



**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2013**

Idyllwild Water District

TABLE OF CONTENTS

	<u>Page</u>
List of Principal Officers	i
Independent Auditor's Report	1
Management Discussion and Analysis	3
Statement of Net Position	11
Statement of Revenues, Expenses and Changes in Net Position	13
Statement of Cash Flows	15
Notes to Financial Statements	17
Required Supplementary Information – Schedule of Funding Progress for the Retiree Health Plan (OPEB)	30

**Idyllwild Water District
List of Principal Officers**

BOARD OF DIRECTORS

<u>Title</u>	<u>Name</u>
President	Warran Monroe
Director	Dean Lattin
Director	John Cook
Director	Jim Billman
Director	Mike Freitas

ADMINISTRATION

General Manager	Terry Lyons
Chief Financial Officer	Hosny Shouman

ORGANIZATION

The Idyllwild Water District was formed on March 21, 1955 for the purpose of providing a domestic water supply to the community of Idyllwild, California under Section 30000 of the California Water Code. Improvement District No. 1 was established by Board action on March 10, 1966 to provide sewer services within the community.

Board of Directors
Idyllwild Water District
Idyllwild, California

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Idyllwild Water District (the District), as of and for the year ended June 30, 2013 and the related notes to the financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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.

Opinion

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

Other matters

Implementation of new pronouncement

As discussed in Note 1 of the financial statements, the District adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*.

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rogers Anderson Maloney & Scott, LLP

San Bernardino, CA
November 15, 2013

**Idyllwild Water District
Management Discussion and Analysis
For the year ended June 30, 2013**

MANAGEMENT DISCUSSION AND ANALYSIS

The intent of the management discussion and analysis is to provide highlights of the Idyllwild Water District's (the District) operational and financial activities for the fiscal year ended June 30, 2013. Readers are encouraged to review this section in conjunction with the accompanying financial statements and notes from the independent auditors.

THE DISTRICT'S OPERATIONS - AN OVERVIEW

The District operates under the authority of Section 30000, Division 12 of the California Water Code and engages in water and wastewater activities, which are classified, as "proprietary". These activities are accounted for much like that of a private business using the full accrual method of accounting for financial transactions. Major activities include production and treatment of groundwater; sale and delivery of water to domestic and commercial accounts; and collection, treatment and disposal of wastewater. The District also owns a small fleet of vehicles and other rolling stock to support the various operating activities for water and wastewater.

FINANCIAL HIGHLIGHTS

WATER SALES:

Water sales increased for the year by \$70,320 or 8% from the prior year's amount and ended the year at \$895,963. This is attributed to an increase in water rates of 6% at the beginning of the fiscal year and an increase in cubic feet of sales by 77,053 c.f. Total cubic feet sold for the fiscal year was 10,983,903. The District was in a stage 1 water shortage emergency (voluntary water conservation) for 12 months. There were two new residential water connections and no commercial connections.

SEWER SALES:

Wastewater service charges increased by \$47,371 or 13% from the prior year and ended the year at \$367,567. The equivalent dwelling units increased by (26.27)E.D.U from the prior year or 1.34% to end the year at 15,959.12 E.D.U. There were no new residential or commercial connections added during the year.

CAPITAL ASSETS:

During the year, the water fund increased capital assets by \$217,402 and increased construction in progress by \$94,657 as follows:

DESCRIPTION	2012/2013 AMOUNT
Land	\$ 181,842
Telemetry for the tank	30,078
Other miscellaneous assets	5,482
TOTAL CAPITAL ASSET ADDITIONS	\$ 217,402
 Golden Rod Tank 200,000 GLS	 \$ 94,549
TOTAL CONSTRUCTION IN PROGRESS ADDITIONS	\$ 94,549

**Idyllwild Water District
Management Discussion and Analysis
For the year ended June 30, 2013**

During the year, the sewer fund decreased capital assets by \$37,920 from the prior year due to depreciation and increased construction in progress by \$14,775 as follows:

DESCRIPTION	2012/2013 AMOUNT
Recycled water project	<u>\$ 14,775</u>
TOTAL CONSTRUCTION IN PROGRESS ADDITIONS	<u>\$ 14,775</u>

INTEREST EARNINGS:

This past year interest earnings experienced another reduction in interest earned percentages from the prior year. There are conservative investment policy restrictions on types of investments such as treasury bills, certificates of deposits, savings, money market funds, and local agency investment funds (state and local). Total interest earnings for Water and Sewer was \$23,635. The average interest earnings rate for the year was 0.81% compared to 0.82% the prior year, a decrease of (-.09%). Interest earnings decreased by (\$-22).

PROPERTY TAXES:

This past year property tax revenues experienced an increase in actual receipts from the previous year of (\$9,854) or (2.85%) as a result of increased property values within the District's boundaries. Total property tax received for the year ended was \$354,529.

DISTRICT OPERATIONS:

Operation expenses, excluding depreciation, totaled \$1,570,973 which represents an increase of \$127,295 or 8.8% from the prior year amount. Increase occurred in the following expense categories; wages & fringe benefits, consultants, water treatment, media, removal costs, advertising/publishing costs and net OPEB obligation costs. Decreases occurred in the following expense categories; low flush toilet/efficiency rebates and repairs and maintenance.

DEPRECIATION EXPENSE:

The water fund's depreciation expense was \$180,386 and the sewer fund's was \$37,920 for a total of \$218,306 a decrease of \$1,138 or .50% from the prior year.

INTEREST EXPENSE:

The District made all debt service payments for certificates of participation for both principal and interest in a timely manner. The sewer fund is debt free and the water fund has one annual principal payment remaining in its debt service schedule. Interest expense was \$10,939.

