LAKESIDE WATER DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Leaf & Cole, LLP
Certified Public Accountants

LAKESIDE WATER DISTRICT
FINANCIAL STATEMENTS
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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

We have audited the accompanying financial statements of Lakeside Water District, which comprise the statements of net position as of June 30, 2019 and 2018, 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, 2019 and 2018, 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

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 33 to 37, as identified in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the 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
January 14, 2020

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, 2019 and 2018. 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 Lakeside Water District operates as a public utility and maintains its accounting records in accordance with generally accepted accounting principles for a proprietary fund as prescribed by the Government Accounting Standards Board (GASB). The financial statements of the District report information about the District using accounting methods similar to those used by companies in the private sector. These statements offer short and long-term financial information about is activities. The District's financial statements include five components.

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

The statements of net position include 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 statements of net position provide the basis for computing rate of return, evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The statements of revenues, expenses and changes in net position present information which shows how the District's net position changed during the year. The financial statements, except for the cash flow statements are prepared using the accrual basis of accounting, which means that revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of cash receipts or payments. 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 statements of cash flows provide information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating
- Noncapital financing
- Capital and related 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.

Financial Statements (Continued)

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.

In addition to the financial statements and accompanying notes, the financial statements also present certain required supplementary information, which follows the notes to the financial statements. This other information includes retirement and OPEB funding schedules.

Financial Highlights

- The District's net position increased by $1,160,077 to $37,866,475 for the year ended June 30, 2019.
- The District's operating revenues totaled $7,250,230 for the year ended June 30, 2019, a decrease of $437,810. Water sales have not completely rebounded after the lifting of the water use restrictions in the previous years.
- The District's operating expenses totaled $7,866,160 for the year ended June 30, 2019, a decrease of $71,875 from the prior year. The decrease in source of supply and pumping cost represent the majority of this decrease and would be anticipated based upon the decrease 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:

	2019	2018	Change
Assets:			
Current and other assets	$ 23,478,469	$ 22,679,173	$ 799,296
Capital assets, net	17,530,247	16,918,564	611,683
Total Assets	41,008,716	39,597,737	1,410,979
Deferred Outflows of Resources	494,435	604,123	(109,688)
Liabilities:			
Current liabilities	950,476	758,642	191,834
Noncurrent liabilities	2,564,349	2,578,669	(14,320)
Total Liabilities	3,514,825	3,337,311	177,514
Deferred Inflows of Resources	121,851	158,151	(36,300)
Net Position:			
Investment in capital assets	17,530,247	16,918,564	611,683
Unrestricted	20,336,228	19,787,834	548,394
Total Net Position	$ 37,866,475	$ 36,706,398	$ 1,160,077

Financial Analysis of the District (Continued)

Net Position (Continued)

Net position increased by $1,160,077 from fiscal year 2018 to 2019. Investment in capital assets increased $611,683 in fiscal year 2019 as additions to capital assets exceeded depreciation expense.

Unrestricted net position increased $548,394 as a result of the nonoperating revenues exceeding the loss from operations.

Revenues, Expenses and Changes in Net Position

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

	2019	2018	Change
Revenues:			
Operating revenues	$ 7,250,230	$ 7,688,040	$ (437,810)
Nonoperating revenues	1,672,120	575,535	1,096,585
Capital contributions	103,887	165,955	(62,068)
Total Revenues	9,026,237	8,429,530	596,707
Expenses:			
Depreciation expense	683,532	656,386	27,146
Other operating expenses	7,182,628	7,281,649	(99,021)
Total Expenses	7,866,160	7,938,035	(71,875)
Change in Net Position	1,160,077	491,495	668,582
Net Position at Beginning of Year	36,706,398	36,214,903	491,495
Net Position at End of Year	$ 37,866,475	$ 36,706,398	$ 1,160,077

A closer examination of the source of changes in net position reveals that the District's operating revenues decreased by $437,810 in fiscal year 2019 as a result of lower water demand. Nonoperating revenues increased by $1,096,585 in fiscal year 2019 due to higher investment income. Operating expenses, exclusive of depreciation, decreased $99,021 in fiscal year 2019 due to a decreased water purchases.

