LAKESIDE WATER DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Leaf & Cole, LLP
Certified Public Accountants

LAKESIDE WATER DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

TABLE OF CONTENTS

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, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2020 and 2019, 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 36 to 40 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 of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Leaf & Cole LLP

San Diego, California
January 6, 2021

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, 2020 and 2019. 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 $679,735 to $38,546,210 for the year ended June 30, 2020.
- The District's operating revenues totaled $7,431,208 for the year ended June 30, 2020, a increase of $180,978.
- The District's operating expenses totaled $8,651,036 for the year ended June 30, 2020, a increase of $784,876 from the prior year. The increase in source of supply and transmission and distribution cost represent the majority of this increase. The District purchased approximately 9% more water in the current year and performed significant reservoir corrosion repairs.

Financial Analysis of the District

Net Position

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

	2020	2019	Change
Assets:			
Current and other assets	$ 23,078,501	$ 23,478,469	$ (399,968)
Capital assets, net	18,671,524	17,530,247	1,141,277
Total Assets	41,750,025	41,008,716	741,309
Deferred Outflows of Resources	638,070	494,435	143,635
Liabilities:			
Current liabilities	836,459	950,476	(114,017)
Noncurrent liabilities	2,838,621	2,564,349	274,272
Total Liabilities	3,675,080	3,514,825	160,255
Deferred Inflows of Resources	166,805	121,851	44,954
Net Position:			
Investment in capital assets	18,671,524	17,530,247	1,141,277
Unrestricted	19,874,686	20,336,228	(461,542)
Total Net Position	$ 38,546,210	$ 37,866,475	$ 679,735

Financial Analysis of the District (Continued)

Net Position (Continued)

Net position increased by $679,735 from fiscal year 2019 to 2020. Investment in capital assets increased $1,141,277 in fiscal year 2020 as additions to capital assets exceeded depreciation expense.

Unrestricted net position decreased $461,542 as a result of unrestricted net assets being utilized to fund capital projects.

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:

	2020	2019	Change
Revenues:			
Operating revenues	$ 7,431,208	$ 7,250,230	$ 180,978
Nonoperating revenues	1,771,080	1,672,120	98,960
Capital contributions	128,483	103,887	24,596
Total Revenues	9,330,771	9,026,237	304,534
Expenses:			
Depreciation expense	690,698	683,532	7,166
Other operating expenses	7,960,338	7,182,628	777,710
Total Expenses	8,651,036	7,866,160	784,876
Change in Net Position	679,735	1,160,077	(480,342)
Net Position at Beginning of Year	37,866,475	36,706,398	1,160,077
Net Position at End of Year	$ 38,546,210	$ 37,866,475	$ 679,735

A closer examination of the source of changes in net position reveals that the District's operating revenues increased by $180,978 in fiscal year 2020 as a result of higher water demand. Nonoperating revenues increased by $98,960 in fiscal year 2020 due to higher investment income. Operating expenses, exclusive of depreciation, increased $777,710 in fiscal year 2020 due to increased water purchases and significant reservoir corrosion repairs.

Capital Assets

Capital assets consist of the following at June 30:

	2020	2019	Change
Capital Assets Not Being Depreciated:			
Land	$ 138,659	$ 138,659	$ -
Construction in progress	16,466	65,975	(49,509)
Total Capital Assets Not Being Depreciated	$ 155,125	$ 204,634	$ (49,509)
Capital Assets Being Depreciated:			
Pumping plant and distributions	$ 29,784,192	$ 28,004,924	$ 1,779,268
Building and land improvements	612,015	612,015	-
Water development and treatment plant	2,109,903	2,109,903	-
Equipment	450,029	424,972	25,057
Autos and trucks	394,153	394,153	-
Office equipment	195,480	161,574	33,906
Total Capital Assets Being Depreciated	33,545,772	31,707,541	1,838,231
Less: Accumulated Depreciation	(15,029,373)	(14,381,928)	(647,445)
Net Capital Assets Being Depreciated	18,516,399	17,325,613	1,190,786
Net Capital Assets	$ 18,671,524	$ 17,530,247	$ 1,141,277

Capital assets, net of accumulated depreciation, increased $1,141,277 for the year ended June 30, 2020. Capital asset additions including Valle Vista Pipeline and the Castle Court Pipeline Replacement Project exceeded depreciation during the year ended June 30, 2020.

