OPEB expense (benefit) of $(84,533). As of June 30, 2018, the District reported no deferred outflows or deferred inflows of resources related to OPEB.

Note 7 - Defined Benefit Pension Plan:

General Information About the Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the Miscellaneous Plan of the Lakeside Water District, (All Plans) a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Note 7 - Defined Benefit Pension Plan: (Continued)

General Information About the Pension Plan (Continued)

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	3.0% @ 60	1.5% @ 65
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.0%	4.0%
Required employer contribution rates	11.995%	4.134%

Contribution Description – Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial process. The Plans 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 employees. For the measurement period ended June 30, 2017 (measurement date), the active employee contribution rate for employees hired prior to January 1, 2013 is 8.0% of annual payroll and the employer's contribution rate is 11.995% of annual payroll. The active employee contribution rate for those employees hired on or after January 1, 2013 is 4.0% of annual pay, and the average employer contribution rate is 4.134% of annual payroll. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any employer paid member contributions or situations where members are paying a portion of the employer contribution.

The District's contribution to the Plan for the year ended June 30, 2018 were as follows:

Contributions - Employer	$ 175,264
Contributions - Employee (Paid by Employer)	$ -

Note 7 - Defined Benefit Pension Plan: (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability determined in the June 30, 2016 actuarial valuation. 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 requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
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 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the fiscal years 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.

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.65% as of the June 30, 2016 measurement date to 7.15% as of the June 30, 2017 measurement date.

Discount Rate

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

Note 7 - Defined Benefit Pension Plan: (Continued)

Discount Rate (Continued)

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns on all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was the set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

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

Allocation of Net Pension Liability and Pension Expense to Individual Employers

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2017	$ 7,659,392	$ 5,838,598	$ 1,820,794
Balance at June 20, 2018	8,644,131	6,512,985	2,131,146
Net Changes During 2017 - 2018	$ 984,739	$ 674,387	$ 310,352

Note 7 - Defined Benefit Pension Plan: (Continued)

Allocation of Net Pension Liability and Pension Expense to Individual Employers (Continued)

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

	Miscellaneous
Proportion - June 30, 2016	0.053885%
Proportion - June 30, 2017	0.053970%
Change - Increase (Decrease)	0.000085%

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

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.15%, as well as what 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:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Plan's Net Pension Liability	$ 3,320,119	$ 2,131,146	$ 1,146,416

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, actuarial gains and losses related to changes in total pension liability and fiduciary net 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 inflows and deferred outflows to be recognized in future pension expense.

Note 7 - Defined Benefit Pension Plan: (Continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources (Continued)

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

Net difference between projected and actual earnings on pension plan investment	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected remaining service lifetime (EARSL) of all members that are provided with pensions (active, inactive, and retired) as of the beginning of the measurement period

The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments at the measurement date is to be amortized over the remaining four-year period. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

Deferred outflows of resources and deferred inflows of resources relating to Differences Between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARSL of members provided with pensions through the Plan. The EARSL for the Plan for the June 30, 2017 measurement date is 3.8 years, which was obtained by dividing the total services years by the total number of participants (active, inactive, and retired) in the Plan. 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.

Note 7 - Defined Benefit Pension Plan: (Continued)

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

For the years ended June 30, 2018 and 2017, the District recognized a pension expense of $306,669 and $233,086 for the Plan respectively. As of June 30, 2018 and 2017, the District reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 175,264	$ -
Differences between actual contributions made and proportionate share of contributions	-	119,409
Differences between expected and actual experience	-	38,742
Changes of assumptions	333,197	-
Net difference between projected and actual earnings on pension plan investments	81,576	-
Adjustment due to difference in proportions	14,086	-
Total	$ 604,123	$ 158,151

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 159,865	$ -
Differences between actual contributions made and proportionate share of contributions	-	115,992
Differences between expected and actual experience	3,939	-
Changes of assumptions	-	48,342
Net difference between projected and actual earnings on pension plan investments	251,603	-
Adjustment due to difference in proportions	15,952	-
Total	$ 431,359	$ 164,334

Note 7 - Defined Benefit Pension Plan: (Continued)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)

The $175,264 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources in the previous chart will be recognized in future pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources
2019	$ 22,855
2020	188,239
2021	108,048
2022	(48,434)
Total	$ 270,708

Note 8 - Commitments and Contingencies:

Contracts

The Lakeside Water District has entered into various contracts for the purchase of material and construction of capital assets. The amounts contracted are based on the contractor's estimated cost of construction. At June 30, 2018, the total unpaid amount on these contracts is approximately $105,873.

Litigation

Legal claims and lawsuits arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Lakeside Water District's financial position.

Note 9 - New Governmental Accounting Standards:

GASB No. 75

In June 2015, the Government Accounting Standards Board issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension". This Statement is effective for financial statements for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The effects of this pronouncement on the financial statements of the District are more fully described in Note 10.