**Idyllwild Water District
Management Discussion and Analysis
For the year ended June 30, 2013**

TOTAL REVENUES:

Combined revenues for the year totaled \$1,796,979 compared to the prior year of \$1,556,073 an increase of \$240,906 or 15.48%. The following table presents a comparison of revenues by category for the two years of 2011/2012 and 2012/2013:

**COMBINED REVENUES BY CATEGORY
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2013**

REVENUE CATEGORY	2011 / 2012		2012 / 2013		INCR. (DECR.)	%
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL		
Water sales	\$ 825,643	53.05%	\$ 895,963	49.86%	\$ 70,320	29.29%
Sewer services	320,196	20.58	367,567	20.45	47,371	19.66
Services fees	13,936	0.90	45,497	2.53	31,561	13.10
Interest	23,423	1.51	23,635	1.32	212	0.09
Property taxes-1%	344,675	22.15	354,529	19.73	9,854	4.09
Availability charges	28,200	1.81	28,262	1.57	62	0.03
Capacity fee	-	-	5,729	0.32	5,729	2.38
Other income	-	-	75,797	4.22	75,797	31.46
TOTAL REVENUES	\$ 1,556,073	100.0%	\$ 1,796,979	100.0%	\$ 240,906	100.0%

TOTAL EXPENSES:

Combined expenses for the year totaled \$1,820,969 compared to a prior year of \$1,692,931 an increase of \$128,038 or 7.6%, which includes total operating expenses of \$1,798,635 compared to the prior year of \$1,672,478.

**COMBINED EXPENSES BY CATEGORY
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2013**

EXPENSE CATEGORY	2011 / 2012		2012 / 2013		INCR. (DECR.)	%
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL		
Water operations	\$ 566,124	33.44%	\$ 568,513	31.22%	\$ 2,389	1.86%
Sewer operations	195,608	11.56	272,953	14.99	77,345	60.44
General& admin.	751,884	44.41	754,995	41.96	3,111	2.42
Interest exp. - COP	20,453	1.21	22,334	1.23	1,881	1.46
Other non-operating	158,862	9.38	202,174	11.10	43,312	33.82
TOTAL EXPENSES	\$1,692,931	100.0%	\$1,820,969	100.0%	\$ 128,038	100.0%

**Idyllwild Water District
Management Discussion and Analysis
For the year ended June 30, 2013**

**CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2013**

	2011 / 2012	2012 / 2013	INCR. (DECR.)	%
CHANGE IN NET POSITION	\$ 8,192,611	\$ 8,168,621	\$ (23,990)	0.29%

The District's net position decreased by (\$23,990), a decrease of (\$112,868), or 82.47% from the prior year decrease of (\$136,858). The District ended the year with \$8,168,621 in total net position. Following is a summary table of balance sheet accounts comparing the changes from fiscal year 2011/2012 and 2012/2013:

BALANCE SHEET

ASSETS:	2011 / 2012	2012 / 2013	INCR. (DECR.)	%
Current assets	\$ 2,296,649	\$ 1,978,735	\$ (317,914)	(13.84)%
Restricted assets	1,109,711	1,485,851	376,140	25.31
Capital assets	5,507,682	5,616,210	108,528	1.97
TOTAL ASSETS	\$ 8,914,042	\$ 9,080,796	\$ 166,754	1.87%

LIABILITIES:

Current liabilities	\$ 70,440	\$ 255,720	\$ 185,280	263.03%
Other liabilities	121,225	125,625	4,400	3.63
Long-term debt outstanding	124,783	-	(124,783)	(100.00)
Other noncurrent liabilities	404,983	530,830	125,847	31.07
TOTAL LIABILITIES	\$ 721,431	\$ 912,175	\$ 190,744	26.44%

NET POSITION:

Net investment in capital assets	\$ 5,262,479	\$ 5,491,210	\$ 228,731	4.35%
Restricted for debt service	365,995	353,981	(12,014)	(3.28)
Restricted for deferred maint	743,716	1,131,870	388,154	51.19
Unrestricted	1,820,421	1,191,560	(628,861)	(34.54)
TOTAL NET POSITION	\$ 8,192,611	\$ 8,168,621	\$ (23,990)	(0.29)%

**Idyllwild Water District
Management Discussion and Analysis
For the year ended June 30, 2013**

CHANGES IN FINANCIAL CONDITION OF THE DISTRICT

The following provides explanations for some of the changes between fiscal years, as reflected in the above balance sheet data:

CURRENT ASSETS:

Current assets decreased by (\$317,914) or (-13.84%) from the prior year. The certificate of deposit increased from the prior year by \$75,712. Investment utility receivable decreased by (\$884), accrued interest receivable decreased by (\$1,545). Inventory increased by \$3,221. Property tax receivable increased by \$94 or 0%. Total unrestricted cash and investments decreased by (\$317,914) from the prior year and ended with a balance of \$2,139,813, which includes certificates of deposits.

RESTRICTED ASSETS:

Restricted assets increased by \$376,140 or 33.90% from the prior year with restricted cash and investments funds increasing by \$385,804, other cash and investment funds showing no change from the prior year.

CAPITAL ASSETS:

Total capital assets increased by 108,528 due to an increase in construction in progress of \$109,432 less accumulated depreciation increase.

CURRENT LIABILITIES:

Current liabilities increased by (\$185,280) due primarily to an increase in Accounts Payable of (\$53,227), a decrease in compensated payable by \$5,007 and an increase accrued costs and payroll taxes payable of (\$7,235). There was a decrease in customer deposits of \$600, and an increase in deferred revenue of \$130,425.

OTHER LIABILITIES:

Other liabilities increased by (\$4,400) due primarily to change of principal due for 97EE certificate of participation principal of (\$5,000) and decrease of accrued interest payable of \$600.

