

YORBA LINDA WATER DISTRICT  
of Yorba Linda, California

# **Comprehensive Annual Financial Report**

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WITH REPORT ON AUDIT BY  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

*For the Fiscal Year Ending June 30, 2015*

*Prepared by:*

*The Yorba Linda Water District Finance Department*

*Delia Lugo, Finance Manager  
Kelly McCann, Senior Accountant  
Maria Trujillo, Accounting Assistant II  
Richard Cabadas, Accounting Assistant I*

*and*

*Cindy Botts, Management Analyst*

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YORBA LINDA WATER DISTRICT

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## **INTRODUCTORY SECTION**

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October 29, 2015

Members of the Board of Directors  
Yorba Linda Water District

### **Introduction**

It is our pleasure to submit Yorba Linda Water District's Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2015. This report was prepared pursuant to the guidelines set forth by the Governmental Accounting Standards Board (GASB).

District staff prepared this financial report in conjunction with an unqualified opinion issued by the independent audit firm White, Nelson, Diehl, Evans LLP. The independent auditor's report is located at the front of the financial section of this document. Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

This report consists of management's representations concerning the finances of Yorba Linda Water District. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal control should not outweigh its benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. Management asserts that to the best of our knowledge and belief this financial report is complete and reliable in all material aspects.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Yorba Linda Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2014. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for certificate again this year.

### **District Structure and Leadership**

The Yorba Linda Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The Yorba Linda Water District has provided water and sewer services to the residents of the City of Yorba Linda, portions of Placentia, Brea, Anaheim, and nearby unincorporated areas since 1959, the year it was formed to take over the assets and water service responsibilities of the Yorba Linda Water Company, a mutual formed in 1909. The District is governed by a five-member Board of Directors, elected at large from within the District's service area. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The Yorba Linda Water District employs a full-time staff of 77 employees. The District's Board of Directors meets on the second and fourth Thursday of each month. Meetings are publicly noticed and citizens are encouraged to attend.

The District provides water, sewer or a combination of both services to residents and businesses within its service area, which includes approximately 14,475 acres of land comprising 22.6 square miles. The District serves a population of approximately 74,000 and currently provides water service through approximately 24,653 residential, commercial, and light industrial connections.

### **District Services**

Residential customers make up approximately 92% of the District's customer base and consume approximately 72% of the water provided annually by the District. The District obtains about half of its water supply from the Metropolitan Water District (MWD) through the Municipal Water District of Orange County (MWDOC) and the other half from groundwater wells within the area. In FY 2014/15 the District provided 19,786 acre-feet of water to its customers.

The District's service area is known for having larger than average residential lots and a network of horse trails spanning over 100 miles in length. In *CNN Money's* "Best Places to Live for 2012", Yorba Linda was one of four Southern California cities listed. Similarly, the City of Yorba Linda's median income is 48% greater than the overall median income for Orange County, as reported by 2010 Census data.

### **Economic Condition and Outlook**

The District's administrative offices are located in the City of Placentia in Orange County. The economic outlook for the area shows moderate growth, which is projected to continue with new commercial business and a steadily improving housing market.

Over the FY 2011/12, FY 2012/13, and FY 2013/14 years, the District averaged annual sales of 21,228 acre-feet. Moving into the 4<sup>th</sup> consecutive year of drought conditions and due to the California Department of Water Resources snowmelt runoff report for 2014, Governor Brown announced a Drought State of Emergency for California. For FY 2014/15 the District provided 19,786 acre feet of water to its customers even with 5% voluntary conservation efforts from the District's customer base being taken into consideration.

As of May 2014, the District was granted annexation of the remaining 26% of its service area into Orange County Water District (OCWD). It is anticipated that with full annexation the District will be able to pump the maximum groundwater allowable each year, at a lower cost than purchasing the same amount of imported water from MWD. However, the District will not be able to take advantage of full annexation for FY 2015/16, as was in FY 2014/15, due to the 2003 Conjunctive Use Program (CUP) Agreement and due to the need to complete construction of capital facilities. The CUP Agreement requires the District to withdraw 1,595 acre-feet, for FY 2015/16, over and above OCWD's Basin Production Percentage (BPP) for the upcoming fiscal year and pay for the water at current import water rates, after subtracting power and operations and the maintenance charges of \$110 per acre-foot.

Had the District been able to access the entirety of OCWD's Basin Production Percentage (BPP) for the fiscal year 2014/15, the District would have been able to lower its variable water costs by approximately \$1.0 million. As variable water costs comprise approximately 52% of the District's operating expenses, ensuring these costs are held as low as possible is a top priority each and every fiscal year.

