

LA HABRA HEIGHTS COUNTY WATER DISTRICT

BASIC FINANCIAL STATEMENTS

**WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

JUNE 30, 2019

LA HABRA HEIGHTS COUNTY WATER DISTRICT

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For the years ended June 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
La Habra Heights County Water District
La Habra Heights, California

We have audited the accompanying financial statements of the La Habra Heights County Water District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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 auditors consider internal control relevant to the District'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 District'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 basic financial statements referred to above present fairly, in all material respects, the financial position of the La Habra Heights County Water District as of June 30, 2019, 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

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required for a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2018, from which such partial information was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions, and the schedule of changes in the other post-employment benefit (OPEB) liability and related ratios, identified as Required Supplementary Information (RSI) in the accompanying 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 RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of operating expenses are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of operating expense is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

White Nelson Diehl Evans LLP

Irvine, California
September 10, 2019

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LA HABRA HEIGHTS COUNTY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

This section of the District's annual financial report presents our analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position increased by \$437,679 or 2.74 percent.
- During the year the District's total revenues decreased to \$4,973,971 or 0.50 percent, and expenses increased to \$4,536,292 or 0.96 percent from the prior year.
- Capital contributions to the District decreased to \$-0-.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: Management's Discussion and Analysis, the Basic Financial Statements and Supplementary Information. The Basic Financial Statements also include notes that explain in more detail some of the information in the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

The Basic Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The Statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT

Management's analysis of the District begins on page 13 of the Basic Financial Statements. "Is the District as a whole better off or worse off as a result of the year's activities?" is one of the most important questions to answer about the District's finances. The Statement of Net Position, and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and changes in them. The District's net position - the difference between assets and liabilities - is a way to measure financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. However, you will need to consider other nonfinancial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2019

NET POSITION

To begin our analysis, a summary of the District's Statements of Net Position is presented in Table 1.

TABLE 1
Condensed Statements of Net Position

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	2019-2018 Variance		2018-2017 Variance	
				Dollar Change	Percent Change	Dollar Change	Percent Change
Assets:							
Current and Other Assets	\$ 4,809,603	\$ 4,382,355	\$ 3,651,656	\$ 427,248	9.75%	\$ 730,699	20.01%
Capital Assets	14,812,019	14,586,232	14,915,116	225,787	1.55%	(328,884)	-2.21%
Deferred Outflow fo Resources	<u>244,914</u>	<u>358,210</u>	<u>209,551</u>	<u>(113,296)</u>	<u>-31.63%</u>	<u>148,659</u>	<u>70.94%</u>
Total Assets and Deferred Outflows of Resources	<u>19,866,536</u>	<u>19,326,797</u>	<u>18,776,323</u>	<u>539,739</u>	<u>2.79%</u>	<u>550,474</u>	<u>2.93%</u>
Liabilities:							
Current Liabilities	724,242	646,117	819,195	78,125	12.09%	(173,078)	-21.13%
Long-Term Liabilities	2,220,912	2,549,096	1,666,041	(328,184)	-12.87%	883,055	53.00%
Deferred Inflows of Resources	<u>535,853</u>	<u>183,734</u>	<u>192,440</u>	<u>352,119</u>	<u>191.65%</u>	<u>(8,706)</u>	<u>-4.52%</u>
Total Liabilities and Deferred Inflows of Resources	<u>3,481,007</u>	<u>3,378,947</u>	<u>2,677,676</u>	<u>102,060</u>	<u>3.02%</u>	<u>701,271</u>	<u>26.19%</u>
Net Position:							
Net Investment in Capital Assets	14,519,096	14,238,720	14,514,271	280,376	1.97%	(275,551)	-1.90%
Restricted - Debt Service	47,430	56,233	64,822	(8,803)	-15.65%	(8,589)	-13.25%
Unrestricted	<u>1,819,003</u>	<u>1,652,897</u>	<u>1,519,554</u>	<u>166,106</u>	<u>10.05%</u>	<u>133,343</u>	<u>8.78%</u>
Total Net Position	<u>\$ 16,385,529</u>	<u>\$ 15,947,850</u>	<u>\$ 16,098,647</u>	<u>\$ 437,679</u>	<u>2.74%</u>	<u>\$ (150,797)</u>	<u>-0.94%</u>

Total Net Position increased by \$437,679 from fiscal year 2018 to 2019. Total Assets and Deferred Outflows of Resources increased by \$539,739. This change is primarily due to increased balance in Cash, Investment in State of California Local Agency Investment Fund and Inventory. Total Liabilities and Deferred Inflows of Resources increased by \$102,060. This is represented by an increase in Deferred Inflows of Resources, Deferred amounts from OPEB (Other Post Employment Benefits) liability adjustments based on actuarial valuations.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

June 30, 2019

NET POSITION (CONTINUED)

TABLE 2
Condensed Statements of Revenues, Expenses and Changes in Net Position

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	2019-2018 Variance		2018-2017 Variance	
	Dollar Change	Percent Change	Dollar Change	Percent Change			
Revenues:							
Operating Revenues	\$ 3,976,568	\$ 4,068,269	\$ 3,555,246	\$ (91,701)	-2.25%	\$ 513,023	14.43%
Nonoperating Revenues	997,403	930,734	874,540	66,669	7.16%	56,194	6.43%
Total Revenues	4,973,971	4,999,003	4,429,786	(25,032)	-0.50%	569,217	12.85%
Expenses:							
Depreciation	473,719	489,622	473,241	(15,903)	-3.25%	16,381	3.46%
Other Operating Expenses	4,056,280	3,983,278	3,716,653	73,002	1.83%	266,625	7.17%
Nonoperating Expenses	6,293	20,412	29,111	(14,119)	-69.17%	(8,699)	-29.88%
Total Expenses	4,536,292	4,493,312	4,219,005	42,980	0.96%	274,307	6.50%
Net Income Before Capital Contributions							
Capital Contributions	437,679	505,691	210,781	(68,012)	-13.45%	294,910	139.91%
Capital Contributions	-	17,688	158,315	(17,688)	-100.00%	(140,627)	-88.83%
Changes in Net Position	437,679	523,379	369,096	(85,700)	-16.37%	154,283	41.80%
Net Position, Beginning of Year	15,947,850	16,098,647	15,729,551	(150,797)	-0.94%	369,096	2.35%
Prior-Period Adjustment	-	(674,176)	-	674,176	-100.00%	(674,176)	0.00%
Net Position, Beginning of Year, as Restated	15,947,850	15,424,471	15,729,551	523,379	3.39%	(305,080)	-1.94%
Net Position, End of Year	\$ 16,385,529	\$ 15,947,850	\$ 16,098,647	\$ 437,679	2.74%	\$ (150,797)	-0.94%

While the Statements of Net Position show the change in financial position, the Statements of Revenues, Expenses, and Changes in Net Position provide answers as to the nature and source of these changes. As can be seen in Table 2, Changes in Net Position increased by \$437,679 in fiscal year 2019.