LONG-TERM DEBT OUTSTANDING:

Long-term debt decreased by \$124,783 due primarily to payment of 97EE certificate of participation principal, net of bond discounts of \$217.

NET OPEB OBLIGATION:

The District performed an in-house recalculation of the OPEB obligation for the "Retiree's Health Benefit Plan". A net OPEB obligation was recorded in the current fiscal year for \$125,847. This represents the increase in net OPEB obligation. For the upcoming fiscal year of 2013/2014, the District will be reviewing and revising the "Retiree's Health Benefit Plan" in relation to the costs projections as of June 30, 2014. It is assumed that the OPEB liability obligation from these changes will be greatly decreased for the District and will require a re-calculation of the GASB statement 45 requirements.

**Idyllwild Water District
Management Discussion and Analysis
For the year ended June 30, 2013**

CAPITAL ASSETS:

Net of accumulated depreciation, the District reported capital assets of \$5,616,210 at the end of the fiscal year compared to \$5,507,682 in fiscal year 2011/2012, an increase of \$108,528 or 2%. The following is a table comparing the two fiscal years change in capital assets:

**CAPITAL ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2013**

	2011 / 2012	2012 / 2013	INCR. (DECR.)	%
Land & Land Improvements	\$ 391,509	\$ 573,351	\$ 181,842	46.45%
Source of Supply	1,366,153	1,366,553	400	0.03
Pumping	97,162	97,162	-	0.00
Water Treatment Plant	691,002	691,002	-	0.00
Transmission & Distribution	4,733,252	4,763,330	30,078	0.63
Sub-Surface Sewer Lines	926,136	926,136	-	0.00
Sewer Treatment Plant	1,109,174	1,109,174	-	0.00
Sewer Disposal Facilities	313,328	313,328	-	0.00
General Plant & Equipment	1,196,442	1,201,524	5,082	0.42
Construction in Progress	291,558	400,990	109,432	37.53
TOTAL CAPITAL ASSETS	11,115,716	11,442,550	(326,334)	2.94%
Less: Accumulated Depreciation	5,608,034	5,826,340	218,306	3.89%
NET CAPITAL ASSETS	\$ 5,507,682	\$ 5,616,210	\$ (108,528)	1.97%

**Idyllwild Water District
Management Discussion and Analysis
For the year ended June 30, 2013**

DISTRICT ACTUAL VS. BUDGET:

The table below compares actual revenues and expenses of the District to budgeted and/or projected amounts used by the District to monitor performance during the fiscal year. The overall change to net position was budgeted as a negative (\$135,305) compared to actual results of (\$23,990), a positive budget variance of \$111,315 or 82.27%. The following is a table of total revenues and expenses comparing the actual results with budgeted projections:

**ACTUAL VERSUS BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	ACTUAL 2012/2013	BUDGET 2012/2013	BUDGET VARIANCE	% VAR.
REVENUES				
Water sales	\$ 895,963	\$ 861,900	\$ 34,063	3.8%
Sewer services	367,567	322,830	44,737	12.18
Connection fees	45,497	25,810	19,687	43.27
Interest income	23,635	39,000	(15,365)	(65.00)
Property taxes - 1%	354,529	360,000	(5,471)	(1.55)
Standby charges	28,262	27,000	1,262	4.47
Capacity fee	5,729	4,000	1,729	30.18
Other income	75,797	5,000	70,797	93.41
TOTAL REVENUES	<u>\$ 1,796,979</u>	<u>\$ 1,645,540</u>	<u>\$ 151,439</u>	<u>8.42%</u>
EXPENSES:				
Water operations	\$ 388,127	\$ 412,580	\$ 24,453	6.29%
Sewer operations	235,033	241,360	6,327	2.70
Depreciation expense	218,306	258,940	40,634	18.64
General & administrative	754,995	675,680	(79,315)	(10.51)
Interest expense - COP	22,334	26,290	3,956	17.71
Other operating	202,174	165,995	(36,179)	17.89
TOTAL EXPENSES	<u>\$ 1,820,969</u>	<u>\$ 1,780,845</u>	<u>\$ (40,124)</u>	<u>(2.22)%</u>
CHANGE IN NET POSITION	<u>\$ (23,990)</u>	<u>\$ (135,305)</u>	<u>\$ 111,315</u>	<u>464.01%</u>

UPCOMING EVENTS:

Employee Benefits – Staff and Board of Directors will be reviewing all existing staff benefits provided currently by the District with major emphasis on reducing projected costs for the “Retiree Health Benefit Plan”.

Personnel Policy & Procedure Manual – Staff and Board Committee has approved the revision of this manual with review by District legal counsel on October 07, 2013.

Completion of Water & Sewer Rules & Regulations – Staff and Board Committee will review and revise existing water and wastewater rules and regulations with completion of the final version in fiscal year 2013/2014.

**Idyllwild Water District
Management Discussion and Analysis
For the year ended June 30, 2013**

Finalize Recycled Water Project Viability – Staff and Board Committee will continue to research viability of a recycled water tertiary treatment facility and distribution system. The District, located in a “disadvantaged community” (DAC), is applying for State grants and loans for reimbursement of costs related to planning, design and construction of this planned recycled project.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT:

This management discussion and analysis section is designed to provide Idyllwild Water District elected officials, our customers, and creditors with a general overview of the District's financial activities for fiscal year 2012/2013 for public monies it receives and expends. If you have any questions regarding this section or require additional financial information, please contact the District.