California's water supply continues to be a concern due to the current emergency drought mandates from the State Water Resource Control Board, projected population increases, and environmental and regulatory restrictions that threaten the State's water supply and conveyance system through the Sacramento-San Joaquin Delta—all of which lead to increasing supply costs. Within the District's boundaries, population growth is expected to increase only minimally in the next 5-10 years, as more than 50% of the current households have children under the age of 18 who are not expected to add to this growth via newborns. Additionally, the District's area is primarily "built out", and an influx of residents from outside the area is expected to remain fairly low. The State of California, however, is expected to grow by 20 million people over the next 40 years.

### **Mission/Vision Statement and Major Initiatives**

The activities of the Board and staff of the District are driven by its Mission Statement: “Yorba Linda Water District will provide reliable, high quality water and sewer services in an environmentally responsible manner, while maintaining an economical cost and unparalleled customer service to our community,” and its Vision Statement: “Yorba Linda Water District will become the leading, innovative and efficient source for high quality reliable services.” The Mission and Vision Statements dictate the following five core values of the District.

1. **Integrity**– We demonstrate integrity every day by practicing the highest ethical standards and by ensuring that our actions follow our words.
2. **Accountability**– We acknowledge that both the Board and the staff of the District are accountable to the public that we serve, as well as to each other.
3. **Responsibility**– We take full responsibility for our actions- both our successes and our opportunities for growth. We maintain a commitment of courtesy, assessment and resolution with all customer concerns.
4. **Transparency** – We promote a culture where we actively listen to our customers and communicate openly about our policies, processes, and plans for the future.
5. **Teamwork** – Success centers on all departments working together and sharing information and resources to achieve common goals. We are dedicated to ensuring that every voice of the District, from the Board to each individual employee is treated with dignity and respect, and that differences are valued and individual abilities and contributions are recognized.

### **Major Accomplishments during FY 2014/15**

Previously, the Board of Directors approved the FY 2007-2012 five-year capital improvement plan totaling \$57.7 million. The projects in this plan were identified for funding with the 2003 and 2008 Series Certificates of Participation (Revenue Bonds), in combination with annexation funds and other reserves held by the District. These projects are completed or underway as of the time of preparation of this report.

Upon the completion of FY 2014/15 and as budgeted in future fiscal years, capital projects totaling \$23.7 million are scheduled for completion over the next five fiscal years.

Fiscal year 2015/16 projects include the following:

**Well #21 Project**

Total Project Budget: \$2,307,000

Proposed FY 15/16 Budget: \$1,200,000

Work began in FY 12/13 on plans for the drilling of the new well. In FY13/14, a test well was drilled to confirm the quantity and quality of water for the well. Thereafter, the well was drilled out and completed with a steel casing and pump-tested. Design of the project was completed in FY 14/15. Total project costs through FY 14/15 are \$1,100,000 and are estimated to be approximately \$1,200,000 in FY 2015/16, respectively. Work planned for FY 15/16 includes construction of wellhead facilities and a discharge pipeline.

**Well #22 Project**

Total Project Budget: \$2,500,000

Proposed FY 15/16 Budget: \$211,000

Reconnaissance field investigation and site evaluations started in FY 13/14. In FY14/15, a site was identified on OCWD property for which conceptual approval was granted by the OCWD Board for a 50-year lease for a well site. In FY 15/16 it is expected that negotiations with OCWD for the well site lease agreement will be completed and the lease agreement approved by the OCWD and the YLWD boards. Planned for early 2016 is to retain an engineering consultant to prepare the environmental documents for the project and to prepare design specifications for the drilling of the well at a cost of \$211,000. Budgeted for FY16/17 is the drilling of the well and the preparation of plans for well equipping at an estimated cost of \$950,000. Budgeted for FY 17/18 and FY 18/19 is construction of wellhead facilities and a discharge pipeline at an estimated cost of \$1,297,360.

**Richfield Road Pipeline Project**

Total Project Budget: \$1,450,000

Proposed FY 15/16 Budget: \$1,340,000

This project is the construction of new pipeline in Richfield Road sized to carry the discharge capacity of Wells #21 and #22, as described above, as well as a proposed future Well #23. The new pipeline will begin at the point where the lines from new wells 21 and 22 extend into south Richfield Avenue. The pipeline will be approximately 2,100 feet long and will connect to the District's existing 36-inch pipeline that extends to Highland Reservoir. In FY 14/15, environmental documents were prepared and certified, and design plans were completed. Work planned for FY 15/16 and FY 16/17 is construction of the pipeline at an estimated cost of \$1,375,000.