A closer examination of the source of changes in net position reveals that operating revenues decreased by \$91,701 which results from decreased water sales to customers by 12.5% compared to last year. Rainfall of 24.45 inches for the year was above average.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2019

NET POSITION (CONTINUED)

Other Operating Expenses increased by \$73,002. An item affecting Other Operating Expenses are increased OPEB Expense. The District sold less water which results in purchasing less water to supply customer demands. In addition, Transmission and Distribution expenditures increased due to required infrastructure repairs and leaks.

Net Income Before Capital Contributions decreased by \$68,012, resulting from the above mentioned items.

Capital Contributions decreased by \$17,688, due to no infrastructure installations by third parties. In fiscal year 2018 the District installed three services at expense to third parties.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2019

BUDGETARY HIGHLIGHTS

Table 3
Budget vs. Actual

	Fiscal Year 2019			Fiscal Year 2018			Fiscal Year 2017		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:									
Operating Revenues:									
Water Sales:									
Consumption	\$2,365,080	\$2,183,412	\$(181,668)	\$2,066,189	\$2,380,937	\$ 314,748	\$2,043,673	\$2,010,832	\$ (32,841)
Readiness to serve	1,718,028	1,729,992	11,964	1,611,132	1,626,085	14,953	1,503,191	1,492,530	(10,661)
Water rights lease	18,539	26,572	8,033	18,235	25,006	6,771	17,889	24,044	6,155
Other	28,733	36,592	7,859	27,159	36,241	9,082	27,253	27,840	587
Nonoperating revenues	965,892	997,403	31,511	861,847	930,734	68,887	841,835	874,540	32,705
Total Revenues	<u>\$5,096,272</u>	<u>\$4,973,971</u>	<u>\$(122,301)</u>	<u>\$4,584,562</u>	<u>\$4,999,003</u>	<u>\$ 414,441</u>	<u>\$4,433,841</u>	<u>\$4,429,786</u>	<u>\$ (4,055)</u>
Expenses:									
Operating Expenses:									
Sources of supply	1,178,806	1,006,907	(171,899)	1,062,158	1,147,503	85,345	942,876	926,105	(16,771)
Depreciation	559,296	473,719	(85,577)	511,832	489,622	(22,210)	494,404	473,241	(21,163)
Administrative									
and general	1,710,712	1,690,095	(20,617)	1,507,946	1,514,895	6,949	1,429,942	1,595,530	165,588
Pumping	696,629	615,439	(81,190)	614,750	658,909	44,159	634,310	638,110	3,800
Transmission									
and distribution	469,102	514,994	45,892	452,315	431,051	(21,264)	473,600	345,763	(127,837)
Customer accounts	100,482	190,021	89,539	136,981	198,261	61,280	84,233	173,624	89,391
Water treatment	38,296	38,824	528	32,259	32,659	400	32,389	37,521	5,132
Nonoperating expenses	6,293	6,293	-	7,348	20,412	13,064	8,364	29,111	20,747
Total Expenses	<u>4,759,616</u>	<u>4,536,292</u>	<u>(223,324)</u>	<u>4,325,589</u>	<u>4,493,312</u>	<u>167,723</u>	<u>4,100,118</u>	<u>4,219,005</u>	<u>118,887</u>
Income Before									
Capital Contributions	336,656	437,679	101,023	258,973	505,691	246,718	333,723	210,781	(122,942)
Capital Contributions	-	-	-	-	17,688	17,688	-	158,315	158,315
Changes in Net Position	<u>336,656</u>	<u>\$ 437,679</u>	<u>\$ 101,023</u>	<u>258,973</u>	<u>\$ 523,379</u>	<u>\$ 264,406</u>	<u>333,723</u>	<u>\$ 369,096</u>	<u>\$ 35,373</u>
Debt Service,									
Principle due	<u>(43,204)</u>			<u>(44,220)</u>			<u>(41,480)</u>		
Changes in Net Position,									
after Debt Service,									
Principle due	<u>\$ 293,452</u>			<u>\$ 214,753</u>			<u>\$ 292,243</u>		

LA HABRA HEIGHTS COUNTY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2019

BUDGETARY HIGHLIGHTS (CONTINUED)

The variance of budget to actual indicates Changes in Net Position difference of \$101,023. The main differences are Operating Expenses- Depreciation, Administrative and general, and Pumping are lower than budget. These variances were offset by Operating Expenses – Transmission and distribution and Customer accounts being higher than budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of fiscal year 2019 the District had invested \$14,812,019 in a broad range of infrastructure as shown in Table 4.