Economic Factors and Future Rates and Budgets

Imported water expense has continued to rise. A small increase was anticipated for the year ended June 30, 2020. Purchases were up by 9% while the cost per acre foot of water decreased slightly from $1,663 in 2019 to $1,646 in 2020. Imported water cost is estimated to be $1,762 per acre foot in 2021. To minimize the impact of the rising cost of imported water, the District has utilized local well production for approximately 17% to 23% of its 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 $759,466 in 2020 and $860,527 in 2019.

Subsequent to year end, the District funded its unfunded actuarial liability and purchased 4.9 acres adjacent to the Riverview well field.

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, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets: (Notes 1 and 2)		
Cash and cash equivalents	$ 1,575,476	$ 2,096,230
Investments	19,706,558	19,808,922
Accounts receivable, net	1,323,918	1,180,805
Taxes receivable	7,211	7,286
Accrued interest receivable	57,519	72,895
Inventory	114,890	101,687
Prepaid expenses	7,370	6,780
Total Current Assets	22,792,942	23,274,605
Noncurrent Assets:		
Capital Assets: (Notes 1 and 3)		
Nondepreciable capital assets	155,125	204,634
Depreciable, capital assets, net	18,516,399	17,325,613
Total Capital Assets	18,671,524	17,530,247
Other Noncurrent Assets: (Notes 1 and 7)		
Net OPEB asset	285,559	203,864
Total Other Noncurrent Assets	285,559	203,864
Total Noncurrent Assets	18,957,083	17,734,111
TOTAL ASSETS	$ 41,750,025	$ 41,008,716
DEFERRED OUTFLOWS OF RESOURCES: (Notes 1 and 6)		
Deferred outflows related to pension contributions	364,009	211,912
Deferred outflows related to pensions	274,061	282,523
Total Deferred Outflows of Resources	638,070	494,435

(Continued)

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

LAKESIDE WATER DISRICT
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2020 AND 2019

LIABILITIES

	2020	2019
Current Liabilities: (Notes 1, 4 and 5)		
Accounts payable	$ 769,230	$ 868,960
Prepaid rent	-	4,490
Unearned revenue	-	6,250
Compensated absences	67,229	70,776
Total Current Liabilities	836,459	950,476
Noncurrent Liabilities: (Notes 1, 5 and 6)		
Customer deposits	458,867	391,557
Compensated absences, net of current portion	94,993	87,136
Net pension liability	2,284,761	2,085,656
Total Noncurrent Liabilities	2,838,621	2,564,349
Total Liabilities	3,675,080	3,514,825
DEFERRED INFLOWS OF RESOURCES: (Notes 1 and 6)		
Deferred inflows related to pensions	166,805	121,851
Commitments and Contingencies (Notes 6, 7, 8 and 10)		
NET POSITION:		
Investment in capital assets	18,671,524	17,530,247
Unrestricted	19,874,686	20,336,228
Total Net Position	$ 38,546,210	$ 37,866,475

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, 2020 AND 2019

	2020	2019
Operating Revenues:		
Water sales	$ 7,053,224	$ 6,860,166
Infrastructure access fees	336,675	293,496
Installation and service fees	38,894	90,673
Other operating revenues	2,415	5,895
Total Operating Revenues	7,431,208	7,250,230
Operating Expenses:		
Source of supply	5,062,555	4,679,140
Transmission and distribution	1,433,068	1,063,641
General and administrative	934,076	854,859
Depreciation	690,698	683,532
Pumping	299,007	308,867
Customer accounts	148,807	153,228
Water treatment	82,825	122,893
Total Operating Expenses	8,651,036	7,866,160
Operating Loss	(1,219,828)	(615,930)
Nonoperating Revenues:		
Taxes and assessments	561,657	535,112
Rent income	206,787	200,139
Gain on disposal of capital assets	2,000	-
Investment income	1,000,636	936,869
Total Nonoperating Revenues	1,771,080	1,672,120
Income Before Capital Contributions	551,252	1,056,190
Capital Contributions	128,483	103,887
Change in Net Position	679,735	1,160,077
Net Position at Beginning of Year	37,866,475	36,706,398
NET POSITION AT END OF YEAR	$ 38,546,210	$ 37,866,475

