DEL PUERTO WATER DISTRICT

AUDITED FINANCIAL STATEMENTS

February 28, 2019

DEL PUERTO WATER DISTRICT

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Board of Directors

Ivan E. Bays	President
Earl Perez	Vice-President
William Koster	Director
Peter Lucich	Director
Zachary Maring	Director
James Jasper	Director
Thomas Dompe	Director

Administration

Anthea G. Hansen	General Manager

Report of Independent Auditors

Board of Directors
Del Puerto Water District
Patterson, California

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Del Puerto Water District (the District) as of and for the year ended February 28, 2019.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District at February 28, 2019, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Board of Directors
Del Puerto Water District
Patterson, California

Other Matters

Change in Accounting Principles

As discussed in the Note 1 to the financial statements, in 2019 the District adopted new accounting guidance, GASB No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Fechter & Company
Certified Public Accountants

Sacramento, California
October 31, 2019

As required by Government Accounting Standards Board Statement No. 34, this section presents management's analysis of the Del Puerto Water District's (the District) financial condition and activities as of and for the year ended February 28, 2019. Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the District's basic financial statements, and should be read in conjunction with the audited financial statements that follow this section. It is also intended to give an overview of the previous year's operations, and to express management's view of how currently-known factors will impact the District in the future.

ORGANIZATION AND BUSINESS

The Del Puerto Water District is a California special district formed under the provisions of Division 13 of the Water Code of the State of California. The approximately 45,000 acres of irrigable District lands are located along the west side of Stanislaus, San Joaquin and Merced Counties. Stanislaus County serves as the principal county for the District. A seven-person Board of Directors elected from among District landowners governs the District.

The District is under contract with the Bureau of Reclamation for its water supply, which is delivered from the Delta-Mendota Canal, a feature of the Central Valley Project. The District was originally organized on March 24, 1947 to contract for and administer delivery of water supplies to landowners within the geographical boundaries of the District. On March 1, 1995, the District was reorganized through a formal consolidation with ten other local, similarly contracted water districts. The water service contracts of these other districts were assigned to the District and subsequently renegotiated as a single contract providing for the delivery of up to 140,210 acre-feet of water annually. The District's water year runs from March 1 through February 28/29.

The District's contractual entitlement is its primary source of supply. Use of this contractual supply is subject to State law and California Water Code requirements, Reclamation law, place-of-use restrictions associated with the Bureau of Reclamation's State-issued permit(s), and shortages imposed under the water shortage provisions of the District's contract with the Bureau of Reclamation. All water is delivered "canal-side" from the Delta-Mendota Canal through turnouts licensed to the District by the federal government. Privately developed groundwater is available on a limited basis throughout the District.

District lands have produced more than 30 different commercial crops over the years. Among the principal crops currently grown are almonds, tomatoes, apricots, dry beans, walnuts, oats, wheat, barley, grains, broccoli, melons, peaches, citrus, spices, cherries, wine grapes and olives. In 2017, over 73% of the District's irrigated lands are in permanent plantings, of which 98% are irrigated by sprinklers or drip irrigation systems. The District supports conservation efforts by way of providing low interest loan funding for the installation of high-efficiency irrigation systems, including both micro-sprinkler and drip emission systems. In recent years, certain of these loans have funded the installment of row-crop drip systems, a technology relatively new to the Districts service area. In addition to supporting conservation, this investment in irrigation technology further compliments the District's efforts in the area of drainage reduction, thus resulting in improvements to nearby waterways of the State.

The District's management staff currently consists of a General Manager, who also serves as the District's Treasurer, and a Water Operations & Resources Manager. During 2018 the District's financial recordkeeping was performed by the General Manager/Treasurer, supported by a contractual agreement with Genske, Mulder & Company, LLP for part-time general ledger accountant services. Management is also supported by a full-time Executive Assistant, an Accounting Specialist handling Accounts Receivable and Accounts Payable, and a Water Operations Technician. The District operates at minimal staffing levels to maintain costs, and strives to develop administrative procedures which ensure efficiency and accuracy in its service to its constituents, however this is becoming increasingly difficult with the number of activities the District must now accomplish. In consultation with the Board, the General Manager continually assesses staffing resources and needs, and it is envisioned that at least one additional full-time Staff member will be hired in the near future.

The District's stated mission is as follows: "*Dedicated to Providing it's Agricultural Customers with an Adequate, Reliable and Affordable Water Supply".* Customer service standards and the clear communication and implementation of District policies and procedures are set at the highest benchmarks. Continuing to provide water to the West Side's small family farms, which produce some of the nation's most bountiful supply of fresh fruit, nuts and vegetables, remains the District's sole focus and reason for existence.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The District's basic financial statements are prepared on an accrual basis and in conformity with generally accepted accounting principles and include certain amounts based upon reliable estimates and judgments. The annual financial report consists of a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

- The *Statement of Net Position* presents information on the District's assets and liabilities, with the difference between the two being reported as *Net Position.* Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

- *The Statement of Revenues, Expenses and Changes in Net Position* presents the results of the District's operations showing Total Revenues versus Total Expenses and how the Net Position changed during the year. This statement can be used as an indicator of the extent to which the District has successfully managed its budget and recovered its costs through user fees.

- The *Statement of Cash Flows* presents changes in cash and cash equivalents resulting from operational, capital, noncapital and investing activities. This statement summarizes the annual flow of cash receipts and cash payments, and reconciles the year-end cash and cash-equivalents balance.

- The *Notes to the Basic Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS

As illustrated by the financial analysis below, the District's Net Position increased in 2018-19:

Condensed Financial Information

The following table (Table 1) shows the District's total assets, liabilities and net position:

Table 1
Balance Sheet
February 28, 2019 and February 28, 2018
(Proprietary Fund Only)

	2/28/2019	2/28/2018	Variance	% Variance
Current assets	$ 7,311,801	$ 11,206,040	$ (3,894,239)	-34.75%
Noncurrent assets	10,013,067	10,253,815	(240,748)	-2.35%
Total Assets	17,324,868	21,459,855	(4,134,987)	-19.27%
Current liabilities	8,369,689	13,494,748	(5,125,059)	-37.98%
Noncurrent liabilities	864,575	1,489,825	(625,250)	-41.97%
Total Liabilities	9,234,264	14,984,573	(5,750,309)	-38.37%
Net Assets:				
Invested in capital assets	684,909	696,246	(11,337)	-1.63%
Restricted for ADLP Loan Repayment	675,933	901,132	(225,199)	-24.99%
Restricted for Rate Stabilization	762,854	535,066	227,788	42.57%
Restricted for Capital Repayment	1,102,699	719,717	382,982	53.21%
Unreserved	4,864,209	3,623,121	1,241,088	34.25%
Total Net Position	8,090,604	6,475,282	1,615,322	24.95%
Total Liabilities and Net Position	$ 17,324,868	$ 21,459,855	$ (4,134,987)	-19.27%

Highlights

- Current assets decreased $3,894,239, which was primarily the function of a decrease in Pre-paid Water Supplies from Other Sources and a decrease in Other Accounts Receivable.

- Non-current assets decreased $240,748. This included a reclassification of the $637,009 CERBT Fund asset balance, which had previously been reported as a part of the District's Non-current Assets, and a decrease in the non-current portion of net investment in financing leases and property, plant and equipment, net of depreciation. These decreases were offset by increases in designated cash and investments.

- Current liabilities decreased $5,125,059. The current liability decrease was primarily due to a $3,475,287 decrease in Accounts Payable and a $1,406,174 decrease in Customer Prepaid Water Tolls.

- Non-current liabilities decreased $625,250. The non-current liability decrease was due to the annual payment of the District's ADLP Loan in the amount of $438,174, a $19,281 decrease in Net Pension Liability, and the booking of the District's ($167,795) Net OPEB Liability/(Asset).

- Total assets of $17,324,868 exceeded total liabilities of $9,234,264 at the fiscal year end by $8,090,604, an increase of $1,615,322, or 19.97%, over the prior fiscal year. This increase in net position, or "net profit", for the year, was primarily due to an under spent Supply Development Program budget (deferred to 2019-20), and realized gain from several Non-Customer water transfers.