TABLE 4
Capital Assets

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	2019-2018 Variance	2018-2017 Variance		
				Dollar Change	Percent Change	Dollar Change	Percent Change
Capital assets, not depreciated:							
Land	\$ 532,744	\$ 532,744	\$ 532,744	\$ -	0.00%	\$ -	0.00%
Water rights	1,309,491	1,309,491	1,309,491		0.00%	-	0.00%
Construction in Progress	25,692	50,581	168,409	(24,889)	-49.21%	(117,828)	-69.97%
Total capital assets, not depreciated	<u>1,867,927</u>	<u>1,892,816</u>	<u>2,010,644</u>	<u>(24,889)</u>	<u>-1.31%</u>	<u>(117,828)</u>	<u>-5.86%</u>
Capital assets, being depreciated:							
Sources of supply	2,283,601	2,283,601	2,308,923	-	0.00%	(25,322)	-1.10%
Pumping	1,625,878	1,625,878	1,625,878	-	0.00%	-	0.00%
Transmission and distribution	25,265,048	24,633,784	24,375,780	631,264	2.56%	258,004	1.06%
General	1,869,504	1,777,859	1,791,189	91,645	5.15%	(13,330)	-0.74%
Total capital assets, being depreciated	<u>31,044,031</u>	<u>30,321,122</u>	<u>30,101,770</u>	<u>722,909</u>	<u>2.38%</u>	<u>219,352</u>	<u>0.73%</u>
Less accumulated depreciation for:							
Sources of supply	(1,257,816)	(1,176,233)	(1,117,259)	(81,583)	6.94%	(58,974)	5.28%
Pumping	(1,364,275)	(1,326,633)	(1,277,499)	(37,642)	2.84%	(49,134)	3.85%
Transmission and distribution	(13,963,993)	(13,678,909)	(13,408,418)	(285,084)	2.08%	(270,491)	2.02%
General	(1,513,855)	(1,445,931)	(1,394,122)	(67,924)	4.70%	(51,809)	3.72%
Total accumulated depreciation	<u>(18,099,939)</u>	<u>(17,627,706)</u>	<u>(17,197,298)</u>	<u>(472,233)</u>	<u>2.68%</u>	<u>(430,408)</u>	<u>2.50%</u>
Total capital assets, being depreciated, net	<u>12,944,092</u>	<u>12,693,416</u>	<u>12,904,472</u>	<u>250,676</u>	<u>1.97%</u>	<u>(211,056)</u>	<u>-1.64%</u>
Capital assets, net	<u>\$ 14,812,019</u>	<u>\$ 14,586,232</u>	<u>\$ 14,915,116</u>	<u>\$ 225,787</u>	<u>1.55%</u>	<u>\$ (328,884)</u>	<u>-2.21%</u>

LA HABRA HEIGHTS COUNTY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2019

Increases for fiscal year 2019 Capital assets, being depreciated-Transmission and distribution of \$631,264 resulted from the following replacements:

- 1565 feet of 6 inch pipeline on Lamat Road
- 30 feet of 4 inch pipeline on Dorothea Road
- 3- 6 inch fire hydrants on Lamat Road
- 4 inch fire hydrant on Dorothea Road
- 20 feet of 18 inch pipeline on West Road

DEBT ADMINISTRATION

At year-end, the District had \$237,046 in long-term liabilities down from \$292,923 in fiscal year 2018 for a decrease of \$55,877 or 19.1 percent, which was the amount of fiscal year 2019 principal payments on outstanding debt. The 1981 State Loan Payable is the only debt that is outstanding at year end 2019. The District did not issue new debt in fiscal year 2019 to finance major capital improvements.

Additional detail on long-term liabilities is shown in Note 4 to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's Board of Directors and management considered many factors when setting the fiscal year 2020 budget, user fees and charges. The factors include cost of purchasing water, as well as, electricity costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tammy Wagstaff at La Habra Heights County Water District.

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LA HABRA HEIGHTS COUNTY WATER DISTRICT

STATEMENT OF NET POSITION

June 30, 2019
 (With prior-year comparative totals)

	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash (Note 2)	\$ 1,028,905	\$ 1,170,826
Investment in State of California Local Agency Investment Fund (Note 2)	2,990,189	2,335,454
Accounts receivable:		
Customers	515,665	551,429
Interest	18,582	11,082
Taxes	11,646	23,286
Other	19,702	86,595
Inventory	144,882	96,583
Prepaid expenses	32,011	50,276
TOTAL CURRENT ASSETS	4,761,582	4,325,531
NONCURRENT ASSETS		
Restricted assets		
Construction advance receivable (Note 4b)	47,430	56,233
Investment in California Domestic Water Co., at cost	591	591
Capital assets (Note 3):		
Nondepreciable	1,867,927	1,892,816
Depreciable, net of accumulated depreciation	12,944,092	12,693,416
TOTAL NONCURRENT ASSETS	14,860,040	14,643,056
TOTAL ASSETS	19,621,622	18,968,587
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts from pension plan	228,835	342,318
Deferred amounts from OPEB	16,079	15,892
TOTAL DEFERRED OUTFLOWS OF RESOURCES	244,914	358,210

See accompanying notes to basic financial statements.

(Continued)

LA HABRA HEIGHTS COUNTY WATER DISTRICT

STATEMENT OF NET POSITION
(CONTINUED)

June 30, 2019
(With prior-year comparative totals)

	2019	2018
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 488,026	\$ 424,130
Current portion of 1981 State loan payable (Note 4a)	55,877	54,589
Deposits:		
Customers	17,500	1,500
Accrued payroll	17,315	16,835
Accrued employee benefits	53,473	57,365
Unearned rental income	<u>92,051</u>	<u>91,698</u>
TOTAL CURRENT LIABILITIES	<u>724,242</u>	<u>646,117</u>
LONG-TERM LIABILITIES		
Accrued employee benefits, net of current portion	74,173	52,177
1981 State loan payable, net of current portion (Note 4a)	237,046	292,923
Net pension liability (Note 6)	666,511	719,602
Net OPEB liability (Note 7)	<u>1,243,182</u>	<u>1,484,394</u>
TOTAL LONG-TERM LIABILITIES	<u>2,220,912</u>	<u>2,549,096</u>
TOTAL LIABILITIES	<u>2,945,154</u>	<u>3,195,213</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts from pension plan	74,671	183,734
Deferred amounts from OPEB	<u>461,182</u>	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>535,853</u>	<u>183,734</u>
NET POSITION		
Net investment in capital assets	14,519,096	14,238,720
Restricted - debt service	47,430	56,233
Unrestricted	<u>1,819,003</u>	<u>1,652,897</u>
TOTAL NET POSITION	<u>\$ 16,385,529</u>	<u>\$ 15,947,850</u>

See accompanying notes to basic financial statements.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

For the year ended June 30, 2019
(With prior-year comparative totals)