Capital Assets

Capital assets consist of the following at June 30:

	2019	2018	Change
Capital Assets Not Being Depreciated:			
Land	$ 138,659	$ 138,659	$ -
Construction in progress	65,975	885,711	(819,736)
Total Capital Assets Not Being Depreciated	$ 204,634	$ 1,024,370	$ (819,736)

Capital Assets (Continued)

	2019	2018	Change
Capital Assets Being Depreciated:			
Pumping plant and distributions	$ 28,004,924	$ 25,953,504	$ 2,051,420
Building and land improvements	612,015	612,015	-
Water development and treatment plant	2,109,903	2,109,903	-
Equipment	424,972	416,377	8,595
Autos and trucks	394,153	365,035	29,118
Office equipment	161,574	161,574	-
Total Capital Assets Being Depreciated	31,707,541	29,618,408	2,089,133
Less: Accumulated Depreciation	(14,381,928)	(13,724,214)	(657,714)
Net Capital Assets Being Depreciated	17,325,613	15,894,194	1,431,419
Net Capital Assets	$ 17,530,247	$ 16,918,564	$ 611,683

Capital assets, net of accumulated depreciation, increased $611,683 for the year ended June 30, 2019. Capital asset additions including the Almond Pipeline Replacement exceeded depreciation during the year ended June 30, 2019.

Economic Factors and Future Rates and Budgets

The unit cost of imported water has continued to increase. The average cost per acre foot of water has increased from $1,627 in 2018, to $1,663 in 2019. Imported water cost is estimated to be $1,686 per acre foot in 2020. To minimize the impact of the rising cost of imported water, the District has utilized local well production for about 21% to 23% of its water needs. Well water is produced at an estimated cost of $404 per acre foot on average. Well production is estimated to have saved the District $860,527 in 2019 and $1,040,984 in 2018.

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 but water sales have not completely rebounded to the historical levels. Future water restrictions are possible for 2019-2020. 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, 2019 AND 2018

ASSETS

	2019	2018
Current Assets: (Notes 1 and 2)		
Cash and cash equivalents	$ 2,096,230	$ 895,711
Investments	19,808,922	19,957,987
Accounts receivable, net	1,180,805	1,360,991
Taxes receivable	7,286	8,168
Accrued interest receivable	72,895	74,162
Inventory	101,687	126,856
Prepaid expenses	6,780	31,644
Total Current Assets	23,274,605	22,455,519
Noncurrent Assets:		
Capital Assets: (Notes 1 and 3)		
Nondepreciable capital assets	204,634	1,024,370
Depreciable, capital assets, net	17,325,613	15,894,194
Total Capital Assets	17,530,247	16,918,564
Other Noncurrent Assets: (Notes 1 and 7)		
Net OPEB asset	203,864	223,654
Total Other Noncurrent Assets	203,864	223,654
Total Noncurrent Assets	17,734,111	17,142,218
TOTAL ASSETS	$ 41,008,716	$ 39,597,737
DEFERRED OUTFLOWS OF RESOURCES: (Notes 1 and 6)		
Deferred outflows related to pension contributions	211,912	175,264
Deferred outflows related to pensions	282,523	428,859
Total Deferred Outflows of Resources	494,435	604,123

(Continued)

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

LAKESIDE WATER DISRICT
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2019 AND 2018

LIABILITIES

	2019	2018
Current Liabilities: (Notes 1, 4 and 5)		
Accounts payable	$ 868,960	$ 648,983
Prepaid rent	4,490	4,359
Unearned revenue	6,250	33,699
Compensated absences	70,776	71,601
Total Current Liabilities	950,476	758,642
Noncurrent Liabilities: (Notes 1, 5 and 6)		
Customer deposits	391,557	366,796
Compensated absences, net of current portion	87,136	80,727
Net pension liability	2,085,656	2,131,146
Total Noncurrent Liabilities	2,564,349	2,578,669
Total Liabilities	3,514,825	3,337,311
DEFERRED INFLOWS OF RESOURCES: (Notes 1 and 6)		
Deferred inflows related to pensions	121,851	158,151
Commitments and Contingencies (Notes 6, 7 and 8)		
NET POSITION: (Note 10)		
Investment in capital assets	17,530,247	16,918,564
Unrestricted	20,336,228	19,787,834
Total Net Position	$ 37,866,475	$ 36,706,398