The following table (Table 2) shows changes in the District's net position for the year:

Table 2
Statement or Revenues, Expenses, and Changes in Net Position
February 28, 2019 and February 28, 2018

	2/28/2019	2/28/2018	Variance	% Variance
Operating Revenues:				
Water sales	$ 14,799,894	$ 16,729,100	$ (1,929,206)	-11.53%
Water availability charge	1,810,998	1,916,640	(105,642)	-5.51%
Total Operating Revenues	16,610,892	18,645,740	(2,034,848)	-10.91%
Operating Expenses	14,493,685	17,816,525	(3,322,840)	-18.65%
Total Operating Expenses	14,493,685	17,816,525	(3,322,840)	-18.65%
Net Operating Income	2,117,207	829,215	1,287,992	155.33%
Non-Operating Revenues, Net	(143,723)	102,312	(246,035)	-240.48%
Change in Net Assets	1,973,484	931,527	1,041,957	111.85%
Total Net Assets - Beginning	6,475,282	5,543,755	931,527	16.80%
Prior Period Adjustment	(358,161)	-	(358,161)	
Total Net Assets - Ending	$ 8,090,605	$ 6,475,282	$ 1,973,484	30.48%

Highlights

- Total Operating Revenues decreased by $2,034,850 or 10.91% to $16,610,892. The decrease was primarily because the District sold more supplemental water at higher rates in WY 2017 than in WY 2018.

- Total Operating Expenses decreased by $3,322,840 or 18.65% to $14,493,685. The decrease was primarily reflective of the decreased costs of purchased water sold and decreased expenditures for Salaries & Wages and Association Fees.

- Non-operating revenues (net) decreased by $246,035 to $(143,723). This decrease was due to the prior year's one-time expense posting of net pension liability to conform to GASB 68 rules.

Budget Comparisons

The following table (Table 3) compares actual administrative expenditures to the 2017-18 budget.

Table 3
Administrative Budget to Actual Comparison
For the Year Ended February 28, 2019

	2018-19 Actual	2018-19 Budget	Variance	% Variance
Water Availability Charge	$ 1,810,998	$ 1,808,982	$ 2,016	0.11%
Total Operating Revenues	1,810,998	1,808,982	2,016	0.11%
Operating Expenses:				
Wages and related expenses	501,882	775,001	(273,119)	-35.24%
Conservation services	5,260	3,650	1,610	44.11%
Office supplies, rent & other	157,440	155,117	2,323	1.50%
Repairs & maintenance	14,403	9,000	5,403	60.03%
Metering program	1,590	8,975	(7,385)	-82.28%
Association fees	249,273	299,580	(50,307)	-16.79%
Utilities	13,647	12,485	1,162	9.31%
Engineering & consulting fees	314,507	653,762	(339,255)	-51.89%
Legal and audit fees	37,984	51,200	(13,216)	-25.81%
Vehicle, travel and conferences	27,335	21,600	5,735	26.55%
Insurance	17,869	18,686	(817)	-4.37%
Depreciation and amortization	54,154	65,000	(10,846)	-16.69%
Total Operating Expenses	1,395,344	2,074,056	(678,712)	-32.72%
Net Operating Income	415,654	(265,074)	680,728	-256.81%
Non-Operating Revenues, Net	(143,723)	142,172	(285,895)	-201.09%
Net Administrative Income/(Loss)	$ 271,931	$ (122,902)	$ 394,833	-321.26%

For 2018-19, administrative expenses were $678,712 less than budgeted, and the net of actual non-operating revenues vs. non-operating expenses was $285,893 less than budgeted, leading to net operating income from Administrative Operations of $394,835 more than budgeted.

Highlights of the variances between actual and budgeted cost centers were as follows:

- Wages and Related Expenses less than budgeted due to vacancy of the Financial Manager position offset by the partial year addition of a contracted General Ledger Accountant.
- Association Fees less than budgeted due to SGMA activity agreement expenditures $39,000 less than budgeted and SLDMWA general fund dues $10,000 less than budgeted.
- Metering Program less than budgeted due to unspent budget for contracted meter installation labor.
- Engineering and Consulting Fees less than budgeted by $339,255 due to a revised schedule for the implementation of the Orestimba Creek Recharge and Recovery Project and due to delayed progress on Phase 2 studies budgeted for Del Puerto Canyon Reservoir.
- Legal and Audit Fees less than budgeted due to delays in special litigation – (1) case.
- Depreciation less than budgeted due to the deferred purchase of capital assets for 2019.

CAPITAL ASSETS

Capital Assets

The District's office and maintenance facility was constructed new in 2003, and the District does not own or maintain any canals or delivery systems, limiting capital infrastructure requirements to the replacement and addition of meters, vehicles, and tools. As of February 28, 2019, the District had $684,909 (net of accumulated depreciation) invested in the following categories of Capital Assets: Meters, Tools, Office Equipment & Furnishings, Vehicles, Land, Buildings & Landscaping. This amount represents a $11,337 net decrease over the prior fiscal year, which is primarily due to depreciation expense, offset by the purchase of (1) 2018 Chevrolet Truck with Toolboxes, disposal of (1) 2006 Chevrolet Truck with Toolboxes, and the purchase of (1) Hewlett-Packard Laptop Computer.

DEBT ADMINSTRATION

Agricultural Drain Loan Program Debt

District operating revenues are used to finance in-District capital improvements, with the exception of the District's Irrigation System Improvement Program, which utilizes funding obtained through the State's Agricultural Drain Loan Program to purchase irrigation systems which are then leased to participant landholders. These leases are fully secured by the real property on which the systems are installed, and the principle and interest payments made annually by the leaseholders are used to repay the District's corresponding liability to the State. As of February 28, 2019, the liability to the Agricultural Drain Loan Program was $866,425, all of which is reimbursable by leaseholders. Due to the success and popularity with the District's growers of the Agricultural Drain Loan Program and its predecessor program funded with State Revolving Funds, the District will seek approval for funding in late 2019 to support implementation of a similar program for the future.

SYSTEMS, CONTROLS AND LEGAL COMPLIANCE

The District adheres to a specific set of administrative procedures that guide the designing, planning, organizing and carrying out of its programs and service. Policies which provide guidance, delegation of authority and responsibility, reporting procedures, and accountability for resources are adopted at the Board level. Administrative procedures and accounting systems are designed to ensure specific controls, and budgets are adopted and reviewed periodically to ensure the safeguarding of District assets. All District activities are undertaken in compliance with all applicable Federal, State and local laws, and management controls and financial systems are in compliance with all regulatory statutes.

FACTORS IMPACTING FUTURE PERIODS

As discussed in Note 15 of the independent auditor's report, the District's existence relies exclusively on the continued need for water supplies by Landowners within the District, and the District's ability to procure and administer said supplies in an adequate and affordable manner.

The chronic shortages faced by the District are the result of both regulatory and hydrologic drought, the former primarily centered on issues facing the health and sustainability of the Sacramento-San Joaquin Delta and the numerous plant and animal species that exist there. Because the export of water supplies to CVP contractors and others South of the Delta remains a focal point for each new regulation or order regarding California water, it is imperative that the District remain engaged in activities which advance solid science and programs that communicate factual information proving that exports are not the only stressor affecting the Delta. Also critically important to the District are the currently ongoing Water Quality Control Plan update and other activities being advanced by the State Water Resources Control Board, the related "Voluntary Agreements" process, the long overdue implementation of an update to Coordinated Operations Agreement between the State Water Project and the Central Valley Project, and the USBR's re-consultation on the 2008 Smelt and 2009 Salmon Long-Term Biological Opinions which support the District's Water Service Contract. These subjects are playing out heavily in 2019, and the District is engaged in these and other matters which both directly and indirectly affect the future reliability – or lack thereof – of its CVP Water Supply. The challenge, however, becomes one of balancing the need for, and efficacy of, each activity and forum against the extremely high costs of participation, which ultimately falls on the District's customers.

In addition to legal and regulatory forums, much emphasis and momentum has been placed on addressing South-of-the-Delta water supply shortages through infrastructure designed to repair what is broken about the "plumbing" in the State of California. Cooperative efforts between the Department of Water Resources, the Bureau of Reclamation, and the numerous agricultural and municipal water contractors who have contracts with those governing agencies to procure water supplies started as the Bay-Delta Conservation Plan (BDCP) / Delta Habitat & Conveyance Conservation Plan (DHCCP), and were more currently revised as to strategy, separated, and renamed the California Eco-Restore and California Water Fix programs, the latter of which was a project which would develop "twin tunnels" under and across the Delta to move water to the South-Delta pumping facilities from a changed point of diversion on the Sacramento River. Although the District ceased funding participation and retired its initial obligation in the development of these programs due to uncertainty in the ultimate costs and benefits, Staff remains engaged through its administrative activities and reports to the Board monthly on California Water Fix. As of February 28, 2019, however, environmental approvals and the regulatory certainty that had been a goal of the planning effort had not materialized, and management was ever-more-skeptical of California Water Fix with respect to bringing back the reliability of the Districts contract allocations in an affordable manner. As of the writing of this report, the California Water Fix effort has been completely abandoned as envisioned and the State of California is regrouping its focus on a yet to be named "large-scale" Delta conveyance project, in which the Bureau of Reclamation nor any of the Federal contractors have yet to make any formal commitments in as to participation.