Note 9 - New Governmental Accounting Standards: (Continued)

GASB No. 81

In March 2016, the Governmental Accounting Standards Board issued Statement No. 81, "Irrevocable Split-Interest Agreements". The requirements of this Pronouncement are effective for financial statements for period beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

GASB No. 82

In March 2016, the Governmental Accounting Standards Board issued Statement No. 82, "Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73". The requirements of this Pronouncement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

GASB No. 83

In November 2016, the Governmental Accounting Standards Board issued Statement No. 83 " Certain Asset Retirement Obligations". The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier Application is encouraged. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 84

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84 "Fiduciary Activities". The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier Application is encouraged. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 85

In March 2017, the Governmental Accounting Standards Board issued Statement No. 85 "Omnibus 2017". The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

Note 9 - New Governmental Accounting Standards: (Continued)

GASB No. 86

In May 2017, the Governmental Accounting Standards Board issued Statement No. 86 “Certain Debt Extinguishment Issues”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2017. Earlier Application is encouraged. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 87

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87 “Leases”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 88

In April 2018, the Governmental Accounting Standards Board issued Statement No. 88 “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements”. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 89

In June 2018, the Governmental Accounting Standards Board issued Statement No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period”. The requirements of this Statement are effective for reporting periods beginning after December 14, 2019. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 90

In August 2018, the Governmental Accounting Standards Board issued Statement No. 90 “Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

Note 10 - Changes in Accounting Principle:

Effective July 1, 2017, the District changed its method of accounting for other postemployment benefits other than pensions and the related OPEB expense as well any deferred inflows and deferred outflows of resources in order to conform with Governmental Accounting Standards Board Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. (GASB 75)

This statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position.

As described in Note 5, the Plan provides limited full coverage until age 65 and then lifetime limited payments to supplement governmental Medicare coverage. The District has and continues to prefund its net OPEB liability (asset). As a result of prefunding its net OPEB liability (asset) and the limited coverage provided, the implementation of GASB 75 did not have a material effect on the financial statements of the District.

LAKESIDE WATER DISRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY (ASSET)
AND RELATED RATIOS
LAST TEN YEARS *

	2018
Total OPEB Liability	
Service cost	$ (53,514)
Interest	-
Change of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(2,733)
Net Change in Total OPEB Liability	(56,247)
Total OPEB Liability - Beginning	292,609
Total OPEB Liability - Ending (a)	$ 236,362
Plan Fiduciary Net Position	
Contributions - Employer	$ -
Net investment income	31,237
Benefit payments	(2,733)
Administrative expense	(218)
Net Change in Plan Fiduciary Net Position	28,286
Plan Fiduciary Net Position - Beginning	431,730
Plan Fiduciary Net Position - Ending (b)	$ 460,016
District's Net OPEB Liability (Asset) - Ending (a) - (b)	$ (223,654)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	194.62%
Covered-Employee Payroll	$ 831,098
District's Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	(26.91)%

Notes to Schedules:

Changes in assumptions - None

* Fiscal year 2018 was the first year of implementation. The District must eventually disclose a 10-year history of the schedule of changes in net OPEB liability (asset) and related ratios.

LAKESIDE WATER DISRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

SCHEDULE OF OPEB CONTRIBUTIONS
LAST TEN YEARS *

	2018
Actuarial Determined Contribution (ADC)	$ 8,657
Contributions in Relation to the Actuarially Determined Contribution	8,657
Contribution Deficiency (Excess)	$ -
Covered-Employee Payroll	$ 831,098
Contributions as a Percentage of Covered-Employee Payroll	1.09%

Notes to Schedules:

The ADC developed for the year ending June 30, 2017 was determined by the District using the Alternative Measurement Method. Expected contributions, relative to the ADC, for the fiscal year ending December 31, 2017 are shown above.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age
Amortization Method	Fixed cost
Amortization Period	Closed
Asset Valuation Method	Market Value
Inflation	3.3 percent
Investment Rate of Return	6.73% per annum. Assumes investing in California Employers' Retiree Benefit Trust asset allocation strategy 2.
Healthcare Cost Trend Rates	3.5%
Salary Increase	Equal to the rate of inflation

LAKESIDE WATER DISRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

SCHEDULE OF OPEB CONTRIBUTIONS (CONTINUED)
LAST TEN YEARS *

<u>Noes to Schedules: (Continued)</u>

Valuation Date: (Continued)

Retirement Age	Coverage is available for employees that retire with the District at age 60 or older and have 25 or more years of service with the District.
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.

* Fiscal year 2018 was the first year of implementation. The District must eventually disclose a 10-year history of the contributing investment return, and payroll schedules.

LAKESIDE WATER DISRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

SCHEDULES OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS *

	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
Proportion of the Collective Net Pension Liability	0.053970%	0.053200%	0.0500009%	0.047982%
Proportionate Share of the Collective Net Pension Liability	$ 2,131,146	$ 1,820,794	$ 1,371,972	$ 1,185,881
Covered-Employee Payroll	$ 781,134	$ 753,349	$ 702,446	$ 650,738
Proportionate Share of the Collective Net Pension Liability as Percentage of Covered-Employee Payroll	272.83%	241.69%	195.31%	182.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.35%	76.23%	81.33%	83.03%

Notes to Schedule:

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (aka Golden Handshakes).

Changes in Assumptions - The discount rate was changed from 7.65 percent to 7.15 percent.

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

LAKESIDE WATER DISRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

SCHEDULES OF PLAN CONTRIBUTIONS
LAST TEN YEARS *

	Fiscal Year 2017- 2018	Fiscal Year 2016 - 2017	Fiscal Year 2015 - 2016	Fiscal Year 2014 - 2015
Actuarial Determined Contribution	$ 175,264	$ 159,865	$ 142,970	$ 105,043
Contributions in Relation to the Actuarially Determined Contribution	175,264	159,865	142,970	105,043
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 826,999	$ 781,134	$ 753,349	$ 702,466
Contributions as a Percentage of Covered-Employee Payroll	21.19%	20.47%	18.98%	14.95%

Notes to Schedule:

Fiscal Year End	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Valuation Date	June 30, 2016	June 30, 2014	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value
Discount Rate	7.15%	7.65%	7.65%	7.5%
Projected Salary Increase	3.30% to 14.20% depending on Age, Service, and type of employment	3.30% to 14.20% depending on Age, Service, and type of employment	3.30% to 14.20% depending on Age, Service, and type of employment	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%	2.75%	2.75%	2.75%
Payroll Growth	3.00%	3.00%	3.00%	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%

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