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, 2019 AND 2018

	2019	2018
Operating Revenues:		
Water sales	$ 6,860,166	$ 7,345,591
Infrastructure access fee	293,496	274,266
Installation and service fees	90,673	58,318
Other operating revenues	5,895	9,865
Total Operating Revenues	7,250,230	7,688,040
Operating Expenses:		
Source of supply	4,679,140	4,890,803
Transmission and distribution	1,063,641	1,051,802
General and administrative	854,859	756,838
Depreciation	683,532	656,386
Pumping	308,867	327,006
Customer accounts	153,228	129,185
Water treatment	122,893	126,015
Total Operating Expenses	7,866,160	7,938,035
Operating Loss	(615,930)	(249,995)
Nonoperating Revenues (Expenses):		
Taxes and assessments	535,112	507,719
Rent income	200,139	194,585
Gain (loss) on disposal of capital assets	-	(18,551)
Investment income	936,869	(108,218)
Total Nonoperating Revenues (Expenses)	1,672,120	575,535
Income Before Capital Contributions	1,056,190	325,540
Capital Contributions	103,887	165,955
Change in Net Position	1,160,077	491,495
Net Position at Beginning of Year	36,706,398	36,214,903
NET POSITION AT END OF YEAR	$ 37,866,475	$ 36,706,398

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

LAKESIDE WATER DISRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash Flow From Operating Activities:		
Cash received from customers	$ 7,421,833	$ 7,653,294
Cash payments to suppliers for goods and services	(5,426,716)	(5,846,204)
Cash payments to employees for services	(1,432,630)	(1,282,216)
Other operating cash receipts	5,895	9,865
Net Cash Provided by Operating Activities	568,382	534,739
Cash Flow From Noncapital Financing Activities:		
Cash received from rent income	200,270	194,712
Receipts from taxes, and assessments	535,994	505,995
Net Cash Provided by Noncapital Financing Activities	736,264	700,707
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(1,295,215)	(954,902)
Proceeds from disposal of capital assets	-	800
Capital contributions	103,887	165,955
Net Cash Used in Capital and Related Financing Activities	(1,191,328)	(788,147)
Cash Flows From Investing Activities:		
Proceeds from sale and maturities of investments	6,313,309	3,902,888
Purchase of investments	(5,606,087)	(4,288,193)
Investment income	379,979	337,748
Net Cash Provided by (Used in) Investing Activities	1,087,201	(47,557)
Net Increase in Cash and Cash Equivalents	1,200,519	399,742
Cash and Cash Equivalents at Beginning of Year	895,711	495,969
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,096,230	$ 895,711

(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, 2019 AND 2018

	2019	2018
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating loss	$ (615,930)	$ (249,995)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	683,532	656,386
(Increase) Decrease in:		
Accounts receivable, net	180,186	(114,905)
Inventory	25,169	(11,624)
Prepaid expenses	24,864	(2,413)
Net OPEB asset	19,790	(84,533)
Deferred outflows related to pension contributions	(36,648)	(15,399)
Deferred outflows related to pensions	146,336	(157,365)
(Decrease) Increase in:		
Accounts payable	219,977	105,585
Unearned revenue	(27,449)	33,699
Customer deposits	24,761	56,325
Compensated absences	5,584	14,809
Net pension liability	(45,490)	310,352
Deferred inflows related to pensions	(36,300)	(6,183)
Net Cash Provided by Operating Activities	$ 568,382	$ 534,739
Supplemental Disclosures of Cash Flow Information:		
Net unrealized (gains) losses on investments	$ (558,157)	$ 463,568

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.

Water lines may be constructed by private developers and then dedicated to the District, which is then responsible for their future maintenance. These lines are recorded as capital contributions when they pass inspection by the District and the estimated costs are capitalized as pumping plant and distribution.

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 $57,400 at June 30, 2019 and 2018, 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, 2019, 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. Donated capital assets, donated works of art, and similar items, and capital assets received in service concession agreements are reported at acquisition value. 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. Upon sale or disposition of property and equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and any resultant gain or loss is credited or charged to earnings. 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 totaled $683,532 and $656,386 for the years ended June 30, 2019 and 2018, respectively.

Compensated Absences

Accumulated and unpaid compensated absences totaling $157,912 and $152,328 is accrued when incurred and included in current and noncurrent liabilities at June 30, 2019 and 2018, 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, 2019, 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 $1,501,128 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 $48,190 and $46,680 for the years ended June 30, 2019 and 2018. There were no instances in the past three years where a settlement exceeded the District's coverage.