Along with the cost of solutions aimed at solving chronic supply shortages, there are also considerations on how these shortages affect CVP Contract Water Rates. Under current Bureau rate setting policy, each CVP contractors' obligation for repaying the capital costs of constructing the CVP is collected as a component of that contractor's published annual estimated water rates based on historical plus projected future deliveries through year 2030. Shortages incurred since the passage of CVPIA in the early '90's and predicted to continue for the foreseeable future mean less delivery base across which to spread the capital obligation, leading to predicted higher rates as year 2030 nears. In Fiscal Year 2012-13, the Board authorized the collection of a rate component on all water deliveries which would be set to collect some of the "shortfall" inherent in the USBR's capital collections. Staff continues to monitor this situation closely and is taking all actions necessary to ensure that the District is able to repay its published capital obligation while continuing its practice of avoiding drastic changes in the rates paid by its customers from one year to the next. As of February 28, 2019, the District's assets included $87,520 in yet-to-be designated cash funds plus $1,102,699 prior year designated collections, for a total of $1,190,219 collected for future additional Capital Repayment, which as of 9/30/18 was estimated to be $16,546,588.

Complementary to the monitoring of the Capital Obligation is the District's notice to Reclamation during 2018 of its intention to pursue the conversion of its 25-year Long-Term Water Service Contract to a "permanent" repayment contract as provided for in Section 4011 of the Water Infrastructure and Improvements for the Nation (WIIN) Act, which was signed into law in 2016. A condition of this conversion would be payoff of the District's calculated Capital Obligation for the construction of the CVP, as discounted per the legislation. Among the benefits of this effort would be a contract in perpetuity, removal of the District from the Acreage Limitation requirements of Reclamation Law, as well as other conditions that Management and the Board see as extremely beneficial to the District's Landowners. It is anticipated that further refinement of this effort, up to and including a Prop 218 vote of the District's Landowners to finance such a payoff, will occur during 2019 & 2020.

In addition to the upward pressure on water rates caused by continued lack of supply, certain other factors are predicted to impact the District and its constituents in both the near and long-term with respect to increased water costs. Beginning with the Bureau of Reclamation's fiscal year ended 2011, the results of which were recognized in the District's fiscal year ended 2013-14, Extraordinary O&M and certain reimbursable American Recovery and Reinvestment Act (ARRA) costs caused water rates to increase. While ARRA costs were limited to specific projects which are now completed, it is anticipated that extraordinary O&M costs will continue to escalate due to the aging CVP infrastructure and the restated Bureau policy on how extraordinary O&M costs are collected. In the past, extraordinary O&M was treated as a capitalized cost within the rates, to be amortized and collected by year 2030. Under current policy, unless the costs are related to the addition of a facility as a new feature of the CVP, or otherwise specifically authorized as capital for repayment purposes, they are treated as current year O&M in the fiscal year expended, regardless of magnitude. Additionally, in water year 2016, the USBR implemented a revised process whereby a 7-year average of historical water deliveries would be used as the basis for calculating both the O&M and Construction components of the annual water rates, with the average even further reduced for O&M ratesetting if reservoir storage levels are below normal. These changes seem to be resulting in a more accurate cost recovery of annual O&M, and due to the revised process have certainly resulted in a higher Capital component in the District's assigned CVP water rate, and a higher recovery of the Capital obligation by Reclamation through increased rates charged to the District's customers. If the District does successfully convert its Water Service Contract to a Repayment Contract, customer water rates would decrease immediately by over $50/AF, which would be offset by an additional assessment to recover the payoff of the Capital Obligation.

Recognizing that statewide solutions may be years away, or otherwise even unachievable, the District is currently focusing effort on mid and long-term supply development programs to provide local/regional solutions to its contract water supply shortage situation. These include surface storage opportunities, groundwater recharge, and long-term transfers between local agencies. Most notably, as a partner in the North Valley Regional Recycled Water Program (NVRRWP), the District studied the feasibility of importing tertiary-treated (Title 22) recycled water from the cities of Modesto and Turlock for use as a reliable source of supply to supplement its needs. Certification of an EIR was completed in mid-2015, setting the stage for the many approvals needed to complete the project, including but not limited to water supply agreements between the District and the cities, water rights permits and discharge permits approving introduction of the recycled water directly to the Delta-Mendota Canal (DMC), project funding, easements, and multiple other steps leading to the NVRRWP's completion. An EIS and Record of Decision were completed in 2016, leading to construction of the NVRRWP Pipeline, Pump Station and DMC Discharge Facility, which has progressed on schedule. As of late 2017, the first component of the Project connecting the City of Modesto's facilities to the Delta-Mendota Canal became substantially complete, and deliveries commenced on December 28, 2017. The second component connecting the City of Turlock's facilities to the facilities built in the first component commenced in 2018, and are expected to be substantially complete for delivery of supply from both Cities starting in Water Year 2020. It is expected that initially the project will result in at least 6 inches of reliable supply per irrigable acre in the District, which above all else is an extremely positive change for the future of the District and its ability to adequately serve the needs of its landowners.

REQUEST FOR INFORMATION

This report is designed to provide Del Puerto Water District's elected officials, landholders, customers and creditors a general overview of the District's finances and to demonstrate its accountability of the revenues it receives. If you have any questions about this report or need additional information, please contact: Del Puerto Water District, Attn: Anthea G. Hansen, General Manager/Treasurer, P.O. Box 1596, Patterson, CA 95363-1596.

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DEL PUERTO WATER DISTRICT
STATEMENT OF NET POSITION
FEBRUARY 28, 2019

Current Assets:	
Cash and cash equivalents	$ 2,651,623
Accounts receivable - water users and others	1,189,581
Net investment in direct financing leases, current portion	106,236
Prepaid water - USBR and SLDMWA	211,028
Prepaid water - other sources	2,979,805
Prepaid expenses	173,528
Total current assets	7,311,801
Board designated assets:	
Cash and cash equivalents	110,405
Investments	2,431,080
Net investment in direct financing leases, non current portion	108,694
Total board designated assets	2,650,179
Investments	6,585,509
Property, plant and equipment, net of depreciation	684,909
Total non current assets	9,920,597
TOTAL ASSETS	17,232,398
Deferred outflows of resources - OPEB	39,271
Deferred outflows of resources - pension	53,199
Total assets and deferred outflow of resources	17,324,868
LIABILITIES	
Current Liabilities:	
Accounts payable	675,697
Accrued liabilities	706,595
Current portion of long-term debt	438,174
Customer prepaid water tolls	1,776,795
Compensated absences payable	69,262
Deferred revenue	4,703,166
Total current liabilities	8,369,689
Long-term Liabilities:	
Long-term debt, net of unamortized issuance costs	448,251
Net OPEB liability	(167,795)
Net pension liability	584,119
Total long term liabilities	864,575
TOTAL LIABILITIES	9,234,264
NET POSITION	
Invested in capital assets	684,909
Restricted for:	
ADLP loan repayment	675,933
Rate stabilization	762,854
Capital repayment	1,102,699
Unrestricted	4,864,209
TOTAL NET POSITION	$ 8,090,604

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

DEL PUERTO WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED FEBRUARY 28, 2019

	Totals
Operating Revenues	
Water sales	$ 14,799,894
Water availability charge	1,810,998
Total operating revenues	16,610,892
Operating Expenses	
Purchased water	13,098,341
Salaries, wages and benefits	501,882
Office suplies, technology and other	162,700
Professional fees	352,491
Repairs and maintenance	14,403
Metering program	1,590
Association fees	249,273
Utilities	13,647
Vehicle, travel and conferences	27,335
Insurance	17,869
Depreciation	54,154
Total operating expenses	14,493,685
Operating income	2,117,207
Non-Operating Revenues (Expenses)	
Interest income	60,955
Unrealized gain on investments	16,882
Agricultural drainage loan program	(151)
Net pension expense	-
Other non-operating income	(221,409)
Total non-operating revenues (expenses)	(143,723)
Increase in Net Position	1,973,484
Net position - beginning of the year	6,475,281
Prior period adjustment	(358,161)
Net position - ending of the year	$ 8,090,604