**Idyllwild Water District
Statement of Net Position
June 30, 2013**

	<u>Water</u>	<u>Improvement District No. 1 - Sewer</u>	<u>Total memorandum only</u>
Assets			
Current assets:			
Cash and investments	\$ 643,325	\$ 1,016,105	\$ 1,659,430
Certificates of deposit	150,398	50,314	200,712
Accounts receivable, net:			
Sales and service	14,509	10,331	24,840
Taxes and assessments	16,813	5,466	22,279
Accrued interest receivable	200	548	748
Inventories	69,798	928	70,726
	<u>895,043</u>	<u>1,083,692</u>	<u>1,978,735</u>
Total current assets			
Noncurrent assets:			
Restricted assets:			
Restricted cash and investments	847,300	413,320	1,260,620
Cash with fiscal agents	224,823	-	224,823
Accrued interest receivable	408	-	408
	<u>1,072,531</u>	<u>413,320</u>	<u>1,485,851</u>
Total restricted assets			
Capital assets:			
Property, plant and equipment, net	4,544,538	670,682	5,215,220
Construction in progress	190,706	210,284	400,990
	<u>4,735,244</u>	<u>880,966</u>	<u>5,616,210</u>
Total capital assets			
Total assets	<u>\$ 6,702,818</u>	<u>\$ 2,377,978</u>	<u>\$ 9,080,796</u>

The notes are an integral part of these financial statements.

**Idyllwild Water District
Statement of Net Position
June 30, 2013**

	<u>Water</u>	<u>Improvement District No. 1 - Sewer</u>	<u>Total memorandum only</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 53,849	\$ 17,282	\$ 71,131
Payroll taxes payable	6,287	1,941	8,228
Deferred revenue	130,425	-	130,425
Compensated absences payable	<u>33,200</u>	<u>12,736</u>	<u>45,936</u>
Total current liabilities	<u>223,761</u>	<u>31,959</u>	<u>255,720</u>
Payable from restricted assets:			
Current portion of long-term debt	125,000	-	125,000
Accrued interest payable	<u>625</u>	<u>-</u>	<u>625</u>
Total payable from restricted assets	<u>125,625</u>	<u>-</u>	<u>125,625</u>
Noncurrent liabilities:			
OPEB obligation	<u>398,122</u>	<u>132,708</u>	<u>530,830</u>
Total noncurrent liabilities	<u>398,122</u>	<u>132,708</u>	<u>530,830</u>
Total liabilities	<u>747,508</u>	<u>164,667</u>	<u>912,175</u>
Net position			
Net investment in capital assets	4,610,244	880,966	5,491,210
Restricted for:			
Debt service/covenants	353,981	-	353,981
Deferred maintenance and other	718,550	413,320	1,131,870
Unrestricted	<u>272,535</u>	<u>919,025</u>	<u>1,191,560</u>
Total net position	<u>\$ 5,955,310</u>	<u>\$ 2,213,311</u>	<u>\$ 8,168,621</u>

The notes are an integral part of these financial statements.

Idyllwild Water District
Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2013

	Water	Improvement District No. 1 - Sewer	Total memorandum only
Operating revenues			
Water sales - residential	\$ 588,588	\$ -	\$ 588,588
Water sales - commercial	307,375	-	307,375
Sewer service fees - residential	-	115,801	115,801
Sewer service fees - commercial	-	251,766	251,766
Service fees and other	43,427	2,070	45,497
	<u>939,390</u>	<u>369,637</u>	<u>1,309,027</u>
Operating expenses			
Source of supply	245,262	-	245,262
Transmission and distribution	122,228	-	122,228
Pumping	8,034	-	8,034
Water treatment	115,569	-	115,569
Customer accounts	77,420	-	77,420
Sewage collection	-	25,207	25,207
Sewage treatment	-	182,201	182,201
Sewage disposal	-	65,545	65,545
Other operating	144,404	57,770	202,174
General and administrative	607,598	147,397	754,995
	<u>1,320,515</u>	<u>478,120</u>	<u>1,798,635</u>
Total operating expenses	<u>1,320,515</u>	<u>478,120</u>	<u>1,798,635</u>
Operating (loss)	<u>(381,125)</u>	<u>(108,483)</u>	<u>(489,608)</u>
Nonoperating revenues			
Investment income	19,875	3,760	23,635
Property taxes -1%	255,986	98,543	354,529
Other income	-	75,797	75,797
Standby fees	21,962	6,300	28,262
Capacity fees	5,729	-	5,729
	<u>303,552</u>	<u>184,400</u>	<u>487,952</u>
Total nonoperating revenues	<u>303,552</u>	<u>184,400</u>	<u>487,952</u>

The notes are an integral part of these financial statements.

Idyllwild Water District
Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2013

	Water	Improvement District No. 1 - Sewer	Total memorandum only
Nonoperating expenses			
Interest	10,939	-	10,939
Loss on disposal of capital assets	7,349	-	7,349
Agency debt and county services	4,046	-	4,046
	<u>22,334</u>	<u>-</u>	<u>22,334</u>
Total nonoperating expenses	22,334	-	22,334
Change in net position	(99,907)	75,917	(23,990)
Net position, beginning of year	<u>6,055,217</u>	<u>2,137,394</u>	<u>8,192,611</u>
Net position, end of year	<u><u>\$ 5,955,310</u></u>	<u><u>\$ 2,213,311</u></u>	<u><u>\$ 8,168,621</u></u>

The notes are an integral part of these financial statements.