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

LAKESIDE WATER DISRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash Flow From Operating Activities:		
Cash received from customers	$ 7,346,740	$ 7,421,833
Cash payments to suppliers for goods and services	(6,391,913)	(5,426,716)
Cash payments to employees for services	(1,658,909)	(1,432,630)
Other operating cash receipts	2,415	5,895
Net Cash (Used in) Provided by Operating Activities	(701,667)	568,382
Cash Flow From Noncapital Financing Activities:		
Cash received from rent income	202,297	200,270
Receipts from taxes, and assessments	561,732	535,994
Net Cash Provided by Noncapital Financing Activities	764,029	736,264
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(1,831,975)	(1,295,215)
Proceeds from disposal of capital assets	2,000	-
Capital contributions	128,483	103,887
Net Cash Used in Capital and Related Financing Activities	(1,701,492)	(1,191,328)
Cash Flows From Investing Activities:		
Proceeds from sale and maturities of investments	14,381,097	6,313,309
Purchase of investments	(13,690,143)	(5,606,087)
Investment income	427,422	379,979
Net Cash Provided by Investing Activities	1,118,376	1,087,201
Net (Decrease) Increase in Cash and Cash Equivalents	(520,754)	1,200,519
Cash and Cash Equivalents at Beginning of Year	2,096,230	895,711
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,575,476	$ 2,096,230

(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, 2020 AND 2019

	2020	2019
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating loss	$ (1,219,828)	$ (615,930)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:		
Depreciation	690,698	683,532
(Increase) Decrease in:		
Accounts receivable, net	(143,113)	180,186
Inventory	(13,203)	25,169
Prepaid expenses	(590)	24,864
Net OPEB asset	(81,695)	19,790
Deferred outflows related to pension contributions	(152,097)	(36,648)
Deferred outflows related to pensions	8,462	146,336
(Decrease) Increase in:		
Accounts payable	(99,730)	219,977
Unearned revenue	(6,250)	(27,449)
Customer deposits	67,310	24,761
Compensated absences	4,310	5,584
Net pension liability	199,105	(45,490)
Deferred inflows related to pensions	44,954	(36,300)
Net Cash (Used in) Provided by Operating Activities	$ (701,667)	$ 568,382
Supplemental Disclosures of Cash Flow Information:		
Net unrealized gains on investments	$ (588,590)	$ (558,157)

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. Additional capital contributions come in the form of facilities fees collected when a customer connects to the District's system.

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 $52,600 and $57,400 at June 30, 2020 and 2019, 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, 2020, 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 $690,698 and $683,532 for the years ended June 30, 2020 and 2019, respectively.

Compensated Absences

Accumulated and unpaid compensated absences totaling $162,222 and $157,912 are accrued when incurred and included in current and noncurrent liabilities at June 30, 2020 and 2019, 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, 2020, 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 $1,491,623 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 $31,944 and $48,190 or the years ended June 30, 2020 and 2019. 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, 2018
Measurement Date	June 30, 2019
Measurement Period	June 30, 2018 to June 30, 2019

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, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

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 net 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 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 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 equivalents.

Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through January 6, 2021, 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	2020 Total	2019 Total
Cash on hand	$ 2,481	$ -	$ 2,481	$ 912
Deposits with financial institutions	1,519,671	-	1,519,671	1,885,726
California Local Agency Investment Fund (LAIF)	53,324	-	53,324	209,592
Certificates of Deposits	2,179,545	16,096,101	18,275,646	14,576,146
U.S. Agency Securities	-	1,430,912	1,430,912	5,232,776
Total Cash and Investments	$ 3,755,021	$ 17,527,013	$ 21,282,034	$ 21,905,152

	2020	2019
Financial Statement Classification:		
Cash and cash equivalents	$ 1,575,476	$ 2,096,230
Investments	19,706,558	19,808,922
Total Cash and Investments	$ 21,282,034	$ 21,905,152

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, 2020.

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. The District holds no investments in any one issuer (other than U.S. Treasury obligations, mutual funds, and external investment pools) that represent 5% or more of total District investments at June 30, 2020.

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, 2020, 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:

	2020	2019
Deposits with financial institutions	$ 1,519,671	$ 1,885,726
California Local Agency Investment Fund (LAIF)	53,324	209,592
Cash on hand	2,481	912
Total	$ 1,575,476	$ 2,096,230

Note 3 - Capital Assets:

Capital assets consist of the following at June 30:

	2020			
	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
Capital Assets Not Being Depreciated:				
Land	$ 138,659	$ -	$ -	$ 138,659
Construction in progress	65,975	1,733,483	(1,782,992)	16,466
Total Capital Assets Not Being Depreciated	$ 204,634	$ 1,733,483	$ (1,782,992)	$ 155,125
Capital Assets Being Depreciated:				
Pumping plant and distribution	$ 28,004,924	$ 1,821,320	$ (42,052)	$ 29,784,192
Building and land improvements	612,015	-	-	612,015
Water development and treatment plant	2,109,903	-	-	2,109,903
Equipment	424,972	26,258	(1,201)	450,029
Autos and trucks	394,153	-	-	394,153
Office equipment	161,574	33,906	-	195,480
Total Capital Assets Being Depreciated	31,707,541	1,881,484	(43,253)	33,545,772
Less: Accumulated depreciation	(14,381,928)	(690,698)	43,253	(15,029,373)
Net Capital Assets Being Depreciated	17,325,613	1,190,786	-	18,516,399
Net Capital Assets	$ 17,530,247	$ 2,924,269	$ (1,782,992)	$ 18,671,524

Note 3 - Capital Assets: (Continued)

	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 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 $-0- and $6,250 at June 30, 2020 and 2019, respectively.

Note 5 - Noncurrent Liabilities:

Noncurrent liabilities consist of the following at June 30:

	2020				
	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020	Due Within One Year
Customer deposits	$ 391,557	$ 184,885	$ (117,575)	$ 458,867	$ -
Compensated absences	157,912	67,229	(62,919)	162,222	67,229
Net pension liability	2,085,656	500,206	(301,101)	2,284,761	-
	$ 2,635,125	$ 752,320	$ (481,595)	$ 2,905,850	$ 67,229

	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

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 Miscellaneous 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 statutorily reduced benefits. PEPRA Miscellaneous members with 5 years of service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability 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, 2020, 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	7.784%	4.0%
Required employer contribution rates	13.692%	4.735%

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.

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

The District reported the following net pension liability for its proportionate share of net position liability of the risk pool at June 30:

	Proportionate Share of Net Pension Liability 2020	Proportionate Share of Net Pension Liability 2019
Miscellaneous Risk Pool	$ 2,284,761	$ 2,085,656

The District's net pension liability for each risk pool is measured as the proportionate share of each risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

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

- In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to the miscellaneous risk pool. Estimates of the total pension liability and the fiduciary net position were first determined for the individual rate plans as of the valuation date, June 30, 2018.

- Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The District's proportionate share percentage at the valuation date was calculated by dividing the District's net pension liability for each of its employer rate plans by the net pension liability of the risk pool as of the valuation date.