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

DEL PUERTO WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 28, 2019

	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 18,044,195
Cash payments to goods and services	(15,250,393)
Cash paid to employees and related benefits	(360,044)
Other operating income/expenses	(221,409)
NET CASH PROVIDED BY OPERATING ACTIVITIES:	2,212,348
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
ADLP activities, net	(151)
Principal payments on ADLP note	(428,322)
NET CASH PROVIDED BY NON- CAPITAL FINANCING ACTIVITIES	(428,473)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Net investments in direct financing leases	195,681
Additions to capital assets, net	(42,818)
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	152,863
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net change in restricted assets	349,997
Net change in investments	(956,102)
Interest income	60,955
Unrealized gains or losses on investments	16,882
NET CASH PROVIDED BY INVESTING ACTIVITIES	(528,268)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,408,470
Cash and cash equivalents, beginning of the year	1,243,153
Cash and cash equivalents, end of the year	$ 2,651,623
Reconciliation of Operating Income to	
Net Cash Provided by Operating Activities:	
Operating income	$ 2,117,207
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
Depreciation and amortization	54,154
Accounts receivable	3,090,389
Deposits	21,695
Prepaid water	2,163,190
Prepaid expenses	(9,949)
Accounts payable	(3,475,286)
Accrued liabilities	(12,394)
Customer prepaid water tolls	(1,321,873)
Compensated absences payable	9,857
Change in OPEB and pension assets & liabilities	(146,867)
Deferred revenue	(277,774)
Net cash provided by operating activities	$ 2,212,348

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

DEL PUERTO WATER DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUND - NVRRWP - RWSP
FEBRUARY 28, 2019

ASSETS		
Cash and cash equivalents	$	1,346,921
Investments		24,206,516
Total assets	$	25,553,437
LIABILITIES & NET POSITION		
Funds held for future use	$	25,553,437

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

DEL PUERTO WATER DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUND - SWPP
FEBRUARY 28, 2019

ASSETS		
Cash and cash equivalents	$	10,427
Program receivable		34,999
Investments		101,130
Total assets	$	146,556
LIABILITIES & NET POSITION		
Reserved for current program expenditures	$	146,556

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District complies with *Generally Accepted Accounting Standards* (GAAP). The District's reporting entity applies all relevant *Government Accounting Standards Board* (GASB) pronouncements. The District applies *Financial Accounting Standards Board* (FASB) pronouncements and *Accounting Principles Board* (APB) opinions issued on or before November 30, 1998, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Financial Reporting Entity – GASB Statement No. 14 establishes criteria for determining which organizations should be included in a governmental reporting entity. The focal point for preparing financial statements of a financial reporting entity is the *primary government.* The identification of a financial reporting entity is built around the concept of financial accountability. That is, if a primary government is financially accountable for another entity, that entity's financial statements must be included in the financial statements of the reporting entity. Thus, the *financial reporting entity* consists of the *primary government* and its *component units.*

Primary government is defined as a state, general purpose local or special purpose local government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments.

Component units are defined as legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on these criteria and definitions, the district is the primary government and there are no potential component units which should be included in the financial reporting of the District as required by GASB Statement No. 14.

Basis of Presentation – Fund Accounting – The operations of the District are accounted for in the fund types described below:

Proprietary Fund Type – Proprietary funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a Proprietary Fund's activities are included on its statement of net position. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total position. The District has one Proprietary Fund type, namely the Enterprise Fund. The Enterprise Fund is used for activities that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Fund Type – Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The District has two Fiduciary Fund types, the Supplemental Water Purchase Program (SWPP) Agency Fund and the North Valley Regional Recycled Water Program-Refuge Water Supply Program (NVRRWP-RWSP) Agency Fund. Both Funds are custodial in nature and does not involve the measurement of results of operations.

Basis of Accounting and Measurement Focus – The basis of accounting determines when transactions and economic events are reflected in financial statements, and measurement focus identifies which transactions and events should be recorded.

Proprietary fund types are accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recorded when they are earned, including unbilled services which are accrued. Expenses are recorded at the time liabilities are incurred.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements and the State Controller's Minimum Audit Requirements for California Special Districts. The District has elected not to apply FASB statements and interpretations issued subsequent to November 30, 1989

Use of Estimates – The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Accounts Receivable – The District's management considers all accounts receivable from water users and others to be fully collectible. Accordingly, no allowance for doubtful accounts has been recorded in these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment – All property, plant and equipment assets are recorded at historical cost. Depreciation is charged as an expense against operations, and accumulated depreciation is reported on the District's statement of net assets. Depreciation is calculated on the straight-line method over the useful lives of the assets. The useful lives for each major class of depreciable fixed assets are as follows:

Office furniture	5-7 years
Tools and equipment	5 years
Vehicles	5 years
Landscaping	15 years
Meters	40 years
Buildings	40 years

Investments – All investments are held with LPL Financial. Fair values were obtained directly from LPL Financial. In accordance with GASB Statement No. 31, the change in the fair value of investments is recorded in the statement of revenues, expenses and changes in net assets.

Deferred Inflows and Outflows of Resources - The District has adopted the provisions of GASB Statement No. 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* GASB 63 provides financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. It also identifies net position as the residual of all other elements presented in a statement of financial position, or the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. As implied above, GASB 63 changes the previous classification of net assets to net position, and consequently, the statement of net assets to the statement of net position.

Direct Financing Leases – The District leases certain irrigation equipment to various water users under terms which are accounted for as "direct financing leases" as defined in *Statement of Financial Accounting Standard No. 13.* The difference between the gross lease revenue to be received and the present value of the lease rentals is recorded as unearned financing income and is amortized into income over the term of the lease using the effective interest rate method. The present value of the leases to be received is recorded as "Net Investment in Direct Financing Leases" on the District's Statement of Net Position.

Compensated Absences – The District has a vacation policy which allows employees to accrue vacation leave up to 480 hours with specific approval by management. Upon separation from employment, employees will be paid their accrued vacation at the current rate of pay. The District has a medical leave policy which allows employees to accrue

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

medical leave up to a maximum of 240 hours. Upon separation from employment, the District has no obligation to compensate an employee for unused medical leave, however employees may convert unused accumulated sick leave (up to one year) to additional service credit when separation occurs as the result of a CalPERS eligible retirement. At February 28, 2019, the District's compensated absences payable was $69,262.

Implementation of New Accounting Principles - The following Governmental Accounting Standards Board (GASB) Statements were implemented during the February 28, 2019 fiscal year:

During the fiscal year ended February 28, 2019, the District adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement requires the Agency recognize in its financial statements the total OPEB liability for the health benefits provided to retirees, less the amounts held in an irrevocable trust account.

NOTE 2: CASH AND CASH EQUIVALENTS

Applicable state statutes authorize the District to invest in obligations of the U.S. Treasury agencies, certificates of deposit, banker's acceptances, local and municipal bonds, repurchase agreements, insured money market accounts and commercial paper.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal policy regarding interest rate risk.

Custodial Credit Risk

Custodial credit risk is the risk that the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy regarding custodial credit risk. 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. With respect to investments, custodial

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or investment pools such as LAIF.

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. The District does not have a formal policy regarding credit risk. LAIF does not receive a rating from a nationally recognized statistical rating organization.

Concentration of Credit Risk

The District has limitations on the amount that can be invested in any one issue beyond that stipulated by the California Government Code.

The FDIC insured the bank balances up to $250,000 for each bank, except for non-interest bearing transaction accounts at institutions participating in FDIC's Temporary Liquidity Guarantee Program, which are provided with unlimited deposit guarantee.

Cash consists of two checking accounts, one savings account, a money market account and primary certificates of deposit. When excess funds build up in the interest-bearing checking account, they are transferred to either the money market account or the savings account to earn a higher interest rate. Funds are transferred to and from the checking account without penalty. The District holds its checking accounts and savings account in Patterson, California with a federally insured bank. The District and the bank have contracted for insurance in excess of the FDIC limit of $250,000. The contract insures deposits of the District to $5,000,000. According to the contract, the bank maintains eligible securities with market values of at least 10% in excess of the actual total amount of local agency monies on deposit with the bank. The District monitors this contract as necessary.