**Idyllwild Water District
Statement of Cash Flows
For the year ended June 30, 2013**

	Water	Improvement District No. 1 - Sewer	Total memorandum only
Cash flows from operating activities			
Cash received from customers	\$ 1,071,708	\$ 371,350	\$ 1,443,058
Cash payments for services, supplies and employees	(999,179)	(392,235)	(1,391,414)
Net cash used for operating activities	72,529	(20,885)	51,644
Cash flows from noncapital financing activities			
Property taxes -1% received	281,109	107,659	388,768
Other nonoperating income	21,962	82,097	104,059
Other nonoperating expenses	(4,046)	-	(4,046)
Net cash provided by noncapital financing activities	299,025	189,756	488,781
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(328,764)	(14,775)	(343,539)
Principal payments - certificates of participation	(120,000)	-	(120,000)
Interest and fiscal charges paid	(10,517)	-	(10,517)
Capacity fees received	5,729	-	5,729
Net cash used for capital and related financing activities	(453,552)	(14,775)	(468,327)
Cash flows from investing activities			
Proceeds from investments	344,047	46,572	390,619
Purchase of investments	(50,000)	(25,000)	(75,000)
Interest income	22,904	4,305	27,209
Net cash provided by investing activities	316,951	25,877	342,828
Net increase in cash and cash equivalents	234,953	179,973	414,926
Cash and cash equivalents, beginning of year	522,778	346,578	869,356
Cash and cash equivalents, end of year	\$ 757,731	\$ 526,551	\$ 1,284,282

The notes are an integral part of these financial statements.

**Idyllwild Water District
Statement of Cash Flows
For the year ended June 30, 2013**

	Water	Improvement District No. 1 - Sewer	Total memorandum only
Reconciliation of operating loss to net cash used for operating activities			
Operating loss	\$ (381,125)	\$ (108,483)	\$ (489,608)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation	189,742	37,920	227,662
(Increase) decrease in assets:			
Receivables	2,494	1,713	4,207
Prepaid expenses	-	1,475	1,475
Inventories	(3,788)	567	(3,221)
Increase (decrease) in liabilities:			
Accounts payable	40,460	12,769	53,229
OPEB obligation	94,385	31,462	125,847
Deferred revenue	130,425	-	130,425
Other liabilities	(64)	1,692	1,628
	<u>\$ 72,529</u>	<u>\$ (20,885)</u>	<u>\$ 51,644</u>
Net cash used for operating activities	<u>\$ 72,529</u>	<u>\$ (20,885)</u>	<u>\$ 51,644</u>
Noncash, investing, capital and financing activities			
None			
Cash and investments are presented in the financial statements as presented below:			
Cash and cash equivalents	\$ 757,731	\$ 526,551	\$ 1,284,282
Investments	35,992	539,868	575,860
Total cash and investments	<u>\$ 793,723</u>	<u>\$ 1,066,419</u>	<u>\$ 1,860,142</u>

The notes are an integral part of these financial statements.

Idyllwild Water District
Notes to Financial Statements
June 30, 2013

Note 1: **Significant accounting policies**

Description of reporting entity

The Idyllwild Water District was formed on March 21, 1955 for the purpose of providing a domestic water supply to the community of Idyllwild, California under Section 30000 of the California Water Code. Improvement District No. 1 was established by Board action on March 10, 1966 to provide sewer services within the community. The financial statements of the Idyllwild Water District include the financial activities of Improvement District No. 1 as an oversight component of the District. The oversight responsibility of the District arises from the fact that the two operations are related financially and have the same management and governing board.

Measurement focus and basis of accounting

The District utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, revenue and expenses are recognized on an accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods (water) in connection with the principal ongoing operations.

The District recognizes revenue from water sales, sewer service fees and water availability fees as it is earned. Taxes and assessments are recognized as revenue based upon amounts reported to the District by the County of Riverside, net of an allowance for delinquencies.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Classification of liabilities

Certain liabilities which are currently payable have been classified as noncurrent because they will be funded from restricted assets.

Materials inventory

Inventory consists primarily of supplies used in the maintenance of plant and equipment and is valued at weighted average cost using the first in/first out (FIFO) method.

Implementation of new pronouncements

Beginning with the current fiscal year, the District implemented GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement is designed to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the government's net position.

Deferred outflows of resources are transactions that result in the consumption of net assets in one period that are applicable to future periods and are not considered assets as described by the statement. Deferred outflows of resources are required to be presented separately after assets on the statement of net position.

Deferred inflows of resources are transactions that result in the acquisition of net assets in one period that are applicable to future periods and are not considered to be liabilities as described by the statement.

**Idyllwild Water District
Notes to Financial Statements
June 30, 2013**

Note 1: Significant accounting policies, continued

Deferred outflows of resources are required to be presented separately after liabilities on the statement of net position.

The statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

For the period covered by these financial statements the District has no transactions classified as deferred inflows or outflows of resources.

Capital assets and depreciation

Acquisitions of property, plant and equipment of \$300 or more with a useful life of greater than two years are recorded at cost. Contributed assets are recorded at their fair value at the date of contribution. Self-constructed assets are recorded at the amount of direct labor and materials.

Depreciation is provided on the straight-line method over the following estimated useful lives:

<u>Water District</u>	<u>Years</u>
Source of supply	15 -100
Pumping plant	7 - 50
Treatment plant	25 - 40
Transmission and distribution	40 - 60
General plant	3 - 40
<u>Improvement District No.1</u>	<u>Years</u>
Subsurface lines	20 - 40
Sewage treatment facilities	5 - 40
Sewage disposal facilities	12 - 100
General plant	4 - 20

Depreciation for the year ended June 30, 2013 was \$189,742 and \$37,920 for the Water District and Improvement District, respectively.

Cash and cash equivalents

For purposes of the statement of cash flows, the District considers all investments purchases with a maturity of three months or less to be cash equivalents.

Budgetary accounting

The District prepares and adopts budgets for both the Water and Improvement District, but does not present budgetary information because it is not legally required to adopt and adhere to a budget. All budgets are adopted on a basis consistent with generally accepted accounting principles.

Use of estimates

The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the statements. Actual results could differ from those estimates.