	2019	2018
OPERATING REVENUES		
Water sales:		
Consumption	\$ 2,183,412	\$ 2,380,937
Readiness to serve	1,729,992	1,626,085
Water rights lease	26,572	25,006
Other	36,592	36,241
TOTAL OPERATING REVENUES	3,976,568	4,068,269
OPERATING EXPENSES		
Sources of supply	1,006,907	1,147,503
Depreciation	473,719	489,622
Administrative and general	1,690,095	1,514,895
Pumping	615,439	658,909
Transmission and distribution	514,994	431,051
Customer accounts	190,021	198,261
Water treatment	38,824	32,659
TOTAL OPERATING EXPENSES	4,529,999	4,472,900
OPERATING LOSS	(553,431)	(404,631)
NONOPERATING REVENUES (EXPENSES)		
Property taxes and assessments	801,794	770,324
Investment income	62,235	29,857
Rental income	114,248	114,051
Oil royalties	13,084	10,641
Other, net	6,042	5,861
Interest on long-term debt	(6,293)	(7,348)
Gain (loss) on disposal of assets	-	(13,064)
TOTAL NONOPERATING REVENUES (EXPENSES)	991,110	910,322
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	437,679	505,691
CAPITAL CONTRIBUTIONS	-	17,688
CHANGES IN NET POSITION	437,679	523,379
NET POSITION - BEGINNING OF YEAR	15,947,850	15,424,471
NET POSITION - END OF YEAR	\$ 16,385,529	\$ 15,947,850

See accompanying notes to basic financial statements.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

STATEMENT OF CASH FLOWS

For the year ended June 30, 2019
 (With prior-year comparative totals)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 4,095,225	\$ 4,053,581
Payments to suppliers	(3,205,627)	(3,365,589)
Payments to employees	(617,939)	(690,374)
Proceeds from rental activities	114,248	114,051
Other	6,042	5,861
NET CASH PROVIDED BY OPERATING ACTIVITIES	391,949	117,530
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from property taxes and assessments	813,434	764,313
NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	813,434	764,313
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of utility and general plant assets, net	(699,506)	(173,801)
Principal paid on 1981 State loan payable	(54,589)	(53,333)
Interest paid on 1981 State loan payable	(6,293)	(7,348)
Capital contributions	-	17,688
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(760,388)	(216,794)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments	54,735	22,949
Royalty income	13,084	10,641
NET CASH PROVIDED BY INVESTING ACTIVITIES	67,819	33,590
NET CHANGE IN CASH AND CASH EQUIVALENTS	512,814	698,639
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,506,280	2,807,641
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,019,094	\$ 3,506,280

See accompanying notes to basic financial statements.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

STATEMENT OF CASH FLOWS
(CONTINUED)

For the year ended June 30, 2019
(With prior-year comparative totals)

	2019	2018
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	<u>\$ (553,431)</u>	<u>\$ (404,631)</u>
Adjustment to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	473,719	489,622
Other	6,042	5,861
Proceeds from rental activities	114,248	114,051
Changes in assets, deferred outflows of resources, liabilities, and deferred inflow of resources:		
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	111,460	(7,099)
Inventory	(48,299)	(8,330)
Prepaid expenses	18,265	(3,712)
Deferred outflows of resources from pension plan	113,483	(132,767)
Deferred outflows of resources from OPEB	(187)	86
Increase (decrease) in liabilities and deferred inflow of resources:		
Accounts payable and accrued liabilities	63,896	(174,786)
Customers deposits	16,000	1,000
Accrued payroll and employee benefits liabilities	18,584	6,877
Unearned rental income	353	-
Net pension liability	(53,091)	153,290
Net OPEB liability	(241,212)	86,774
Deferred inflows of resources from pension plan	(109,063)	-
Deferred inflows of resources from OPEB	461,182	(8,706)
Total adjustments	<u>945,380</u>	<u>522,161</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 391,949</u>	<u>\$ 117,530</u>

See accompanying notes to basic financial statements.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2019

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity

The La Habra Heights County Water District (District) is a public entity organized as a County Water District under the County Water District Law (under the appropriate California Water Code Sections) on November 30, 1976. The District provides potable water service to an area encompassing the City of La Habra Heights and a portion of the unincorporated Los Angeles County Area. The District is operated under the direction of a five-member Board of Directors elected for staggered four-year terms by the citizens residing within the District's boundaries.

The District has the power under the law of a governmental taxing authority and is authorized to (1) receive a proportional share of 1% of the County of Los Angeles (County) ad valorem property tax, as determined by the County's Tax Assessor, and (2) assess taxes for the purpose of carrying on its operations and paying its general obligation bonds.

b. Basic Financial Statements

The basic financial statements are comprised of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows and the notes to the basic financial statements.

c. Basis of Presentation

The accounts of the District are an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The District is subject to the application of all Governmental Accounting Standards Board Statements.

d. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Under the economic measurement focus all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with these activities are included on the Statements of Net Position. The Statements of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2019

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The District has the following items that qualify for reporting in this category:

- Deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflow related to pensions for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflow from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plans' fiduciary net position. This amount is amortized over five years.
- Deferred outflow related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflow related to OPEB. This amount is equal to employer contributions made after the measurement date of the net OPEB liability.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred inflow related to pensions for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflow from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflow related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2019

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Deferred Outflows/Inflows of Resources (Continued)

- Deferred inflow related to OPEB for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the plan.
- Deferred inflow from OPEB resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the plan.

f. New Accounting Pronouncements

Current Year Standards

GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018, and did not impact the District.

GASB 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018, and did not significantly impact the District.

Pending Accounting Standards

GASB has issued the following statements, which may impact the District's financial reporting requirements in the future:

- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.
- GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2019.
- GASB 90 - *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2018.
- GASB 91 - *Conduit Debt Obligations*, effective for periods beginning after December 15, 2020.

g. Operating Revenues and Expenses

Operating revenues, such as charges for services (water sales) result from exchange transactions associated with the principal activity of the District. Nonoperating revenues, such as property taxes and assessments, and investment income, result from nonexchange transactions or ancillary activities in which the District gives (receives) value without directly receiving (giving) equal value in exchange.

Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2019

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Budgetary Practices

Each year the District adopts a budget to assess its general operations. Budgets are prepared on the accrual basis of accounting. Expenses that exceed the budgeted totals are approved by the District's Board. All annual appropriations lapse at fiscal year-end.

i. Cash and Investments

The District invests cash in excess of its operating requirements primarily in the State of California Local Agency Investment Fund (LAIF). All invested funds are stated at fair value.