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 CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS website under Forms and Publications.

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, 2017
Measurement Date	June 30, 2018
Measurement Period	June 30, 2017 to June 30, 2018

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.

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

Significant Accounting Policies (Continued)

Postemployment Benefits (OPEB) (Continued)

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

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 include the following financial instruments that are required to be measured at fair value on a recurring basis:

- 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.

- 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.

- Certificates of Deposit are considered Level 2 assets and are reported at the fair value reported by the counter-party.

Economic Dependency

The District purchases approximately 77% 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 January 14, 2020, 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	2019 Total	2018 Total
Cash on hand	$ 912	$ -	$ 912	$ 862
Deposits with financial institutions	1,885,726	-	1,885,726	690,241
California Local Agency Investment Fund (LAIF)	209,592	-	209,592	204,608
Certificates of Deposits	845,738	13,730,408	14,576,146	14,763,134
U.S. Agency Securities	25	5,232,751	5,232,776	5,194,853
Total Cash and Investments	$ 2,941,993	$ 18,963,159	$ 21,905,152	$ 20,853,698

	2019	2018
Financial Statement Classification:		
Cash and cash equivalents	$ 2,096,230	$ 895,711
Investments	19,808,922	19,957,987
Total Cash and Investments	$ 21,905,152	$ 20,853,698

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, 2019.

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 of 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. Reportable investments representing more than 5% of the District's investment portfolio are as follows at June 30, 2019:

	Amount	Percentage
U.S. Agency Securities:		
Fannie Mae	$ 2,824,107	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, 2019, 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 California 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:

	2019	2018
Deposits with financial institutions	$ 1,885,726	$ 690,241
California Local Agency Investment Fund (LAIF)	209,592	204,608
Cash on hand	912	862
Total	$ 2,096,230	$ 895,711

Note 3 - Capital Assets:

Capital assets consist of the following at June 30:

	2019			
	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019
Capital Assets Not Being Depreciated:				
Land	$ 138,659	$ -	$ -	$ 138,659
Construction in progress	885,711	1,174,155	(1,993,891)	65,975
Total Capital Assets not Being Depreciated	$ 1,024,370	$ 1,174,155	$ (1,993,891)	$ 204,634
Capital Assets Being Depreciated:				
Pumping plant and distribution	$ 25,953,504	$ 2,077,238	$ (25,818)	$ 28,004,924
Building and land improvements	612,015	-	-	612,015
Water development and treatment plant	2,109,903	-	-	2,109,903
Equipment	416,377	8,595	-	424,972
Autos and trucks	365,035	29,118	-	394,153
Office equipment	161,574	-	-	161,574
Total Capital Assets Being Depreciated	29,618,408	2,114,951	(25,818)	31,707,541
Less: Accumulated depreciation	(13,724,214)	(683,532)	25,818	(14,381,928)
Net Capital Assets being Depreciated	15,894,194	1,431,419	-	17,325,613
Net Capital Assets	$ 16,918,564	$ 2,605,574	$ (1,993,891)	$ 17,530,247

Note 3 - Capital Assets: (Continued)

	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 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 $6,250 and $33,699 at June 30, 2019 and 2018, respectively.

Note 5 - Noncurrent Liabilities:

Noncurrent liabilities consist of the following at June 30:

	2019				
	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019	Due Within One Year
Customer deposits	$ 366,796	$ 78,341	$ (53,580)	$ 391,557	$ -
Compensated absences	152,328	70,776	(65,192)	157,912	70,776
Net pension liability	2,131,146	220,379	(265,869)	2,085,656	-
	$ 2,650,270	$ 369,496	$ (384,641)	$ 2,635,125	$ 70,776

	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

Note 6 - 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. The Plan consists of the miscellaneous plan and the PEPRA Plan.

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. Miscellaneous plan members with 5 years of service are eligible to retire at age 50 with statutory reduced benefits. PEPRA miscellaneous members with 5 years of service are eligible to retire at age 52 with statutory reduced benefits. All members are eligible for non-duty disability retirement benefits after 5 years of service. The death benefit is the basic death benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees Retirement law per contract. The Plan's provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous Prior to January 1, 2013	PEPRA 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%

The miscellaneous plan is closed to new members that are not already CalPERS eligible participants.