**Idyllwild Water District
Notes to Financial Statements
June 30, 2013**

Note 2: Capital assets

The investment in capital assets at June 30, 2013 consists of the following:

	Beginning balance	Additions	Deletions	Ending balance
Water District				
Capital assets not being depreciated:				
Construction in progress	\$ 96,049	\$ 124,735	\$ (30,078)	\$ 190,706
Land and land improvements	365,543	181,842	-	547,385
Total capital assets not being depreciated	461,592	306,577	(30,078)	738,091
Capital assets being depreciated:				
Source of supply	1,366,153	400	-	1,366,553
Pumping plant	97,162	-	-	97,162
Treatment plant	691,002	-	-	691,002
Transmission and distribution	4,733,252	30,078	-	4,763,330
General plant	996,994	21,787	(16,705)	1,002,076
Total capital assets being depreciated	7,884,563	52,265	(16,705)	7,920,123
Less accumulated depreciation	(3,742,584)	(189,742)	9,356	(3,922,970)
Net capital assets being depreciated	4,141,979	(137,477)	(7,349)	3,997,153
Net capital assets	<u>\$ 4,603,571</u>	<u>\$ 169,100</u>	<u>\$ (37,427)</u>	<u>\$ 4,735,244</u>
Improvement District No. 1				
Capital assets not being depreciated:				
Construction in progress	\$ 195,509	\$ 14,775	\$ -	\$ 210,284
Land	25,966	-	-	25,966
Total capital assets not being depreciated	221,475	14,775	-	236,250
Capital assets being depreciated:				
Subsurface lines	926,136	-	-	926,136
Sewage treatment facilities	1,109,174	-	-	1,109,174
Sewage disposal facilities	313,328	-	-	313,328
General plant	199,448	-	-	199,448
Total capital assets being depreciated	2,548,086	-	-	2,548,086
Less accumulated depreciation	(1,865,450)	(37,920)	-	(1,903,370)
Net capital assets being depreciated	682,636	(37,920)	-	644,716
Net capital assets	<u>\$ 904,111</u>	<u>\$ (23,145)</u>	<u>\$ -</u>	<u>\$ 880,966</u>

**Idyllwild Water District
Notes to Financial Statements
June 30, 2013**

Note 3: Cash and investments

Cash and investments are displayed on the financial statements at June 30, 2013 as follows:

	Water	Improvement District No. 1
Current assets:		
Cash and investments	\$ 643,325	\$ 1,016,105
Certificate of deposit	150,398	50,314
Restricted:		
Cash and investments	847,300	413,320
Cash with fiscal agents	224,823	-
 Total cash and cash equivalents	 \$ 1,865,846	 \$ 1,479,739

Cash and investments as of June 30, 2013 consisted of the following:

Deposits with financial institutions	\$ 59,578	\$ 30,370
Cash on hand	275	-
Investments	1,805,993	1,449,369
 Total cash and cash equivalents	 \$ 1,865,846	 \$ 1,479,739

The District is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. Each participant may invest up to \$50,000,000. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. Also, LAIF is overseen by the Local Agency Investment Advisory Board which consists of five members, in accordance with State statute. LAIF is not currently rated by any rating agency.

Interest rate risk

The District has adopted an investment policy which limits the weighted average maturity of the Districts' investments to one year as a means of managing their exposure to fair value losses arising from increasing interest rates.

Concentration of credit risk

During the fiscal year, the District held investments in the following in any one issuer that represented 5% or more of the District's total investment portfolio. Investments issued or explicitly guaranteed by the US government as well as mutual funds, external investment pools and other pooled assets are exempt from disclosure.

General Re Financial Products Corp	\$ 221,500
------------------------------------	------------

**Idyllwild Water District
Notes to Financial Statements
June 30, 2013**

Note 3: Cash and investments, continued

Investments authorized by the California Government Code and the Districts' Investment Policy

The table on the next page identifies the investment types that are authorized by the California Government Code (or the Districts' investment policies, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Districts' investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by trustees that are governed by the provisions of debt agreements, rather than the general provisions of the California Government Code or the Districts' investment policies.

Authorized investment type	Maximum percentage of portfolio	Maximum investment in one issuer
United States treasury obligations	50%	Not applicable
US government sponsored enterprise securities	50%	Not applicable
California State warrants or notes	100%	Not applicable
Local Agency Investment Fund	67%	\$50,000,000
Money market mutual funds	25%	25%
Time certificates of deposit	50%	50%
Bankers acceptances	40%	30%
Commercial paper	25%	10%
Corporate medium term notes	30%	30%
Purchase agreements	20%	20%
Collateralized mortgage obligations and asset backed securities	20%	20%

Investments authorized by debt agreements

Investments of debt proceeds held by trustees (fiscal agents) are governed by provisions of the debt agreements, rather than the provisions of the California Government Code or the Districts' investment policies. The table below identifies the investment types that are authorized for investments held by trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration risk.

Authorized investment type	Maximum maturity	Maximum percentage of portfolio	Maximum investment in one issuer
United States treasury obligations	No limit	No limit	No limit
US government sponsored securities	No limit	No limit	No limit
Federal Housing Administration debt	No limit	No limit	No limit
Local Agency Investment Fund	No limit	No limit	\$50,000,000
Money market mutual funds	No limit	No limit	No limit
Bank time deposits and savings	No limit	No limit	No limit
State obligations	No limit	No limit	No limit
Investment agreements	No limit	No limit	No limit
Purchase agreements	No limit	No limit	No limit

**Idyllwild Water District
Notes to Financial Statements
June 30, 2013**

Note 3: Cash and investments, continued

Investment maturities at June 30, 2013 were as follows:

Investment type	Fair value	Remaining maturity	
		12 months or less	13 to 60 months
<i>Water District</i>			
Local Agency Investment Fund	\$ 1,001,014	\$ 1,001,014	\$ -
Certificates of deposit	150,398	150,398	-
Public funds money market	429,758	429,758	-
Held by fiscal agent:			
General Re Financial Products Corp	221,500	221,500	-
Federated Treasury Obligation	3,323	3,323	-
Total investments - Water District	\$ 1,805,993	\$ 1,805,993	\$ -
<i>Improvement District No. 1</i>			
Local Agency Investment Fund	\$ 902,879	\$ 902,879	\$ -
Certificates of deposit	50,314	50,314	-
Public funds money market	496,176	496,176	-
Total investments - Improvement District No. 1	\$ 1,449,369	\$ 1,449,369	\$ -

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, a government 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 California Government Code requires that a financial institute secure deposits made by state and local governmental units by pledging securities in an individual 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 pool must equal at least 110% of the total amount deposited by public agencies.