For purposes of the statements of cash flows, the District defines cash and cash equivalents as demand account balances, cash on hand and all cash deposited in LAIF. Together, these balances represent cash and investments, with maturities less than 90 days.

j. Restricted Assets

The District's policy considers restricted assets as those amounts the use of which are legally restricted for such purposes as principal and interest payments by agreements.

k. Inventory

The District values its materials and supplies inventory at the lower of cost or market, using the average cost method.

l. Capital Assets and Depreciation

The District records capital assets that are purchased at historical cost, while contributed assets are recorded at acquisition value at the time received. Capital assets are defined by the District as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets retirements are removed from the accounts at cost, together with the related accumulated depreciation. Any gains or losses resulting from retirements are recorded as nonoperating revenues or expenses.

Capital assets owned by the District are depreciated on a straight-line method based on their estimated useful lives by asset classification. Estimated useful lives by asset classification are as follows:

Source of supply plant	30 years
Pumping equipment	25 years
Transmission and distribution plant	75 years
General plant	5 to 20 years

Expenditures which materially increase capital assets lives are capitalized, while costs of maintenance and repairs are charged to expense as incurred.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2019

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Capital Contributions

Capital contributions are composed of transmission and distribution plant assets that are constructed by the District or a third party and are paid for by developers or the District's customers desiring services that require capital expenditures or capacity commitment. When these assets are constructed, they become part of the District's transmission and distribution system and are depreciated on a straight-line method over 75 years. Capital contributions received during the year are recorded on the Statements of Revenues, Expenses and Changes in Net Position.

n. Compensated Absences

Accumulated unpaid vacation, sick pay and other employee benefit amounts are accrued when vested.

o. Method Used to Record Bad Debts

The District has elected to record bad debts using the direct write-off method. Customers with overdue balances of four months or more are specifically written-off as uncollectible. Any differences between the direct write-off method and reporting an allowance for bad debts is not significant to the financial statements.

p. Property Taxes

Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent of county-wide assessed valuations. This one percent is allocated pursuant to state law to the appropriate units of local government.

For fiscal year 2019, the property tax calendar is as follows:

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

q. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan 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.

r. Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2019

2. CASH AND INVESTMENTS

Cash and Investments

Cash and investments as of June 30, 2019 and 2018 are reported in the accompanying Statement of Net Position as follows:

Financial Statement Classification:	June 30, 2019	June 30, 2018
Unrestricted:		
Cash	\$ 1,028,905	\$ 1,170,826
Investment in State of California		
Local Agency Investment Fund	2,990,189	2,335,454
Total	<u>\$ 4,019,094</u>	<u>\$ 3,506,280</u>

Investments 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 (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
United States Treasury Obligations	5 years	None	None
Federal Agencies (United States Government			
Sponsored Agency Securities)	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Corporate Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

LA HABRA HEIGHTS COUNTY WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2019

2. CASH AND INVESTMENTS (CONTINUED)

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. One of the ways that the District manages its exposure to interest rate risk is 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 or coming close to maturity evenly 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 by the following table that shows the distribution of the District's investments by maturity:

	Maturity 12 Months or Less	
	June 30, 2019	June 30, 2018
California Local Agency Investment Fund	\$ 2,990,189	\$ 2,335,454

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 minimum rating required by (where applicable) the California Government Code, the District's investment policy and the actual rating by Standard and Poor's, as of year-end for each investment type:

	Unrated	
	June 30, 2019	June 30, 2018
California Local Agency Investment Fund	\$ 2,990,189	\$ 2,335,454

Concentration of Credit Risk

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. There are no investments in any one issuer that represents 5% or more of total District's investments as of June 30, 2019 and 2018.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2019

2. CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the 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 custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2019 and 2018, the bank balance of deposits were \$1,054,985 and \$1,267,790, respectively, which are insured by the Federal Deposit Insurance Company or collateralized as required by California law. The difference between the bank balances and carrying value is due to outstanding checks and deposits in transit.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 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.

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The District's investments in LAIF are not subject to the fair value measurement hierarchy.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2019

3. CAPITAL ASSETS

Changes in capital assets and accumulated depreciation as of June 30, 2019 were as follows:

	<u>Balance at July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2019</u>
Capital assets, not depreciated:				
Land	\$ 532,744	\$ -	\$ -	\$ 532,744
Water rights	1,309,491	-	-	1,309,491
Construction in progress	50,581	576,960	(601,849)	25,692
Total capital assets, not depreciated	<u>1,892,816</u>	<u>576,960</u>	<u>(601,849)</u>	<u>1,867,927</u>
Capital assets, being depreciated:				
Sources of supply	2,283,601	-	-	2,283,601
Pumping	1,625,878	-	-	1,625,878
Transmission and distribution	24,633,784	632,265	(1,001)	25,265,048
General	1,777,859	92,130	(485)	1,869,504
Total capital assets, being depreciated	<u>30,321,122</u>	<u>724,395</u>	<u>(1,486)</u>	<u>31,044,031</u>
Less accumulated depreciation for:				
Sources of supply	(1,176,233)	(81,583)	-	(1,257,816)
Pumping	(1,326,633)	(37,642)	-	(1,364,275)
Transmission and distribution	(13,678,909)	(286,085)	1,001	(13,963,993)
General	(1,445,931)	(68,409)	485	(1,513,855)
Total accumulated depreciation	<u>(17,627,706)</u>	<u>(473,719)</u>	<u>1,486</u>	<u>(18,099,939)</u>
Total capital assets, being depreciated, net	<u>12,693,416</u>	<u>250,676</u>	<u>-</u>	<u>12,944,092</u>
Capital assets, net	<u>\$ 14,586,232</u>	<u>\$ 827,636</u>	<u>\$ (601,849)</u>	<u>\$ 14,812,019</u>

LA HABRA HEIGHTS COUNTY WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2019

3. CAPITAL ASSETS (CONTINUED)

Changes in capital assets and accumulated depreciation as of June 30, 2018 were as follows:

	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2018</u>
Capital assets, not depreciated:				
Land	\$ 532,744	\$ -	\$ -	\$ 532,744
Water rights	1,309,491	-	-	1,309,491
Construction in progress	<u>168,409</u>	<u>138,743</u>	<u>(256,571)</u>	<u>50,581</u>
Total capital assets, not depreciated	<u>2,010,644</u>	<u>138,743</u>	<u>(256,571)</u>	<u>1,892,816</u>
Capital assets, being depreciated:				
Sources of supply	2,308,923	-	(25,322)	2,283,601
Pumping	1,625,878	-	-	1,625,878
Transmission and distribution	24,375,780	268,226	(10,222)	24,633,784
General	<u>1,791,189</u>	<u>23,404</u>	<u>(36,734)</u>	<u>1,777,859</u>
Total capital assets, being depreciated	<u>30,101,770</u>	<u>291,630</u>	<u>(72,278)</u>	<u>30,321,122</u>
Less accumulated depreciation for:				
Sources of supply	(1,117,259)	(83,048)	24,074	(1,176,233)
Pumping	(1,277,499)	(49,134)	-	(1,326,633)
Transmission and distribution	(13,408,418)	(277,628)	7,137	(13,678,909)
General	<u>(1,394,122)</u>	<u>(79,812)</u>	<u>28,003</u>	<u>(1,445,931)</u>
Total accumulated depreciation	<u>(17,197,298)</u>	<u>(489,622)</u>	<u>59,214</u>	<u>(17,627,706)</u>
Total capital assets, being depreciated, net	<u>12,904,472</u>	<u>(197,992)</u>	<u>(13,064)</u>	<u>12,693,416</u>
Capital assets, net	<u>\$ 14,915,116</u>	<u>\$ (59,249)</u>	<u>\$ (269,635)</u>	<u>\$ 14,586,232</u>

LA HABRA HEIGHTS COUNTY WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2019

4. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities payable at June 30, 2019 and 2018 with changes thereon:

	Balance July 1, 2017	Payments	Balance July 1, 2018	Payments	Balance June 30, 2019
1981 State loan payable	\$ 400,845	\$ 53,333	\$ 347,512	\$ 54,589	\$ 292,923
Less current portion	<u>(53,333)</u>		<u>(54,589)</u>		<u>(55,877)</u>
	<u><u>\$ 347,512</u></u>		<u><u>\$ 292,923</u></u>		<u><u>\$ 237,046</u></u>

a. 1981 State Loan Payable

In 1981, pursuant to the State of California Davis-Grunsky Act, the State of California loaned the District \$1,500,000 to finance the relining of the La Mirada Conduit (Conduit) and construction of Reservoir 2. The District entered into a Joint Facilities Agreement as of October 15, 1980 with Orchard Dale for the purpose of operating and maintaining the Conduit (see Note 9a). The State loan bears interest at 2.5% and matures in graduated annual amounts through 2024, while interest is due semiannually. The balance of deferred interest is repayable over the remaining life of the State loan in equal annual payments of \$3,065.

A summary of debt service for the District's outstanding 1981 State loan is as follows:

Year Ending June 30,	Deferred Interest (Included in Principal)				Total
	Principal	Principal	Interest	Interest	
2020	\$ 52,812	\$ 3,065	\$ 6,940	\$ 62,817	
2021	54,132	3,065	5,620	62,817	
2022	55,486	3,065	4,266	62,817	
2023	56,873	3,065	2,879	62,817	
2024	<u>58,295</u>	<u>3,065</u>	<u>1,457</u>	<u>62,817</u>	
	<u><u>\$ 277,598</u></u>	<u><u>\$ 15,325</u></u>	<u><u>\$ 21,162</u></u>	<u><u>\$ 314,085</u></u>	

b. Construction Advance Receivable

The District has entered into a construction agreement with Orchard Dale in which Orchard Dale is to reimburse the District for a portion of the debt service payments on the 1981 State loan. The amounts due as of June 30, 2019 and 2018 from Orchard Dale were \$47,430 and \$56,233, respectively.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2019

5. EMPLOYEE-DEFERRED COMPENSATION PLAN

For the benefit of its employees, the District established an eligible employee-deferred compensation plan in accordance with the Internal Revenue Code Section 457. Funds may be withdrawn by participants upon either termination of employment, retirement, death or an unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes. The District makes matching contributions of 100% on the first 2% of compensation deferred by the plan.

All plan assets are held in a trust fund to protect them from claims of general creditors and from diversion to any uses other than paying benefits to participants and beneficiaries. Therefore, in accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, deferred compensation plan assets are not reported in the accompanying financial statements.

6. PENSION PLAN

a. General Information about the Pension Plan

Plan Description

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

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. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five (5) years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2019

6. PENSION PLAN (CONTINUED)

a. General Information about the Pension Plan (Continued)

The Plan's provisions and benefits in effect at June 30, 2018, measurement date, are summarized as follows:

	Miscellaneous	
	Prior to <u>January 1, 2013</u>	On or After <u>January 1, 2013</u>
Hire date		
Benefit formula	2.0%@60	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 67	52 - 67
Monthly benefits, as a % of eligible compensation	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	6.91%	6.25%
Required employer contribution rates		
Normal cost rate	7.200%	6.533%
Payment of unfunded liability	\$ 35,247	\$ -

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are 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 CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 666,511

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2019

6. PENSION PLAN (CONTINUED)

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

The District's proportionate share of the net pension liability for the Plan as of the measurement dates ended June 30, 2017 and 2018 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2017	0.01825%
Proportion - June 30, 2018	0.01769%
Change - increase (decrease)	-0.00056%

For the year ended June 30, 2019, the District recognized pension expense of \$45,646. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 94,317	\$ -
Differences between actual and expected experience	25,573	(8,702)
Change in assumptions	75,984	(18,622)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	29,665	(47,347)
Net differences between projected and actual earnings on plan investments	3,296	-
Total	\$ 228,835	\$ (74,671)

\$94,317 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2020	47,871
2021	29,374
2022	(11,404)
2023	(5,994)
2024	-
Thereafter	-

LA HABRA HEIGHTS COUNTY WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2019

6. PENSION PLAN (CONTINUED)

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

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement period was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The total pension liability was based on the following assumptions:

	Miscellaneous
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-age normal cost method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality Rate Table	(2)
Postretirement Benefit Increase	(3)

- (1) Varies by entry age and service.
(2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.
(3) Contract cost of living adjustment up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2019

6. PENSION PLAN (CONTINUED)

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

Long-term Expected Rate of Return (Continued)

The expected real rated of return by asset class are as follows:

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

- (a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities
(b) An expected inflation of 2.0% used for this period
(c) An expected inflation of 2.92% used for this period

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2019

6. PENSION PLAN (CONTINUED)

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

Sensitivity of the 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 for the Plan, calculated using the discount rate for the Plan, 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:

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	\$ 1,424,636
Current Discount Rate	7.15%
Net Pension Liability	\$ 666,511
1% Increase	8.15%
Net Pension Liability	\$ 40,691