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.

The District's contributions to the Plan for the year ended June 30, 2019 were as follows:

Contributions - Employer	$ 211,912
Contributions - Employee (Paid by Employer)	$ -

Note 6 - Defined Benefit Pension Plan: (Continued)

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, 2018	$ 8,644,131	$ 6,512,985	$ 2,131,146
Balance at June 20, 2019	9,065,482	6,979,826	2,085,656
Net Changes During 2018 - 2019	$ (421,351)	$ (466,841)	$ 45,490

The net pension liability of the plan is measured as of June 30, 2018, and the total pension liability for the plan used to calculate the net pension liabilities was determined by an actuarial valuation of June 30, 2017 rolled forward to June 30, 2018 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, 2017 and 2018 was as follows:

	Miscellaneous
Proportion - June 30, 2017	0.053970%
Proportion - June 30, 2018	0.053670%
Change - Increase (Decrease)	0.000300%

For the years ended June 30, 2019 and 2018, the District recognized a pension expense of $241,063 and $306,669 for the Plan respectively. As of June 30, 2019 and 2018, the District reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 211,912	$ -
Differences between actual contributions made and proportionate share of contributions	-	121,851
Differences between expected and actual experience	51,197	-
Changes of assumptions	174,077	-
Net difference between projected and actual earnings on pension plan investments	10,000	-
Adjustment due to difference in proportions	47,249	-
Total	$ 494,435	$ 121,851

Note 6 - Defined Benefit Pension Plan: (Continued)

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

	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

The $211,912 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, 2020. 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
2020	$ 164,306
2021	84,577
2022	(70,018)
2023	(18,193)
Total	$ 160,672

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

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

Note 6 - Defined Benefit Pension Plan: (Continued)

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 none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The stress test results are presented in a detailed report called "GASB Statements 67 and 68 Crossover Testing Report" for measurement date June 30, 2018 based on June 30, 2017 valuations that can be obtained from the CalPERS' website.

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 11 years) and the long-term (60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	Asset Allocation	Real Return Years 1 - 10	Real Return Years 11+
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Private Equity	8%	6.30%	7.23%
Real Estate	13%	3.75%	4.93%
Liquidity	1%	0.00%	(0.92)%
	100.00%		

Note 6 - Defined Benefit Pension Plan: (Continued)

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

The following presents the District's proportionate share of the net pension liability of the risk pool as of the measurement date, calculated using the discount rate, as well as what the District's proportionate share of 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:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Plan's Net Pension Liability	$ 3,311,965	$ 2,085,656	$ 1,073,367

Note 7 - 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"). 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.

Benefits Provided - 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.

Employees Covered - As of the June 30, 2018 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, 2018 the Plan's fiduciary net assets exceeded the total OPEB liability. Thus, no contributions were made during the measurement period.

Note 7 - Other Postemployment Benefits: (Continued)

Net OPEB Liability (Asset)

The District's net OPEB liability (asset) was measured as of June 30, 2018 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:

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.

Note 7 - Other Postemployment Benefits: (Continued)

Net OPEB Liability (Asset) (Continued)

Methods and Assumptions (Continued)

Health Insurance Premiums

For the year ended June 30, 2019, health insurance premiums were limited to $3,350 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.

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
Fixed Income	43%	3.4%
Global Equities	40%	9.6%
REITs	8%	5.4%
Inflation Assets	5%	1.7%
Commodities	4%	(9.4)%
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 7 - 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, 2018	$ 236,362	$ 460,016	$ (223,654)
Changes recognized for the measurement period:			
Service cost	47,912	-	47,912
Net investment income	-	28,358	(28,358)
Benefit payments	(3,000)	(3,000)	-
Administrative expense	-	(236)	236
Net Changes	44,912	25,122	19,790
Balance at June 30, 2019	$ 281,274	$ 485,138	$ (203,864)

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	$ (167,782)	$ (203,864)	$ (236,273)

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	$ (231,586)	$ (203,864)	$ (170,721)

Note 7 - 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) (3.8 Years at June 30, 2018)

For the period from July 1, 2018 to June 30, 2019, the District recognized OPEB expense (benefit) of $(19,790). As of June 30, 2019, the District reported no deferred outflows or deferred inflows of resources related to OPEB.