The District's proportionate share of the net pension liability as of June 30, 2019, the measurement date, was calculated as follows:

- The risk pool's total pension liability was computed at the measurement date, June 30, 2019, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for the risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for the risk pool at June 30, 2019, was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

Note 6 - Defined Benefit Pension Plan: (Continued)

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

- The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2019, was calculated by applying the District's proportionate share percentage as of the valuation date (described above) to the total pension liability and fiduciary net position as of June 30, 2019, to obtain the total pension liability and fiduciary net position as of June 30, 2019. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

The District's proportionate share percentage of the net pension liability as of June 30, 2018 and June 30, 2019, was as follows:

	Miscellaneous Risk Pool
Proportion at measurement date - June 30, 2018	0.053670%
Proportion at measurement date -June 30, 2019	0.053110%
Change - Increase (Decrease)	0.000560%

The District recognized pension expense of $464,433 and $241,063 for the Plan for the years ended June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30:

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 364,009	$ -
Differences between actual contributions made and proportionate share of contributions	-	126,860
Differences between expected and actual experience	146,391	-
Changes of assumptions	70,327	-
Net difference between projected and actual earnings on pension plan investments	-	39,945
Adjustment due to difference in proportions	57,343	-
Total	$ 638,070	$ 166,805

Note 6 - Defined Benefit Pension Plan: (Continued)

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

	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

Amounts other than contributions subsequent to the measurement date reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources
2020	$ 127,155
2021	(38,502)
2022	10,531
2023	8,072
Total	$ 107,256

Actuarial Assumptions

The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increases	Varies by Age and Length of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Derived using CalPERS' Membership Data for all funds

<u>Note 6 - Defined Benefit Pension Plan: (Continued)</u>

<u>Discount Rate</u>

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 the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2019 based on June 30, 2018 Valuations,* that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

In the December 2016 and April 2017 meetings, the Board voted to lower the funding discount rates used for the Public Employee's Benefit Fund (PERF). In making its decision, the CalPERS Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for the PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimated 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, CalPERS 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 of all the Plan's 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.

Note 6 - Defined Benefit Pension Plan: (Continued)

Discount Rate (Continued)

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

Asset Class	New Strategy Allocation	Real Return Years 1 - 10[(a)]	Real Return Years 11 +[(b)]
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0	1.00	2.62
Inflation Assets	0.0	0.77	1.81
Private Equity	8.0	6.30	7.23
Real Estate	13.0	3.75	4.93
Liquidity	1.0	0.00	(0.92)
	100.0%		

[(a)]An expected inflation of 2.0% used for this period
[(b)]An expected inflation of 2.92% used for this period

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

The following presents the District's proportionate share of the net pension liability of the risk pool as of the measurement date, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Lakeside Water District's proportionate share of the Miscellaneous Risk Pool's net pension liability	$ 3,569,454	$ 2,284,761	$ 1,224,338

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.

Note 7 - Other Postemployment Benefits: Continued)

General Information About the OPEB Plan (Continued)

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, 2019 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, 2019, the Plan's fiduciary net assets 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, 2019 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	3.00%
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.

Note 7 - Other Postemployment Benefits: (Continued)

Methods and Assumptions (Continued)

Marital Status

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

Mortality

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

Turnover

Non-group-specific age-based turnover data 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 3.0% was used.

Health Insurance Premiums

For the year ended June 30, 2020, 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 3.0% was based on recent experience.

Payroll Growth Rate

The expected long-term payroll growth rate was assumed to equal 3.3%.

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.

Note 7 - Other Postemployment Benefits: (Continued)

Net OPEB Liability (Asset) (Continued)

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%	2.01%
Global Equities	40%	4.76%
REITs	8%	4.53%
Inflation Assets	5%	1.20%
Commodities	4%	2.39%
Total	100%	

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.

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, 2019	$ 281,274	$ 485,138	$ (203,864)
Changes recognized for the measurement period:			
Service cost	(48,023)	-	(48,023)
Net investment income	-	33,911	(33,911)
Benefit payments	(3,000)	(3,000)	-
Administrative expense	-	(239)	239
Net Changes	(51,023)	30,672	(81,695)
Balance at June 30, 2020	$ 230,251	$ 515,810	$ (285,559)

Note 7 - Other Postemployment Benefits: (Continued)

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	$ (257,594)	$ (285,559)	$ (310,509)

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 (2.00%)	Current Healthcare Cost Trend Rates (3.00%)	1% Increase (4.00%)
Net OPEB Asset	$ (304,572)	$ (285,559)	$ (262,835)

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.