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

- c. Payable to the Pension Plan

At June 30, 2019, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

7. OTHER POST-EMPLOYMENT BENEFITS

- a. Plan Description

The District provides post-employment health care benefits through a single-employer defined benefit plan. Specifically, the District provides health insurance for its retired employees in accordance with Board resolutions. Medical coverage is provided for retired employees who are age 60 or over and who have a minimum of 20 years service with the District. The District pays the premium for the retiree coverage. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The plan does not provide a publicly available financial report.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2019

7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Employees Covered

As of the June 30, 2018 measurement date, the following current and former employees were covered by the benefit terms under the plan:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees or beneficiaries entitled to but not yet receiving benefits	-
Active employees	<u>10</u>
Total	<u><u>12</u></u>

b. Total OPEB Liability

The District's OPEB liability of \$1,243,182 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Funding Policy	Pay-as-you-go-basis
Actuarial Assumptions:	
Discount Rate	3.62%
Projected Salary Increase	3.00%
Expected long term investment rate of return	Not applicable since the District had not established an irrevocable trust for pre-funding the OPEB as of measurement date
Medical Trend	Pre-Medicare: 6% for 2018 grading down to 5% for 2028 Post-Medicare: 4%
Mortality Rates	Pre-retirement mortality rates based on the RP-2014 tables Post-retirement mortality rates based on the RP-2014 health annuitant mortality tables
Age adjustment factor	3.00%

The discount rate was based on a high-quality 20-year tax-exempt general obligation municipal bond yield or index rate. The municipal bond rate utilized was 3.62%.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2019

7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

c. Changes in the Total OPEB Liability

The change in total OPEB liability are as follows:

	Increase (Decrease)
Balance at June 30, 2017	Total
(Measurement Date)	<u>\$ 1,484,394</u>
Changes in the Year:	
Service cost	73,499
Interest on the total OPEB liability	46,184
Differences between actual and expected experience	(218,164)
Changes in benefit terms	174,350
Changes in assumptions	(299,191)
Benefit payments	(17,890)
Net Changes	<u>(241,212)</u>
Balance at June 30, 2018	Total
(Measurement Date)	<u>\$ 1,243,182</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, calculated using the discount rate for the Plan, as well as what the District total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
Total OPEB Liability	\$ 1,472,074	\$ 1,243,182	\$ 1,061,407

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability 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 rates:

	1% Decrease (5% decreasing to 4%, 3%)	Current Trend (6% decreasing to 5%, 4%)	1% Increase (7% decreasing to 6%, 5%)
Total OPEB Liability	\$ 1,046,622	\$ 1,243,182	\$ 1,495,506

LA HABRA HEIGHTS COUNTY WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2019

7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

d. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$237,860. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	\$	\$
OPEB contributions subsequent to measurement date	16,079	-
Differences between actual and expected experience	-	(194,476)
Differences between projected and actual earnings	-	(266,706)
Total	<u>16,079</u>	<u>(461,182)</u>

\$16,079 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2020	(56,173)
2021	(56,173)
2022	(56,173)
2023	(56,173)
2024	(56,173)
Thereafter	(180,317)

e. Payable to the OPEB Plan

At June 30, 2019, the District had no outstanding amount of contributions to the OPEB plan as required for the year ended June 30, 2019.

8. COMMITMENTS AND CONTINGENCIES

a. 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, injuries to employees and natural disasters. In an effort to manage its risk exposure, the District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (the 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.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2019

8. COMMITMENTS AND CONTINGENCIES (CONTINUED)

a. Risk Management (Continued)

At June 30, 2019, as a member of the Authority, the District participated in the insurance programs as follows:

Property Loss - the District retains risk of loss up to \$1,000 (deductible amount); the Authority is self-insured up to \$100,000 and insurance coverage has been purchased to cover losses ranging from \$100,000 to \$500,000,000 limited to the insurable value of \$15,727,362.

Auto and General Liability - Insured up to \$60,000,000 with no deductible subject to policy aggregate limits; the Authority is self-insured up to \$5,000,000 and excess insurance coverage has been purchased to cover losses ranging from \$5,000,000 to \$60,000,000.

Public Officials' Liability - Coverage for errors and omissions up to \$60,000,000 subject to policy aggregate limits; the Authority is self-insured up to \$5,000,000 and excess insurance coverage has been purchased to cover losses ranging from \$5,000,000 to \$60,000,000.

Public Employee Fidelity Bond - Insured up to \$100,000 with a \$1,000 deductible; the Authority is self-insured up to \$100,000.

Workers' Compensation Insurance - Compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law. The Authority is self-insured to \$2 million and has purchased excess insurance to the statutory limit.

Cyber Insurance – Insured up to \$5,000,000 with no deductible subject to policy aggregate limits of \$5,000,000.

The District has not settled any claims that have exceeded insurance coverage in any of the past three fiscal years. An annual premium deposit is paid by the District. Actual annual premiums are to be determined utilizing a retrospective method.

b. Litigation

In the ordinary course of operations, the District is the subject of claims and litigation from outside parties. After consultation with its legal counsel, the District believes that an adequate provision has been made for the costs, if any, of the ultimate outcome of the legal proceedings through its self-insurance plan, such that these matters will not materially affect the District's financial condition.

9. AGREEMENTS

a. Orchard Dale Water District

The District is party to a joint facilities agreement with the Orchard Dale Water District (Orchard Dale) for the purpose of operating and maintaining the Well Fields, La Mirada Conduit and the La Mirada Reservoir, a transmission and distribution system that carries water from the Well Fields to each water district's service area. The operating agreement under which the facilities were constructed required that each participant provide its own proportionate share of construction financing. The District's proportionate share of construction and improvement costs for such jointly owned facilities is included in the appropriate category of utility and general plant assets.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2019

9. AGREEMENTS (CONTINUED)

a. Orchard Dale Water District (Continued)

The District incurs certain minimum operating costs on jointly owned facilities, whether or not it is able to take delivery of its proportionate share of annual water rights. Such expenses incurred are included as operating expenses in the accompanying statements of revenues, expenses and changes in net position.