**Fairmont Pump Station Upgrade Project**

Total Project Budget: \$6,300,000

Proposed FY 15/16 Budget: \$1,000,000

The project is the refurbishment and upgrading of the Fairmont Booster Station. The existing 37-year old booster station will be demolished and its two booster pumps will be replaced by eight, pumping to three different pressure zones. A new building will be constructed to house the pumps, as well as disinfection, electrical and back-up generation facilities. The project will also include refurbishment of elements of the Fairmont Reservoir. In FY14/15 environmental documents were completed and certified and design plans were completed. Construction is estimated to begin in early 2016. Construction will continue in FY 16/17 and be completed in FY 17/18, with a total estimated construction cost of \$5,600,000.

**Lakeview Grade Separation Project**

Total Project Budget: \$662,000

Proposed FY 14/15 Budget: \$260,000

The Orange County Transportation Authority (OCTA) is the lead agency for a planned Lakeview Avenue bridge over Orangethorpe Avenue and the adjacent BNSF Railroad tracks. As part of the project, the District's water line in Lakeview Avenue through the project area had to be replaced. The District's share of the pipeline replacement construction cost is \$250,000. Construction of the pipeline was completed in FY 14/15, with minor work to be completed by OCTA in FY 15/16.

**2015 Pipeline Replacement Project**

Total Project Budget: \$1,240,000

Proposed FY 15/16 Budget: \$760,000

In accordance with the District's Asset Management Plan, the District is replacing older water pipelines as part of an ongoing program. Staff will design approximately 2,000 feet of the more critical pipeline replacement reaches during FY 15/16, with construction starting in late FY 15/16 and completion in FY16/17, at an estimated construction cost of \$1,210,000. Additional waterline replacement work will be designed and installed during subsequent fiscal years

**Timber Ridge Booster Station Rehabilitation**

Total Project Budget: \$250,000

Proposed FY 14/15 Budget: \$240,000

Timber Ridge Booster Station is undersized and needs additional emergency pumping capacity. Staff will evaluate the least cost method to install a new gas engine enclosed with a new building, or install a new electric generator and possibly upsizing one or more of the existing pumps.

## **PRS Rehabilitation Phase 2**

Total Project Budget: \$1,430,000

Proposed FY 15/16 Budget: \$153,000

The District will solicit proposals for design engineering services for rehabilitation or replacement of the next group of existing Pressure Reducing Stations (PRS) that require frequent maintenance, and do not meet current District standards. Design work will be completed during FY 15/16 and construction is anticipated to be complete during FY 16/17 at a cost of \$528,000. Phase 3 work will begin the following years.

Other major accomplishments in fiscal year 2014/15 include the following:

- Completed Construction of Yorba Linda Booster Pump Station
- Completed Construction of Deville Drive Line Extension
- Completed Construction of Yorba Linda High School Park Pipeline Relocation
- Completed Construction of Lakeview Grade Separation Pipeline Replacement
- Completed Design of Fairmont Boost Pump Station Replacement
- Completed Design of Richfield Road Pipeline
- Received Conceptual Approval form OCWD for Well #22 Site
- Received Positive Auditors Letter for FY 2013/14
- Received State and National Recognition for FY 2013/14 CAFR
- Received State and National Recognition for FY 2014/15 Budget document
- Received the District Transparency Certificate of Excellence from the Special District Leadership Foundation
- Executed Multi-Year Memorandum of Understanding (MOU) With the YLWD Employee Association
- Established Water Use Restrictions and Drought Penalties to Comply With State of California Mandate – YLWD Ordinance 15-01

## **Future Years**

Amidst the national economic conditions and the Governor's state declaration of Drought Water Emergency, our region continues to face water supply issues due to extended drought seasons, as well as judicial, environmental and regulatory restrictions. First and foremost, we continue to monitor the State's mandated water conservation restrictions and potential shift of our property tax revenues. Secondly, with water conservation and reduced water sales, our ability to maintain a high level of services while holding costs down, has been seriously challenged. In addition to the above, District staff, with the assistance of Raftelis Financial Consultants, Inc, developed a financial models for the water and sewer enterprises to ensure financial sufficiency that includes the establishment of adequate reserve balances, meets the operation and maintenance costs, and ensures sufficient funding for capital refurbishment and replacement needs.