Note 7 - Other Postemployment Benefits: (Continued)

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

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, 2019 to June 30, 2020, the District recognized OPEB expense (benefit) of ($81,695). As of June 30, 2020, 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.

Coronavirus Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. On March 19, 2020, the Governor of California declared a health emergency and issued an order to close all nonessential businesses until further notice. Although the District is considered an essential business, for the health and safety of its customers and staff, in-person assistance ceased. Services continued to be provided remotely. The potential impacts to the District include disruptions or restrictions on employees' ability to work, limitations on in-person services. In addition, there has been significant volatility in the financial markets, which may have an impact on the District's ability to borrow funds. Changes to the operating environment may also be impacted, and may have an impact on operating costs. The future effects of these issues are unknown.

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 effective date of this pronouncement has been postponed by 12 months by GASB Statement No. 95. 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 effective date of this pronouncement has been postponed by 18 months by GASB Statement No. 95. 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 elected to implement this pronouncement and has not capitalized any interest cost in the years ended June 30, 2020 and 2019.

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 effective date of this pronouncement has been postponed by 12 months by GASB Statement No. 95. 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 effective date of this pronouncement has been postponed by 12 months by GASB Statement No. 95. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 92

In January 2020, the Governmental Accounting Standards Board issued Statement No. 92 “Omnibus 2020”. The requirements of this statement are effective at various dates up to and including fiscal years and reporting periods beginning after June 15, 2021. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. This pronouncement did not and is not expected to have a material effect on the financial statements of the District in the year of implementation.

GASB No. 93

In March 2020, the Governmental Accounting Standards Board issued Statement No. 93 “Replacement of Interbank Offered Rates”. The requirements of this statement are effective at various dates up to and including reporting periods ending after December 31, 2021. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. This pronouncement is not expected to have a material effect on the financial statements of the District in the year of implementation.

GASB No. 94

In March 2020, the Governmental Accounting Standards Board issued Statement No. 93 “Public - Private and Public - Public Partnerships and Availability Payment Arrangements”. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. As used in this pronouncement, these Partnerships are an arrangement in which the government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset such as infrastructure or other capital assets for a period of time in an exchange or an exchange-like transaction. The statement also provides guidance on accounting and financial reporting for availability payment arrangements in which the government compensates the operator for services that may include the designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The District has not yet determined the effects of this pronouncement on the financial statements in the year of implementation.

Note 9 - New Governmental Accounting Standards: (Continued)

GASB No. 95

In May 2020, the Governmental Accounting Standards Board issued Statement No. 95 “Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing for one year the effective dates of GASB Statements 83, 84, 88 – 93 as well as implementation guides 2018-1, 2019-1 and 2019-2. In addition, the effective dates of GASB Statement 87 and Implementation Guide 2019-3 have been postponed by 18 months.

GASB No. 96

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96 “Subscription-Based Information Technology Arrangements (SBITA’s). This Statement (1) defines SBITA’s (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including the implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter. 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.

Note 10 - Subsequent Events:

Subsequent to year end, the District elected to make lump-sum payments totaling $2,307,083 to fund the Unfunded Actuarial Liability (UAL).

Subsequent to year end, the District purchased 4.9 acres adjacent to the Riverview Well Field for $1,249,148 in cash.

LAKESIDE WATER DISRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

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

	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016
Proportion of the Net Pension Liability	0.057055%	0.055341%	0.053970%	0.053200%
Proportionate Share of the Net Pension Liability	$ 2,284,761	$ 2,085,656	$ 2,131,146	$ 1,820,794
Covered Payroll - Measurement Period	$ 884,211	$ 826,999	$ 781,134	$ 753,349
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	258.40%	252.20%	272.83%	241.69%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.08%	76.99%	75.35%	76.23%

	Measurement Date June 30, 2014	Measurement Date June 30, 2015
Proportion of the Net Pension Liability	0.047982%	0.0500009%
Proportionate Share of the Net Pension Liability	$ 1,185,881	$ 1,371,972
Covered Payroll	$ 650,738	$ 702,446
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	182.24%	195.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.03%	81.33%

Notes to Schedule:

Change in Benefit Terms - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact.