In fiscal years 2018-2019 and 2017-2018, the District was reimbursed \$173,574 and \$159,686, respectively, for this agreement.

b. Rowland Water District

The District is party to a water production and delivery agreement dated May 12, 2012 with the Rowland Water District (Rowland) for the purpose of assisting Rowland to access water rights in the Central Groundwater Basin of Los Angeles County (Central Basin). Rowland has acquired pumping rights in the Central Basin but has no facilities to produce water from Central Basin to Rowland's service area. The District has facilities to produce water from the Central Basin and is able to assist Rowland to produce water, pursuant to Rowland's water rights, and deliver the water to Rowland's water distribution system.

Subject to certain limitations as specified in the agreement, the District will convey to Rowland, groundwater from the Central Basin. The District will bill Rowland on a monthly basis for water delivery costs. Rowland will pay the District for transporting water, and the District's direct cost of production, energy costs associated with the delivery of the water to the delivery point, any other variable cost of production.

Rowland will pay a wheeling charge that is \$50 per acre-foot until Rowland has amortized its capital costs. After Rowland has fully amortized its capital cost, the wheeling charge is \$75 per acre-foot. In addition, the District will share in the cost savings that Rowland realizes as a result of the District pumping and delivering water to Rowland from the Central Basin instead of Rowland purchasing water from other sources. In fiscal years 2018-2019 and 2017-2018, the District was reimbursed \$0 in both fiscal years for this agreement. As of June 30, 2019, the agreement was in dispute.

10. SUBSEQUENT EVENTS

Events occurring after June 30, 2019 have been evaluated for possible adjustment to the financial statements or disclosure as of September 10, 2019, which is the date these financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

LA HABRA HEIGHTS COUNTY WATER DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

	Miscellaneous				
Fiscal year ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement period	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.00692%	0.00726%	0.00654%	0.02102%	0.02702%
Plan's proportionate share of the net pension liability	\$ 666,511	\$ 719,602	\$ 566,312	\$ 576,686	\$ 667,868
Plan's covered payroll	\$ 766,210	\$ 741,585	\$ 744,900	\$ 722,019	\$ 609,966
Plan's proportionate share of the net pension liability as a percentage of covered payroll	86.99%	97.04%	76.03%	79.87%	109.49%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	75.26%	73.31%	74.06%	86.30%	83.03%
Plan's proportionate share of aggregate employer contributions	\$ 188,093	\$ 170,453	\$ 150,102	\$ 125,678	\$ 88,356

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

LA HABRA HEIGHTS COUNTY WATER DISTRICT

SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years*

Fiscal year ended	Miscellaneous				
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 94,317	\$ 73,246	\$ 83,935	\$ 69,955	\$ 61,068
Contributions in relation to the actuarially determined contributions	(94,317)	(73,246)	(83,935)	(369,955)	(61,068)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (300,000)	\$ -
Covered payroll	\$ 817,337	\$ 766,210	\$ 741,585	\$ 744,900	\$ 722,019
Contributions as a percentage of covered payroll	11.54%	9.56%	11.32%	49.67%	8.46%

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial cost method	Entry age (1) Market Value	Entry age (1) Market Value	Entry age (1) Market Value	Entry age (1) Market Value	Entry age (1) 15 Year Smoothed Market Method
Amortization method					
Asset valuation method					
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expense, including inflation
- (4) 50 years (2%@60), 52 years (2%@62)
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* - Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown

LA HABRA HEIGHTS COUNTY WATER DISTRICT

SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years*

Fiscal year end	<u>6/30/2019</u>	<u>6/30/2018</u>
Measurement date	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB Liability:		
Service cost	\$ 73,499	\$ 59,254
Interest on total OPEB liability	46,184	43,498
Changes of benefit terms	174,350	-
Changes of assumptions	(299,191)	-
Differences between expected and actual experience	(218,164)	-
Benefit payments, including refunds of	(17,890)	(15,978)
Net Change in Total OPEB Liability	(241,212)	86,774
Total OPEB Liability - Beginning of Year	1,484,394	1,397,620
Total OPEB Liability - End of Year	<u>1,243,182</u>	<u>1,484,394</u>
 Covered employee payroll	 \$ 888,088	 \$ 773,970
Total OPEB liability as percentage of covered employee payroll	139.98%	191.79%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

The discount rate of 3.13% used for the June 30, 2017 measurement date was increased to 3.62% for the June 30, 2018 measurement date. The healthcare trend rate of 5% used in the June 30, 2017 measurement period was adjusted to 6% in 2018 decreasing to 5% in 2028 for pre-medicare and 4% for post-medicare.

* Fiscal year 2018 was the first year of implementation; therefore, only two years are shown.

SUPPLEMENTARY INFORMATION

LA HABRA HEIGHTS COUNTY WATER DISTRICT

SCHEDULE OF OPERATING EXPENSES

For the year ended June 30, 2019
 (With prior-year comparative totals)

	2019	2018
	\$ 1,006,907	\$ 1,147,503
Sources of supply - purchased water	<u>473,719</u>	<u>489,622</u>
Depreciation		
Administrative and General:		
Office salaries	225,271	211,359
Manager's salary	138,241	130,030
Insurance	282,228	261,447
Employee benefits	115,075	173,934
Vacation, sick leave and holidays	130,363	118,848
Professional services	31,695	71,779
Payroll taxes	69,050	60,942
OPEB expense	237,860	102,752
Maintenance - general plant	86,503	74,373
Office supplies and equipment	48,315	57,555
Utilities	47,011	43,473
Automobile service	59,716	29,994
Education and meetings	19,260	12,833
Dues	22,845	23,342
Legal services	111,459	66,448
Engineering expenses	28,350	40,478
Property taxes	3,757	4,453
Directors fees and election expenses	26,895	21,326
Miscellaneous	6,201	9,529
Total Administrative and General	<u>1,690,095</u>	<u>1,514,895</u>
Pumping:		
Supervision and maintenance	73,752	95,292
Purchased power	541,687	563,617
Total Pumping	<u>615,439</u>	<u>658,909</u>
Transmission and Distribution:		
Supervision, labor and expense	171,026	139,643
Maintenance - structures and plant	142,139	119,569
Joint facilities accounts	201,829	171,839
Total Transmission and Distribution	<u>514,994</u>	<u>431,051</u>
Customer accounts	<u>190,021</u>	<u>198,261</u>
Water treatment	<u>38,824</u>	<u>32,659</u>
TOTAL OPERATING EXPENSES	<u>\$ 4,529,999</u>	<u>\$ 4,472,900</u>