The money market account and the certificates of deposit are held with LPL Financial and are classified as investments. LPL Financial is an investment company that is a member of the New York Stock Exchange, Inc. and the Securities Investor Protection Corporation. The certificates of deposit are insured up to an aggregate maximum amount of $250,000 per certificate. All short-term investments with an original maturity of three months or less are considered to be cash equivalents. State statutes require that all deposits in financial institutions be fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of California or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The District’s deposits were fully insured or collateralized as required by the state statutes at February 28, 2019.

NOTE 3: ACCOUNTS RECEIVABLE

The District invoices its ratepayers for an annual per-acre Water Availability Charge (WAC) and the annual West Side San Joaquin River Watershed Coalition Fee on March 1 of each year. These charges become delinquent on March 31. Delinquent charges are subject to lien under water code section 36729, as well as any other remedies available to the District for collection of delinquencies, including but not limited to those enforced in accordance with Chapters 4, 5 and 6 of Part 7 of Division 13 of California Water Code.

The District further requires those customers electing annual water service to deposit a Water Cost Prepayment (WCP) in an amount equal to 25% of the total cost of CVP contract water available to that customer for the given year, with said deposit being applicable to water charges after the first 75% of the supply is both used and paid for. When an account is established by virtue of the WCP, water is allocated to the account on an equal-per-share irrigable acre basis based on the current years' CVP available supply, with subsequent actual water use being billed on a monthly basis.

Beginning in 2018, as part of the implementation of the North Valley Regional Recycled Water Program (NVRRWP), the District began pre-acre assessments to collect the costs of water supply made available by the Program. These assessments were billed one-half on January 1 and one-half on June 1, 2018 for the 2018-2109 allocation of 3.1 inches per acre at an estimated rate of $225/acre. Similar to WAC, these charges are supported by a Proposition 218 vote of the landowners and are an obligation of all District irrigable acreage.

Unless specified differently under special program guidelines, all charges are due by the last day of the month following invoicing to avoid interruption in service. In addition to water customer accounts receivable, the District also processes invoicing for miscellaneous items/services. As of February 28, 2019, the District had $76,674 in water accounts receivable, $214,930 in Agricultural Drain Loan Program receivables, and $1,112,907 in miscellaneous accounts receivable.

NOTE 4: NET INVESTMENT IN DIRECT FINANCING LEASES

The District makes available low-interest loans to its landowners with funding accessed through the State Water Resources Control Board's (SWRCB) Agricultural Drain Loan Program (ADLP). This funding allows for on-farm irrigation system improvements to be financed and repaid over periods of up to ten years under specific lease terms. Such loans are collateralized by recordings upon the real property on which the systems are installed. To date the ADLP Program has issued 52 loans in the form of non-cancellable direct financing leases.

NOTE 4: NET INVESTMENT IN DIRECT FINANCING LEASES (CONTINUED)

Investment in direct financing leases consisted of the following at February 28, 2019:

	Amount
Total net investments in Direct Financing Leases	$ 222,359
Less unearned financing income	(7,427)
Net investment in Direct Financing Leases	214,932
Less estimated current portion	(106,236)
Long-term portion	$ 108,696

Minimum future rents receivable under non-cancelable direct financing leases are as follows:

Years Ending June 30:	Principal	Interest	Total
2020	$ 106,236	$ 4,943	$ 111,179
2021	108,696	2,484	111,180
Total	$ 214,932	$ 7,427	$ 222,359

NOTE 5: PREPAID WATER, USBR & SAN LUIS & DELTA – MENDOTA WATER AUTHORITY

As a requirement of its long-term water service contract, the District prepays the United States Bureau of Reclamation (USBR) two months in advance for its scheduled CVP water use at the estimated rates published for the applicable water year. At the same time that this payment is made, the District also reconciles the actual CVP water use for the prior month to the prepayment previously paid for that month and adjusts the current payment accordingly.

As a requirement of its multi-year Warren Act contracts, the district prepays the USBR two months in advance for any non-project supplies scheduled to be conveyed and/or stored in the federal facilities. This prepayment is reconciled to actual deliveries as the schedule is updated throughout the water year. Prepayments are categorized as either Prepaid Water – USBR or Prepaid Water – Other, depending on the source supply being transacted under each Warren Act Contract.

The District also prepays Delta-Mendota Canal O&M costs to the San Luis & Delta-Mendota Water Authority (SLDMWA) one month in advance for its scheduled water deliveries at estimated rates set by the Water Authority Board for the applicable water year. At the same time that this payment is made, the District reconciles the actual water

NOTE 6: PREPAID WATER, OTHER SOURCES (CONTINUED)

use for the prior month to the prepayment previously paid for that month and adjusts the current payment accordingly.

As of February 28, 2019, the District had prepaid water costs to the USBR and SLDMWA totaling $211,028.

Due to contractually imposed shortages on its water supply, the District seeks to develop an annual Additional Supplies Pool (the "Pool") for each water year, which is created by the pooling of other sources of water through various transfer, banking and exchange agreements. Early in the water year an estimate of the total available Pool is made, and a per-acre-foot price designed to recover all costs of development of the pool is set by the Board. The costs of this Annual Additional Supplies Pool are recorded as Prepaid Water-Other Sources. Sales from the Annual Additional Supplies Pool are recorded as Deferred Revenue.

The Pool is closed and reconciled at year-end, or as soon as possible after the Rescheduling period, if any Pool supplies are rescheduled by the District. Normally, any resultant income from the Annual Additional Supplies Pool is either rebated to customers who purchased rebate-eligible additional supplies in that year, or set aside to be used in the development of the next year's Pool. Any resultant losses would be offset by prior or forecasted Pool profits or melded into costs of the next year's Pool. At the closing of the 2016-17 Annual Additional Supplies Pool, the board authorized elected to use $5,529,930 in net Pool revenue expected for 2017-18 to offset Pool losses of $4,531,726 from 2016-17. In 2017-18, however, expected Pool revenues did not materialize due to a 100% CVP allocation and a request by San Luis Water District (SLWD) to defer a planned sale. Also, during 2017-18, charges associated with multi-year additional supply purchase contracts added another $295,795 to the prepaid costs/pool loss balance.

In late 2017, the District executed a revised term sheet with SLWD and collected an additional $2,750,000 to add to the $1,000,000 deposit previously on file to be used against a renegotiated sale for 2018-2020 totaling $7,500,000. Based on this commitment, the Board approved the continued deferral of $4,827,521 in pool costs to be offset against the planned future revenues. During the 2018-19 Water Year, the District realized $2,500,000 from the multi-year sale which was used to cover $2,336,846 in prior year pool costs, leaving $2,490,675 in costs remaining to be offset by the remaining $5,000,000 in revenue. Additionally, the District had $56,100 in prepaid NVRRWP supply Costs, $3,720 in prepaid 2019 pool costs and $429,310 in costs associated with the future return of 1,100 AF of stored supply, for a total invested in prepaid water from other sources of $2,979,805 at February 28, 2019.

NOTE 7: PREPAID EXPENSES

DMC/California Aqueduct lntertie

On July 20, 2005, the District finalized execution of a Contributed Funds Agreement with the Bureau of Reclamation, which committed its fair share of the funding necessary to construct a physical connection between the federally owned Delta-Mendota Canal and the State-owned California Aqueduct. In exchange for its contribution of funds, the District was to receive a commensurate reduction in its total capital repayment obligation once construction is completed and the facility becomes operational. It was estimated that operation of the Intertie would produce an average additional yield of 2,583 acre-feet, or a 2% increase in the District's annual allocation over time. The District financed its portion of the Intertie construction costs by way of a tax-exempt loan offered by the Bank of the West in the amount of $1,793,575 over a period of fifteen years at a fixed rate of 4.25%. In early 2011, the Bureau of Reclamation identified alternate potential funding sources for the Intertie, which then had the necessary approvals for proceeding with construction. In August 2011, the district received a refund of a portion of its Contributed Funds, which was used to retire the Bank of the West obligation. The small remaining portion of the District's initial contributed funds which had already been spent by the BOR remained to be credited against the District's capital obligation once the project was put into service, which occurred in the Bureau's fiscal year 2014. After recognizing the WY 2017 portion amortized over a 50-year repayment period, prepaid intertie construction costs, as of February 28, 2019, totaled $111,943.

Other

The District prepays certain expenses for future operations, including such items as property & liability insurance, maintenance contracts on office equipment and the facility, certain association dues and subscriptions, as well as its annual obligation to the USBR for the Trinity Public Utility District Assessment. Expenses are then recorded in the appropriate month of service. As of February 28, 2019, the District had $61,585 in other prepaid expenses.