Note 8 - Commitments and Contingencies:

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. 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. This pronouncement did not have a material effect 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. 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. This pronouncement did not have a material effect 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. This pronouncement did not have a material effect 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.

Note 9 - New Governmental Accounting Standards: (Continued)

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.

GASB No. 91

In May 2019, the Governmental Accounting Standards Board issued Statement No. 91 “Conduit Debt Obligations”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The District has not 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 7, 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, 2019

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

	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
Proportion of the Collective Net Pension Liability	0.055341%	0.053970%	0.053200%	0.0500009%
Proportionate Share of the Collective Net Pension Liability	$ 2,085,656	$ 2,131,146	$ 1,820,794	$ 1,371,972
Covered-Employee Payroll	$ 826,999	$ 781,134	$ 753,349	$ 702,446
Proportionate Share of the Collective Net Pension Liability as Percentage of Covered-Employee Payroll	252.20%	272.83%	241.69%	195.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.99%	75.35%	76.23%	81.33%

	Measurement Date June 30, 2014
Proportion of the Collective Net Pension Liability	0.047982%
Proportionate Share of the Collective Net Pension Liability	$ 1,185,881
Covered-Employee Payroll	$ 650,738
Proportionate Share of the Collective Net Pension Liability as Percentage of Covered-Employee Payroll	182.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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).

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

LAKESIDE WATER DISRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

SCHEDULES OF CONTRIBUTIONS TO THE PENSION PLAN
LAST TEN YEARS *

	Fiscal Year 2018 - 2019	Fiscal Year 2017- 2018	Fiscal Year 2016 - 2017	Fiscal Year 2015 - 2016	Fiscal Year 2014 - 2015
Actuarial Determined Contribution	$ 211,912	$ 175,264	$ 159,865	$ 142,970	$ 105,043
Contributions in Relation to the Actuarially Determined Contribution	211,912	175,264	159,865	142,970	105,043
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 884,211	$ 826,999	$ 781,134	$ 753,349	$ 702,466
Contributions as a Percentage of Covered-Employee Payroll	23.97%	21.19%	20.47%	18.98%	14.95%

Notes to Schedule:

Fiscal Year End	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Valuation Date	June 30, 2017	June 30, 2017	June 30, 2014	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates:

	2019	2018	2017	2016
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%	7.15%	7.65%	7.65%
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%

	2015
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Discount Rate	7.5%
Projected Salary Increase	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	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 five years are shown.

LAKESIDE WATER DISRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

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

	2019	2018
Total OPEB Liability		
Service cost	$ 47,912	$ (53,514)
Interest	-	-
Change of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments	(3,000)	(2,733)
Net Change in Total OPEB Liability	44,912	(56,247)
Total OPEB Liability - Beginning	236,362	292,609
Total OPEB Liability - Ending (a)	$ 281,274	$ 236,362
Plan Fiduciary Net Position		
Contributions - Employer	$ -	$ -
Net investment income	28,358	31,237
Benefit payments	(3,000)	(2,733)
Administrative expense	(236)	(218)
Net Change in Plan Fiduciary Net Position	25,122	28,286
Plan Fiduciary Net Position - Beginning	460,016	431,730
Plan Fiduciary Net Position - Ending (b)	$ 485,138	$ 460,016
District's Net OPEB Liability (Asset) - Ending (a) - (b)	$ (203,864)	$ (223,654)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	172.48%	194.62%
Covered-Employee Payroll	$ 869,318	$ 831,098
District's Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	(23.45)%	(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, 2019

SCHEDULE OF OPEB CONTRIBUTIONS
LAST TEN YEARS *

	2019	2018
Actuarial Determined Contribution (ADC)	$ 11,393	$ 8,657
Contributions in Relation to the Actuarially Determined Contribution	11,393	8,657
Contribution Deficiency (Excess)	$ -	$ -
Covered-Employee Payroll	$ 869,318	$ 831,098
Contributions as a Percentage of Covered-Employee Payroll	1.31%	1.04%

Notes to Schedules:

The ADC developed for the year ending June 30, 2018 was determined by the District using the Alternative Measurement Method. Expected contributions, relative to the ADC, for the fiscal year ending December 31, 2018 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, 2019

SCHEDULE OF OPEB CONTRIBUTIONS (CONTINUED)
LAST TEN YEARS *

Notes to Schedules: (Continued)

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.