Changes in Assumptions - The discount rate was changed from 7.50% in 2015 to 7.65% in 2016 and 2017 and to 7.65% in 2018.

Omitted Years - GASB Statement No 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

LAKESIDE WATER DISRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

SCHEDULES OF CONTRIBUTIONS TO THE PENSION PLAN
LAST TEN YEARS *

	Fiscal Year 2019 - 2020	Fiscal Year 2018 - 2019	Fiscal Year 2017- 2018	Fiscal Year 2016 - 2017	Fiscal Year 2015 - 2016
Contractually Required Contribution (Actuarially Determined)	$ 364,009	$ 211,912	$ 175,264	$ 159,865	$ 142,970
Contributions in Relation to the Actuarially Determined Contribution	364,009	211,912	175,264	159,865	142,970
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 912,690	$ 884,211	$ 826,999	$ 781,134	$ 753,349
Contributions as a Percentage of Covered-Employee Payroll	39.88%	23.97%	21.19%	20.47%	18.98%

	Fiscal Year 2014 - 2015
Contractually Required Contribution (Actuarially Determined)	**$** 105,043
Contributions in Relation to the Actuarially Determined Contribution	$ 105,043
Contribution Deficiency (Excess)	$ -
Covered Payroll	$ 702,466
Contributions as a Percentage of Covered-Employee Payroll	14.95%

Notes to Schedule:

Valuation Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Discount Rate	7.15%
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, 2020

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

Measurement Period	2020	2019	2018
Total OPEB Liability			
Service cost	$ (48,023)	$ 47,912	$ (53,514)
Interest	-	-	-
Change of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Benefit payments	(3,000)	(3,000)	(2,733)
Net Change in Total OPEB Liability	(51,023)	44,912	(56,247)
Total OPEB Liability - Beginning	281,274	236,362	292,609
Total OPEB Liability - Ending (a)	$ 230,251	$ 281,274	$ 236,362
Plan Fiduciary Net Position			
Contributions - Employer	$ -	$ -	$ -
Net investment income	33,911	28,358	31,237
Benefit payments	(3,000)	(3,000)	(2,733)
Administrative expense	(239)	(236)	(218)
Net Change in Plan Fiduciary Net Position	30,672	25,122	28,286
Plan Fiduciary Net Position - Beginning	485,138	460,016	431,730
Plan Fiduciary Net Position - Ending (b)	$ 515,810	$ 485,138	$ 460,016
District's Net OPEB Liability (Asset) - Ending (a) - (b)	$ (285,559)	$ (203,864)	$ (223,654)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	224.02%	172.48%	194.62%
Covered-Employee Payroll	$ 871,900	$ 819,107	$ 794,813
District's Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	(32.75)%	(24.89)%	(28.14)%

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, 2020

SCHEDULES OF CONTRIBUTIONS TO THE OPEB PLAN
LAST TEN YEARS *

	2020	2019	2018
	$		
Actuarial Determined Contribution (ADC)	8,727	$ 11,393	$ 8,657
Contributions in Relation to the Actuarially Determined Contribution	8,727	11,393	8,657
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered-Employee Payroll	$ 871,900	$ 819,107	$ 794,813
Contributions as a Percentage of Covered-Employee Payroll	1.00%	1.39%	1.09%

Notes to Schedules:

The ADC developed for the years ending June 30, 2018 through 2020 was determined by the District using the Alternative Measurement Method. Expected contributions, relative to the ADC, for each fiscal year 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	3.0 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	3.3%
Salary Increase	Equal to the rate of inflation

LAKESIDE WATER DISRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

SCHEDULES OF CONTRIBUTIONS TO THE OPEB PLAN (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.