NOTE 8: RESTRICTED ASSETS

Restricted assets consisted of the following at February 28, 2019:

	Designated	Restricted	Total
Cash	$ 23,345	$ 74,928	$ 98,273
Receivables	-	214,930	214,930
Investments	1,835,829	595,251	2,431,080
Total	$ 1,859,174	$ 885,109	$ 2,744,283

NOTE 8: RESTRICTED ASSETS (CONTINUED)

Designated

Rate Stabilization – United States Bureau of Reclamation and San Luis & Delta-Mendota Water Authority (SLDMWA) rates fluctuate due to the fact that initial rates are set based on estimated budget expenditures and system-wide water deliveries. Final rates are not reconciled by agencies until 12 to 18 months after the water year, has ended. The District attempts to stabilize its rates through use of rate contingency collections in some water years and rate subsidies in others, based on initial estimates provided by the agencies. As of February 28, 2019, contingency collections and agency final accounting refunds in the amount of $761,456 have been designated for use in maintaining stable District water rates.

Capital Repayment – Under current Bureau rate setting policy, each CVP contractors' obligation for repaying the capital costs of constructing the CVP is collected as a component of that contractor's published annual estimated water rates based on historical plus projected future deliveries through year 2030. Shortages incurred since the passage of CVPIA in the early '90's and predicted to continue for the foreseeable future mean less delivery base across which to spread the capital obligation, leading to predicted higher rates as year 2030 nears. In Fiscal Year 2012-13, the Board authorized the collection of a rate component on all water deliveries which would set based on the forecasted deliveries during each water year and designed to collect the "shortfall" inherent in the USBR's capital collections. Staff continues to monitor this situation closely and is taking all actions necessary to ensure that the District meets its published capital obligation while continuing its practice of avoiding drastic changes in the rates paid by its customers from one year to the next. As of February 28, 2019, the District's assets included $1,102,699 in cash and investments designated for additional Capital Repayment.

Restricted

State of California, ADLP – On November 1, 2005, the State of California Water Resources Control Board authorized issuance of a $5 million Agricultural Drainage Loan Program (ADLP) loan to the District for purchasing and installing irrigation system improvements to be leased by certain water users. The leases are accounted for as direct financing leases and are payable over varying periods from 4 to 10 years. The District's corresponding liability to the State of California is due and payable over 15 years. As of February 28, 2019, lease and interest payments and cash totaling $670,180 is currently held by the District and is to be combined with the related rents receivable of $214,930 to be used for the District's scheduled future payments to the State.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and related accumulated depreciation consisted of the following at February 28, 2019:

	Balance 2/28/2018	Additions	Deletions	Balance 2/28/2019
Land	$ 35,409	$ -	$ -	$ 35,409
Buildings and improvements	754,673	-	-	754,673
Meters	249,050	-	-	249,050
Office equipment	140,142	1,424	-	141,566
Equipment	83,899	-	-	83,899
Vehicles	92,481	41,395	(24,438)	109,438
Total Historical Cost	1,355,654	42,819	(24,438)	1,374,035
Accumulated depreciation	(659,409)	(54,170)	24,454	(689,125)
	$ 696,245	$ (11,351)	$ 16	$ 684,910

Depreciation expense for the year ended February 28, 2019 was $54,170.

NOTE 10: CUSTOMER PREPAID WATER TOLLS AND DEFERRED REVENUE

The District receives advance payment from customers who have elected to receive their current year water allotment, equivalent to 25% of the cost of their water allotment at the beginning of the year, which is applied toward the last 25% of their water use once the first 75% is both used and paid for. Customer Prepaid Water Tolls represent instances where, at the end of the water year, a customer has not utilized their full allocated water supply. As of February 28, 2019, customer prepaid water tolls totaled $1,776,795.

The District also receives advance payment for all annual additional supplies purchased by customers during the water year, as well as for all non-project supplies conveyed into the DMC from private landowner wells, or other various sources. In January 2017, the District also collected advance payment for one half of the estimated cost of NVRRWP supplies to be acquired beginning in 2018. Each of these supply types are recorded as Deferred Revenue until delivered. As of February 28, 2019, Deferred Revenue related to other sources of purchased supply totaled $4,687,471.

The District also records unearned interest on investments, as applicable, as part of its deferred revenue. As of February 28, 2019, Deferred Revenue related to unearned investment interest totaled $15,695.

NOTE 11: LONG TERM DEBT

Notes payable consist of the following:

	Balance 2/28/2018	Additions	Deletions	Balance 2/28/2019
Agricultural Drainage Loan Program, payable to the State of California in annual installments through 2020, incuding interest at 2.3%, collateralized by lease payments on the irrigation equipment from water users.	$ 1,314,747		$ (428,322)	$ 886,425
Total Long-Term Debt	$ 1,314,747	$ -	$ (428,322)	886,425
Less current portion				(438,174)
				$ 448,251

Maturities of long-term debt for the next five years and thereafter, given current conditions, is as follows:

Year Ending	Amount
2020	$ 438,174
2021	448,251
Thereafter	-
Total	$ 886,425

NOTE 12: PENSION PLAN

Plan Description

The District contributes to the California Public Employees' Retirement Systems (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities with the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance.

NOTE 12: PENSION PLAN (CONTINUED)

Funding Policy

Benefits from the plan are for both salaried and hourly-rated employees who meet certain eligibility requirements, and calls for these benefits to be paid to eligible employees at retirement based on age, years of service and compensation rates for the highest earnings year during employment. CalPERS retirement laws changed effective January 1, 2013 creating two classes of benefit groups: classic members and PEPRA members. The District contributes its share of the pension costs as determined annually by the plan's actuary, which as of July 1, 2017 was 8.88% of gross earnings plus $2,529 per month for classic members, and 6.555% plus $2.08 per month for PEPRA members. These percentages increased to 9.409% and 6.842%, respectively, on 7/1/2018. Employees contribute an additional 7% and 6.25% of gross earnings, respectively, for classic and PEPRA members.

Employees covered by benefit terms: There are currently 5 active participants in the plan, and 2 participants receiving benefits.

Contributions: The contribution for the period ending February 28, 2019 was $72,247.

At February 28, 2019, the District reported a liability of $584,119 in the Statement of Net Position for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion 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 Pension Plan participants, which was actuarially determined. For the fiscal year ended February 28, 2019, the District recognized pension expense of $37,258 to reflect the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

Actuarial assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

- Discount Rate/Rate of Return – 7%, net of investment expense
- Inflation Rate – 2.625%
- Salary increases – Varies by Entry Age and Service - up to 3%
- COLA Increases – up to 2.75%
- Post-Retirement Mortality – Derived using CalPERS' Membership Data for all Funds

NOTE 12: PENSION PLAN (CONTINUED)

Actuarial assumptions (continued)

The long-term expected rate of return on pension plan investments (7.5%) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (Expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Rate of Return
Global Equity	50.0%	4.80%
Fixed Income	28.0%	1.00%
Inflation Sensitive	0%	.77%
Private Equity	8.0%	6.30%
Real Estate	13.0%	3.75%
Liquidity	1.0%	0.00%

The discount rate used to measure the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund's fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investments, and was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents 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 (6%) or 1 percentage point higher (8%) than the current rate:

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension plan liability	$ 956,555	$ 584,119	$ 276,679

NOTE 12: PENSION PLAN (CONTINUED)

Detailed information about the pension fund's fiduciary net position is available in the separately issued CALPERS comprehensive annual financial report, which may be obtained by contacting PERS.

NOTE 13: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, the District recognized deferred outflows of resources in the government-wide and proprietary fund statements. These items are a consumption of net position by the District that is applicable to a future reporting period.

The District has one item that is reportable on the Government-Wide Statement of Net Position as Deferred Outflows of Resources, which is related to pensions that are the PERS premiums for the 2019 fiscal year, which will be recognized in a subsequent reporting period. The total for this is $25,259. These were the employer contributions subsequent to the measurement date of June 30, 2018.

The District is also reporting deferred outflows of resources relating to differences between projected and actual investment earnings, change in employer proportions, and differences between the employer's contributions and their proportionate share of contributions. The total of these amounts at year-end were $119,038 and they will be amortized over a 3.8 year period.