California law also allows financial institutions to secure the Districts' deposits by pledging first trust deed mortgage notes, having a value of 150% of the secured public deposits. At June 30, 2013, the Districts' deposits (bank balances) were insured by the Federal Depository Insurance Corporation or collateralized as required under California law.

GASB statement No. 40 requires the following disclosure be made with respect to custodial credit risk relating to deposits and investments; at June 30, 2013 \$-0- of the Districts' combined deposits with financial institutions were in excess of Federal depository insurance limits.

**Idyllwild Water District
Notes to Financial Statements
June 30, 2013**

Note 3: Cash and investments, continued

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. State law limits investments in certain investments in commercial paper, corporate bonds and mutual funds to the top two ratings issued by nationally recognized statistical rating organizations. The Districts' investment policies further limit investments in Money Market Mutual Funds to funds that carry the highest rating of at least two of the three largest national rating organizations.

Investment type	Amount	Minimum legal rating	Rating	Not rated
<i>Water District</i>				
Local Agency Investment Fund	\$ 1,001,014	NA	NA	\$ 1,001,014
Certificates of deposit	150,398	None	NA	150,398
Public funds money market	429,758	None	NA	429,758
Held by fiscal agent:				
General Re Financial Products Corp	221,500	None	Aaa	221,500
Federated Treasury Obligation	3,323	None	AAA	-
Total investments - Water District	<u>\$ 1,805,993</u>			<u>\$ 1,802,670</u>
<i>Improvement District No. 1</i>				
Local Agency Investment Fund	\$ 902,879	NA	NA	\$ 902,879
Certificates of deposit	50,314	None	NA	50,314
Public funds money market	496,176	None	NA	496,176
Total investments - Improvement District No. 1	<u>\$ 1,449,369</u>			<u>\$ 1,449,369</u>

Note 4: Property tax calendar

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien date	March 1
Levy date	July 1 through June 30
Due date	November 1 – First installment March 1 – Second installment
Delinquent date	December 10 – First installment April 10 – Second installment

Under California law, property taxes and other charges (such as assessments) are assessed and collected by counties up to 1 percent of assessed value, plus other increases approved by voters. Property tax revenues are pooled and then allocated to agencies based on complex formulas prescribed by state statutes. The County of Riverside bills, collects and remits to the District property taxes and assessments through the County's property tax billing process.

**Idyllwild Water District
Notes to Financial Statements
June 30, 2013**

Note 5: *Restricted assets*

Restricted assets were provided by and are to be used for the following:

Funding source	Use	Water	Improvement District No. 1
Certificate of participation proceeds and interest earned	Reserves and debt service	\$ 353,573	\$ -
Excess of revenues over expenses	Debt service	408	-
	Restricted for debt service/covenants	353,981	-
Excess of revenues over expenses	Deferred maintenance	436,300	326,070
Excess of revenues over expenses	Retiree's health benefits	174,750	58,250
Excess of revenues over expenses	Compensated absences liability	107,500	29,000
	Restricted for deferred maintenance and other	718,550	413,320
Total restricted assets		\$ 1,072,531	\$ 413,320

Note 6: *Long-term debt*

Certificate of participation

On March 20, 1997 the California Special Districts Association Finance Corporation (CSDAFC) issued a certificate of participation, the proceeds of which have been used to refund previously outstanding certificates (1989 Series C and 1991 Series I) which were used for the construction and acquisition of District facilities and equipment which is leased to the District by CSDAFC. The refunded certificates are collateralized by the facilities and equipment leases with the related assets becoming the property of the District upon termination of the leases and retirement of the certificates.

The lease payments approximated the debt service requirements of the refunded certificates. Due to the nature of the leases and related certificates and pursuant to Government Accounting Statement 1, these transactions were accounted for as though the District financed the construction and acquisition of such assets directly.

**Idyllwild Water District
Notes to Financial Statements
June 30, 2013**

Note 6: Long-term debt, continued

The proceeds of the 1997 Series EE have been deposited into an irrevocable escrow account created for the benefit of the owners of the refunded certificates. The monies deposited into the escrow account are invested by the escrow agent in federal securities in an amount sufficient, together with investment earnings thereon, to pay all principal, interest and prepayment premium if any, with respect to the District's refunded certificates upon prepayment or maturity thereof.

Details of the 1997 Series EE Certificate of Participation outstanding at June 30, 2013 are as follows:

Error! Not a valid link.

Debt service requirements of long-term debt are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2014	\$ 125,000	\$ 3,750	\$ 128,750
Totals	\$ 125,000	\$ 3,750	\$ 128,750

Note 7: Compensated absences payable

Vested or accumulated vacation leave is recognized as an expense and liability as the benefits accrue to the employees. Pursuant to GASB Statement No. 16, *Accounting for Compensated Absences*, only the vested portion of sick pay benefits are recognized as a liability.

Note 8: Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The district has purchased insurance in an attempt to mitigate losses due to the above mentioned risks.