### **Water Rate & Increases**

In FY 2014/15, YLWD charged a uniform commodity rate of \$2.70 per unit and a monthly fixed charge based on the size of the meter. Meters sized 5/8 and 3/4 inch were charged \$10.06, 1 inch meters were charged \$16.77, 1 ½ inch meters were charged \$33.54, 2 inch meters were charged \$53.66, 3 inch meters were charged \$117.37, 4 inch meters were charged \$211.26 and 6 inch meters were charged \$469.47. One unit of water equals 748 gallons, equating one gallon of water to a cost of approximately \$0.0035 (one third of a cent). At an average of 25 units of water per month (approximately 22,500 gallons), a typical 1 inch metered YLWD customer would pay about \$ 84.27 on the average for their monthly water bill. YLWD also provided wastewater service to approximately 19,512 of the District's water customer base in fiscal year 2014/15, at a charge of \$5.50 per month for traditional single family residential customers, \$3.85 per month for multi-family residential customers, and \$5.50 plus a \$0.46 per unit charge based on water consumption above 22 units for commercial customers. These rates are the result of a Cost of Service Analysis and Alternative Water Rate Feasibility Study in fiscal year 2011/12, which addressed the impacts of implementing a tiered water conservation rate structure and/or a budget-based water rate structure for customers of the District. The result of this study was a three-year rate increase to customers on the Monthly Service Charge, approved by the Yorba Linda Water District Board of Directors. The approved rate increase is a percentage on the District's overall revenue and consists of a 1.5% revenue increase beginning on July 1, 2012, a 2.5% increase beginning on July 1, 2013, and a 2.5% increase beginning on July 1, 2014. These increases will assist in covering the costs associated with operating, maintaining and replacing the District's water facilities. The District will also be passing through to customers any future increases on the commodity charge from its water suppliers as these charges are based on the amount of water sold.

In conjunction with this rate increase, the Board of Directors recommended that staff pursue a line of credit with Wells Fargo for \$7 million with a 3-year renewable term and an interest rate based on 1 month London Inter-Bank Offered Rate (LIBOR), currently calculated at 1.10%. The line of credit will allow the District to pursue future capital improvement projects with a minimal borrowing cost and a lowered financial burden to our customers.

In FY 2014/15, Yorba Linda Water District faced many challenges related to water supply and demand. The District's water supply is currently derived from both groundwater (63%) and import water (47%). Both import and groundwater prices have dramatically increased over the past four fiscal years, and it is anticipated that costs will continue to increase as supplies become more strained from projected population increases, cyclical drought conditions, and environmental and regulatory restrictions.

### **Enhanced Outreach & Communications**

The District continues to enhance its communications presence within the community. Within the FY 2014/15 Budget, the District funded a Public Information Officer and one part-time Public Information Assistant positions. The Public Affairs division of the Administration department develops and disseminates information to the public and supports water conservation programs with the overall goal of developing a more transparent image of the District to the community.

The District's Citizens Advisory Committee, made up of local residents, who serve as ambassadors to the community, meet with District staff on a monthly basis to discuss and provide recommendations on various pending District issues. The committee has been actively involved with issues such as the water rate increase, the water conservation ordinance, continuing conservation outreach, public information, and various other matters as they arise.

### **Technological Advancements in Progress**

Technological advancements include the incorporation of a Computerized Maintenance & Management System (CMMS), which automates and tracks field work orders and provide actual costs to perform work-order related functions. In planning is an Automated Purchase Requisitioning System, which will provide better workflow and approvals for purchasing items, as well as have direct integration with the District's financial software.

### **Internal Control Structure**

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

### **Budgetary Control**

The District Board of Directors adopts an operating and capital budget every year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and the financial statement basis.

### **Cash and Investment Management**

In order of priority, the District's objectives when investing, reinvesting, purchasing, acquiring, selling and managing public funds are as follows:

1. *Safety*: Safety of principal is the foremost objective of the investment program. Investments made by the District are undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required to prevent any potential loss on any individual security or depository from exceeding the income generated from the remainder of the portfolio.
2. *Liquidity*: The investment portfolio is to remain sufficiently liquid to enable the District to meet all operating requirements that might be reasonably anticipated.
3. *Return on Investments*: The investment portfolio is designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

### **Audit and Financial Reporting**

State Law and Bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of White, Nelson, Diehl, Evans LLP has conducted the audit of the District's financial statements. Their unqualified (clean) Independent Auditor's Report appears in the Financial Section.

### **Other References**

More information is contained in the Management's Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the report.

### **Acknowledgements**

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the District. We would also like to thank the members of the Board of Directors for their continued support in planning and implementation of the Yorba Linda Water District's fiscal policies.