The District also recognized deferred inflows of resources in the Government-Wide Financial Statements. These are related to differences between expected and actual experience, changes of assumptions, and differences between employer's contributions and the District's proportionate share of contributions. This amount totals $91,098 and will be amortized over a 3.8 year period.

Under the modified accrual basis of accounting, it is not enough that revenue is earned; it must also be available to finance expenditures of the current period. Governmental funds will therefore include deferred inflows of resources for amounts that have been earned but are not available to finance expenditures in the current period. The following graph represents the deferred inflows and outflows by category:

NOTE 13: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	$ 66,592	$ 16,320
Differences in expected and actual experience	22,412	7,628
Differences in projected and actual return on plan assets	2,886	-
Adjustment due to changes in proportions	27,148	-
Adjustment due to differences between actual and proportionate share of contributions	-	67,150
Deferred contributions	25,259	-
Totals	$ 144,297	$ 91,098

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending February 28,	
2020	$ 41,552
2021	16,187
2022	(24,546)
2023	(5,253)
Totals	$ 27,940

NOTE 12: ECONOMIC DEPENDENCIES

The District was organized to contract for and administer delivery of water supplies to landowners within the geographical boundaries of the District. Therefore, the District's existence relies exclusively on the continuing need for water supplies by landowners within the District, and the District's ability to procure and provide such supplies. Because various regulatory and judicial proceedings may impact the guarantees of water available to the District in the future, management believes that the impact of severe or chronic water shortages could have a material, financial or operating effect on the District.

NOTE 13: RELATED PARTY TRANSACTIONS

Included in the Net Investment in Direct Financing Leases are receivables from board members who are also landowners, as well as one receivable from a landowner in which the General Manager has an ownership interest. As with similar loans, these loans are fully secured by liens against the landowner's property. As of February 28, 2019, the principal balance of these loans totaled $45,578.

NOTE 14: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to pension benefits, the District also provides post-retirement health care insurance(s) (medical/dental/vision) to eligible retirees.

Access to Coverage

Medical coverage is currently provided through CalPERS as permitted under the Public Employee's Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under CalPERS: either (a) attainment of age 50 (age 52, if a miscellaneous employee under new to PERS on or after January 1, 2013) with 5 years of State or public agency service or (b) an approved disability retirement. The employee must begin his or her pension benefit within 120 days of terminating employment with the District to be eligible to continue medical coverage through the District and be entitled to the employer subsidy described below, excepting employees covered by the PEMHCA Vesting Resolution who work at least 20 years for the District, who are not subject to this requirement.

Once eligible, a retiree or survivor may enroll within 60 days of retirement or during any future open enrollment period. Coverage may be continued at the retiree's option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage.

Benefits provided

Under the CalPERS medical program, the District must contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. The District currently maintains two PEMHCA resolutions defining the District's contribution toward retiree medical plan premiums. The resolutions apply based on an employee's hire date as follows:

- *Employees hired before February 1, 2015:* The District contributes 100% of the medical premium for employees and retirees and 75% of the premium for any covered dependents. The surviving spouse of a deceased retiree will receive 100% of the medical premium.

- *Employees hired after February 1, 2015:* Those who retire from the District meeting the eligibility requirements described above under "Access to Coverage", but with less than 5 years of District service and less than 10 years of PERS service may continue the medical coverage at their own expense.

Subsidy for the 100/90 Formula		
Retiree	Retiree + 1	Retiree + 2
$725.00	$1,377.00	$1,766.00

NOTE 14: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Note: The “100/90 formula” provides that the District pay up to a maximum of 100% of the weighted average of the health benefits plan premium for retirees and 90% of the weighted average of additional premiums required for the enrollment of eligible dependents.

The Vesting percentage applied to the “100/90 formula” caps for service retirements are shown in the chart below:

Years of Qualifying Service	Vested Percent	Years of Qualifying Service	Vested Percent
Less than 10	0%	15	75%
10	50%	16	80%
11	55%	17	85%
12	60%	18	90%
13	65%	19	95%
14	70%	20 or more	100%

Note that for employees who qualify for a disability retirement, the vesting percentage does not apply in determining the amount of the benefit payable and that CalPERS applies the vesting percent to the 100/90 formula caps and not the retiree’s actual premium, if less. Thus, for example, a retiree with 15 years of CalPERS membership (including 5 with the District) could receive more than 75% of his or her premium paid; after the retiree is covered by Medicare, this could increase to 100% of the premium, depending on the medical plan selected.

Dental and vision insurance is also provided for qualifying retirees, as follows:

- *Employees hired before February 1, 2015:* The District contributes 100% of the dental and vision premium for the retiree and 75% of the premium for any covered dependents.

- *Employees hired on or after February 1, 2015:* Those who retire from the with at least 10 year of service are eligible for (a) 100% of the dental and vision premium for the retiree and 75% of the premium for any covered dependents, multiplied by (b) the vested percent, determined from the table shown above.

Dental and vision coverage ends upon the retiree’s death.

NOTE 14: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Funding Policy

While the District's Board of Directors may amend its OPEB Funding Policy, it has thus far opted to contribute 100% or more of the Actuarily Determined Contributions (ADC) each year. The ADC represents a level of funding that if paid on an ongoing basis, is projected to cover normal costs each ear and amortize any unfunded actuarial liabilities (or funding excess) over an open 30-year period. Contributions made to California Employees Retirement Benefit Trust (CERBT) for the fiscal year ended February 28, 2019 totaled $29,104.

Total OPEB liability

The District's total OPEB liability was measured as of February 28, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

Actuarial valuations of an ongoing employee benefit plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events over the plan lifetime. Examples include assumptions about future employment, mortality and the health cost trend. Amounts determined regarding the funded results are compare with past expectations and new estimates are made in the future. The actuarial 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 February 28, 2018 actuarial valuation used the Entry Age Normal Cost Method. Under this method, the projected benefits of each individual included in the valuation is allocated on a level percent-of-pay over the earning or service of the individual between entry age and assumed exit age(s). The portion of the Actuarial Percent Value allocated to a valuation year is called the Normal Cost; the portion allocated to all prior years is the Actuarial Accrued Liability. The Entry Age Normal Cost Method is the only method permitted for financial reporting purposes under GASB 75.

The total OPEB liability in the February 28, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.25%
Medical cost trend	5-7.5% increases
Discount rate	6.73%

NOTE 14: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Demographic actuarial assumptions were those in the June 30, 2016 valuation of the retirement plans covering the District's employees (classic & PEPRA) which are based on the CalPERS 2014 experience study using data from 1997 to 2011, with the exception of Mortality Improvement, which were those published by the 2014 study as adjusted to back out 20 years of Scale BB to Central Year 2008 (results in shorter retiree life expectancy).

Sensitivity of the District's 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 a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 5.73%	Discount Rate 6.73%	1% Increase 7.73%
District's share of the Net OPEB liability	$ (100,294)	$ (167,795)	$ (223,087)

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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 a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease	Current Trend Rate	1% Increase
District's share of the net OPEB liability	$ (231,440)	$ (167,795)	$ (87,720)

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

For the year ended February 28, 2019, the District recognized OPEB expense of $22,537. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss and actuarial assumptions.

NOTE 16: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

At February 28, 2019 the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	$ 35,400	$ -
Differences between expected and actual experience	-	27,342
Differences in projected and actual return on plan assets	-	7,252
Deferred contributions	38,465	
Totals	$ 73,865	$ 34,594

The deferred contributions will be recognized in the subsequent measurement period (February 28, 2019). The remainder of the amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending February 28,	
2020	$ (748)
2021	(748)
2022	(748)
2023	(748)
2024	1,065
Thereafter	2,733
Totals	$ 806

NOTE 17: COMMITMENTS AND CONTINGENCIES

Insurance Coverage and 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. The District is covered under commercial insurance policies for workers' compensation, automobile, general liability and other business-related coverage. Expenditures and claims in excess of the District's deductible for related insurance coverage are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. The District is unaware of any actual or potential claims that would materially affect its financial condition. Therefore, no provision has been recorded.