The District is currently a defendant in a lawsuit that has arisen in the normal course of conducting District business. While substantial damages are alleged (\$500,000 - \$700,000), the outcome cannot be predicted with certainty. District management, based upon consultation with the District's Attorney, believes this action when finally adjudicated, could have (but not expected to) a material adverse financial impact on the District. Additionally, the District's insurance will not cover any potential losses should an unfavorable outcome materialize.

**Idyllwild Water District
Notes to Financial Statements
June 30, 2013**

Note 9: *Employees' retirement plan – defined contribution*

All permanent employees are covered under the Idyllwild Water District Money Purchase Pension Plan (the Plan) administered by the District through Aetna Pension acting as trustee. The Plan is fully funded by a contribution rate of 21.5% of eligible salaries and wages made entirely by the District. The activities related to the Plan, presented at market value, are as follows:

Balance, July 1, 2012	\$	953,278
District contributions		112,445
Employee contributions		170,095
Withdrawals		-
Forfeitures		(20,171)
Earnings, net of fees		48,677
		48,677
Balance, June 30, 2013	\$	1,264,324

District employees are also covered under Social Security, funded equally by the District and the employee or as prescribed by applicable laws.

Note 10: *Inter-District transactions*

During fiscal year ended June 30, 2013, the Idyllwild Water District billed Improvement District No. 1 for water used by its sewage treatment plant. The amount billed totaled \$2,408 for the year ended June 30, 2013.

Note 11: *Proposition 1A borrowing by the State of California*

Under the Proposition 1A and as a part of the 2009-10 budget package California state legislature on July 28, 2009, the state borrowed 8% of the amount of property tax revenue, including property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to the cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2012. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of these borrowings pertaining to the Water District and Improvement District No. 1 were \$23,423 and \$8,476, respectively. During the current fiscal year, the District received payment of the receivables.

**Idyllwild Water District
Notes to Financial Statements
June 30, 2013**

Note 12: Postemployment benefits other than pensions

Plan description

The Idyllwild Water District administers a single-employer benefit healthcare plan (the Plan). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Districts' group health insurance plans, which covers both active and retired District members. Benefit provisions are established and can be amended by the Districts' Board of Directors. The Plan does not issue a publicly available financial report.

Funding policy

Contribution requirements are set by the Districts' Board of Directors. The District contributes 100 percent of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2013, the District contributed \$17,472 to the plan. The District is funding the Plan on a pay-as-you go basis.

Annual OPEB cost and net OPEB obligation

The Districts' annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Districts' annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Districts' net OPEB obligation to the Plan:

Annual required contribution	\$	151,920
Interest on net OPEB obligation		16,200
Adjustment to annual required contribution		<u>(24,801)</u>
Annual OPEB cost (expense)		143,319
Contributions made		<u>(17,472)</u>
Increase in net OPEB obligation		125,847
Net OPEB obligation, beginning of year		<u>404,983</u>
 Net OPEB obligation, end of year	 \$	 <u><u>530,830</u></u>

The Districts' annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2013:

Fiscal year ended	Annual OPEB cost (expense)	Percentage of OPEB cost contributed	Net OPEB obligation
June 30, 2011	\$ 152,668	18.21%	\$ 283,860
June 30, 2012	146,241	17.11%	404,983
June 30, 2013	143,319	12.19%	530,830

**Idyllwild Water District
Notes to Financial Statements
June 30, 2013**

Note 12: Postemployment benefits other than pensions, continued

Funded status and funding progress

The funded status of the Plan as of June 30, 2013, was as follows:

Actuarial accrued liability (AAL)	\$ 2,577,048
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 2,577,048
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active plan members)	\$ 574,301
UAAL as a percentage of covered payroll	448.73%

Funded status and funding progress

As of the June 30, 2011 actuarial report, the actuarial accrued liability for benefits was \$2,577,048, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$574,301, and the ratio of the underfunded actuarial accrued liability to the covered payroll was 449 percent.

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

Methods and assumptions

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

The actuarial cost method used was the entry age method in the June 30, 2011 valuation. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis.

The plan currently has fewer than 100 participants and thus meets the requirements of the alternative measurement method. The District has elected to use this method of valuation. The source or basis of all significant assumptions or methods are discussed in the following section of this note.

**Idyllwild Water District
Notes to Financial Statements
June 30, 2013**

Note 12: *Postemployment benefits other than pensions, continued*

The following simplifying assumptions were made:

Retirement age for active employees

Retirement age for active members is assumed to be when a member attains Medicare eligibility age. However, if a member will not qualify for OPEB benefits at the age of Medicare eligibility, the year of retirement is assumed to be the year OPEB benefit qualifications have been met. Under current policy, a member must have been employed by the District for 10 years and have attained the age of 55 to qualify for OPEB benefits.

Marital status

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

Mortality

Life expectancies were based on the "Life Expectancy Table" from the National Vital Statistics Reports Volume 58, Number 21, dated June 28, 2010. The 2006 United States Life Tables for Males and Females were used.

Turnover

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

Healthcare cost trend rates

The expected rate of increase in healthcare insurance premiums were based on projections of the Association of California Water Agencies for medical, dental and vision coverages and projected to increase annually at a rate of 7 to 8 percent.

Health insurance premiums

2011 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate

The expected long-term inflation assumption of 4 percent was used.

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 Districts' short-term investment portfolio, a discount rate of 4 percent was used. In addition, a simplified version of the entry age actuarial cost method was used.

Idyllwild Water District
Required Supplementary Information – Schedule of Funding Progress
for the Retiree Health Plan (OPEB)
June 30, 2013

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll [(b-a)/c]
06/30/09	\$ -	\$ 743,356	\$ 743,356	0.0%	\$ 491,363	151%
06/30/10	-	765,613	765,613	0.0%	526,400	145%
06/30/11	-	2,577,048	2,577,048	0.0%	574,301	449%