NOTE 17: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Water Right Fees — For the past 10 years, the District has been billed by the State Board of Equalization for a water rights fee assessed by the State Water Resources Control Board based on water right permits or licenses held by the United States Bureau of Reclamation. This fee was imposed substantially due to a shortfall in the Budget for the State of California. Depending on the State's budget in future years, this fee may continue to be assessed. The amount of the fee assessment for the year ended February 28, 2019 totaled $127,279. Currently, the District is a party to litigation regarding this assessment, as a member of the Central Valley Project Water Association (CVPWA). While initial court rulings deemed the fees valid as imposed by the SWRCB, on appeal the upper courts ordered the issue of equity in the states' assessments among water rights permit holders be remanded back to the lower courts for re-determination. An unfavorable outcome resulted in a request for the case to be considered by the US Supreme Court, which was ultimately denied, meaning all legal remedies to the imposition of this fee have been exhausted. The CVPWA together with the Northern California Water Association coordinated all efforts associated with the litigation and bills the District for its pro-rata share of litigation costs, which for 2018-19 were $4,219.

NOTE 18: SUPPLEMENTAL WATER PURCHASE PROGRAM

During 2003, the District completed the Supplemental Water Purchase Program (“SWPP” or the “Program”). The cost of this $2,192,080 Program was financed through the issuance of 25-year Certificates of Participation generating $2,535,000, including costs of issuance and a reserve fund deposit requirement for the one-time purchase of 4,136 acre-feet of annual water entitlement from certain property owners within the District who agreed to permanently remove their land from service. This entitlement was used to increase the allocation to certain parcels of land within the District in exchange for participant landowners annually paying the costs of the Program. The District, which offered all landowners in the District the opportunity to participate in the Program, eventually entered into Water Supply Contracts with 21 interested property owners.

Pursuant to these Water Supply Contracts, Program participants agreed to pay capital charges calculated to repay the principal and associated interest costs of the Program along with any other charges allocated to them pro-rata to their share of Program participation. The District, pursuant to the terms of an installment purchase contract, pledged these capital charges as security for the installment payments of principal and interest on bond certificates, which were payable October 1 and April 1 of each year, beginning October 1, 2003.

To provide funds for the installment payments in the event of a delinquent payment of capital charges, the District established a reserve fund from the proceeds of the certificates of participation and a pledged fund from a one- time deposit from the participants. The reserve fund is maintained at the lesser of (1) 10% of the original principal amount of principal payments due under the installment purchase contract, (2) an amount equal to the maximum annual installment payment payable in a certificate year by the District between

NOTE 18: SUPPLEMENTAL WATER PURCHASE PROGRAM (CONTINUED)

such dates of calculation and the expiration of the installment purchase contract, or (3) 125% of the average annual installment payment, including interest thereon, payable in a certificate year by the District. Further, California Water Code provides that the recorded water supply contracts constitute a priority lien against the benefiting parcels.

In early 2012, favorable market conditions led district staff to explore refunding of the SWPP bonds in favor of a better financing option, and on October 1, 2012, the District completed an issuance of 2012 Certificates of Participation in the amount of $1,655,000 at 4.25% interest. All Certificates were purchased by a single beneficiary, Rabobank, N.A. Similar to the original series 2003A bonds, the District pledged capital charges to be paid by program participants as security for the installment payments, and elected to retain the balance of the original pledged fund, less refunds to program participants electing payoff of their obligation as part of the transaction, as security for the installment payments in the event of a participant delinquency. The 2012 transaction resulted in an opportunity for participants to prepay their original obligations, of which three elected to do, reducing the total required funding by $124,457. In addition, the transaction resulted in a one-year reduction in the repayment period, and interest rate savings estimated to be approximately $245,000 over the remaining life of the issue. The obligation on the refunded bonds will be fully repaid by April 2028.

The District accounts for this program as a fiduciary fund type, specifically as an agency fund. As of February 28, 2019, the District had $146,556 included in cash, receivables and investments, and an accrued liability of $146,556 relating to the Program.

NOTE 19: NVRRWP-RWSP FUND

On August 12, 2016, the District executed a long-term agreement with the United States Bureau of Reclamation for the exchange and purchase of North Valley Regional Recycled Water Program Water, which expires on February 28, 2060. Per the agreement, supplies made available annually by the District at the NVRRWP discharge structure on the Delta-Mendota Canal will be provided to the Refuge Water Supplemental Program ("RWSP") program in the form of either direct purchase (20% of the total) or exchange (80% of the total) back to the District, under specified terms and conditions. Pursuant to Article 4e of the agreement, $10,000,000 dollars was received in September 2016 by the District from the RWSP for the purchase of program water supplies, an additional $12,300,000 dollars was received in June 2017, and a final $2,700,000 in October 2017, for a total prepayment of $25,000,000. The District accounts for this transaction as a fiduciary fund type, specifically as a second agency fund. As of February 28, 2019, the District held $25,553,437 included in cash and investments, and a corresponding liability for the same amount for fund expenditures.

NOTE 20: USBR CAPITAL REPAYMENT

Under Bureau of Reclamation rate-setting policies, cost of service water rates are established for each contractor to recover reimbursable O&M costs as well as the capital costs of the Central Valley Project (CVP). The policies require that each contractor fully repay their allocated share of the capital costs of the CVP by year 2030. Although the District is obligated to make repayments towards capital, there is no corresponding asset or liability recognized within these financial statements because the District will not hold title to any portion of the CVP facilities when its share of the obligation is paid.

Further, the District's share of total CVP capital is not fixed because it is based on historical and projected deliveries for the period 1981 through 2030 which update annually, and because until the project is deemed complete, new additions can be made by the Bureau to the total capital balance. As of February 28, 2019, the District's share of this obligation is $16,546,588.

The District also has an obligation to repay its share of the construction costs of the DMC-Aqueduct Intertie, which was put into its assigned CVP Water rates as a separate component in USBR FY 2014. Similar to other CVP assets, the District's obligation to make payments for the Intertie is not recognized as a liability within these financial statements because the District will not hold title to the facility when its share of the obligation is repaid. As of February 28, 2019, the District's share of unpaid Intertie construction costs totaled $1,588,962.

NOTE 21: FAIR VALUE OF ASSETS AND LIABILITIES

The District complies with Accounting Standards Codification (ASC) No. 820, *Fair Value Measurements.* ASC 820 fair value establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value, Level 1 is defined below as:

Level 1: Quoted prices in active markets for identical assets or liabilities.

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the District's balance sheets, as well as the classification pursuant to the valuation hierarchy.

Financial Instruments: Where quoted market prices are available in an active market, investments are classified within Leven of the valuation hierarchy. Level 1 instruments include a variety of financial instruments as listed below. There are no Level 2 or Level 3 types within the balance sheet of the District. The following table summarizes the financial instruments measured at fair value on a recurring basis in accordance with ASC 820 as of February 28, 2019:

NOTE 21: FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

	Fair Value	Level 1
Money market securities	$ 1,513,833	$ 1,513,833
Totals of financial instruments	$ 1,513,833	$ 1,513,833

NOTE 22: SUBSEQUENT EVENTS

Events have been reviewed through November 30, 2019, the date the financial statements were available for issuance.

DEL PUERTO WATER DISTRICT

Required Supplementary Information
Schedule of Contributions to the OPEB Plan
February 28, 2019

		2019
Service cost	$	32,526
Interest		29,671
Differences between expected and actual experience		(30,959)
Changes of assumptions		40,082
Net investment income		(48,504)
Employer contributions		(26,428)
Administrative expenses		527
Net change in total OPEB liability		(3,085)
Total OPEB liability - beginning		(164,710)
Total OPEB liability - ending	$	(167,795)
Covered-employee payroll	$	437,670
Total OPEB liability as a percentage of covered payroll		-38.34%

- A ten-year history will be presented as the years pass. The first year of implementation was February 28, 2019.

DEL PUERTO WATER DISTRICT

Required Supplementary Information
Schedule of Pension Information
February 28, 2019

Last 10 Fiscal Years*:

	FY 2016	FY 2017	FY 2018
District's proportion of the net pension liability	0.0148900%	0.0161600%	0.0154990%
District's proportionate share of the net pension liability	$ 517,245	$ 603,400	$ 584,119
District's covered employee payroll	395,740	435,546	431,861
District's proportionate share of the net pension liability as a percentage of its covered-employeep payroll	130.70%	138.54%	135.26%
Plan Fiduciary net position as a percentage of the total pension liability	77.22%	76.38%	78.78%

* Amounts presented above were determined as of 6/30.
Additional years will be presented as they become available.

CALPERS - Schedule of District Contributions

Last 10 Fiscal Years*:

	FY 2016	FY 2017	FY 2018
Actuarially determined contribution	$ 30,360	$ 42,158	$ 37,258
Total actual contribution	30,360	42,128	37,258
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 395,740	$ 435,546	$ 431,861
Contributions as a percentage of covered employee payroll	7.67%	9.67%	8.63%