Respectfully submitted,



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Marc Marcantonio  
General Manager



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Delia Lugo  
Finance Manager

**Yorba Linda Water District  
Board of Directors and Executive Staff**



Ric Collett, President



Michael Beverage, Vice President



Robert R. Kiley  
Director



Phil Hawkins  
Director



Gary T. Melton  
Director



Steven R. Conklin  
Engineering Manager



Marc Marcantonio  
General Manager



John DeCriscio  
Operations Manager



Art Vega  
IT Manager



Gina Knight  
HR & Risk Manager

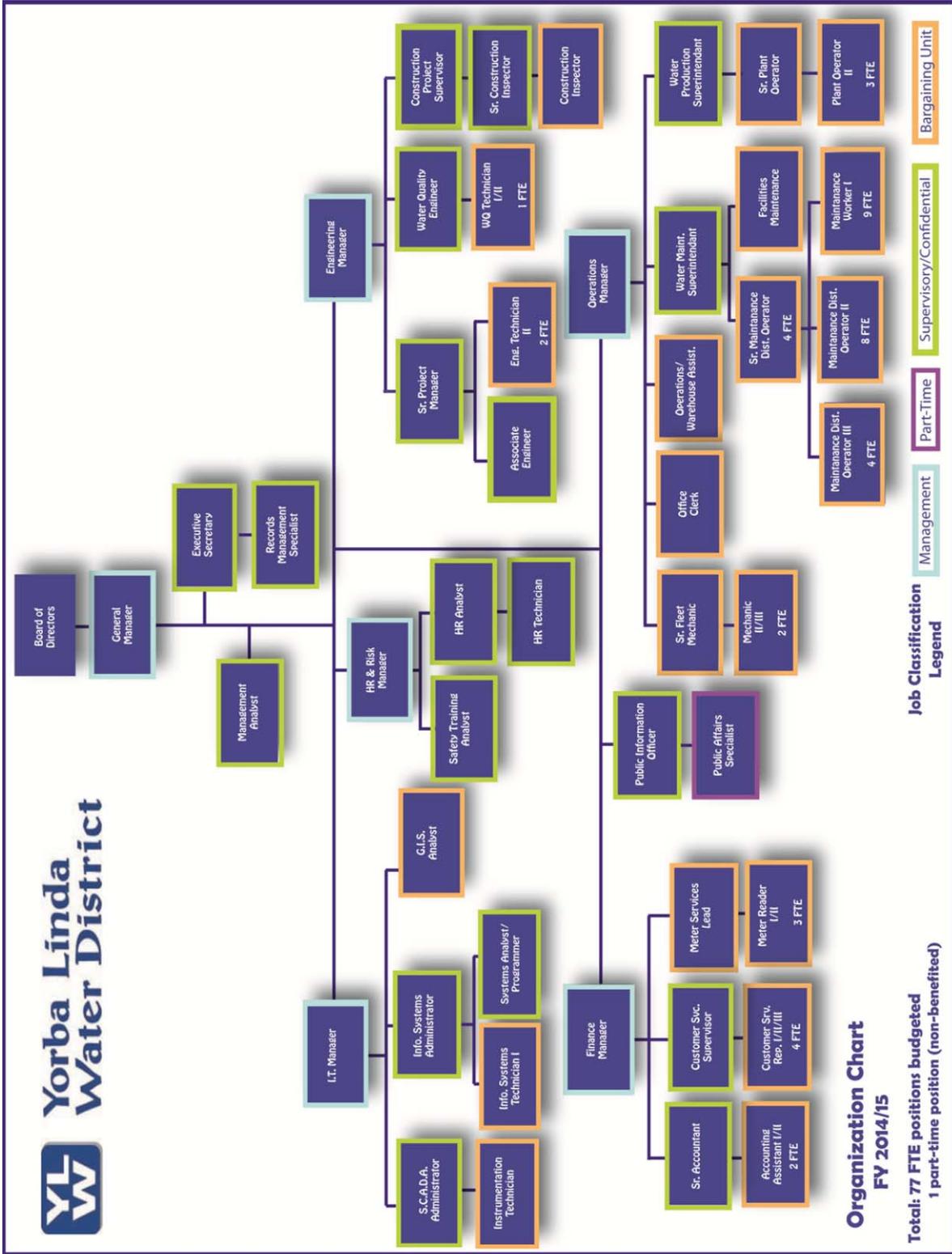


Damon Micalizzi  
Public Affairs Manager

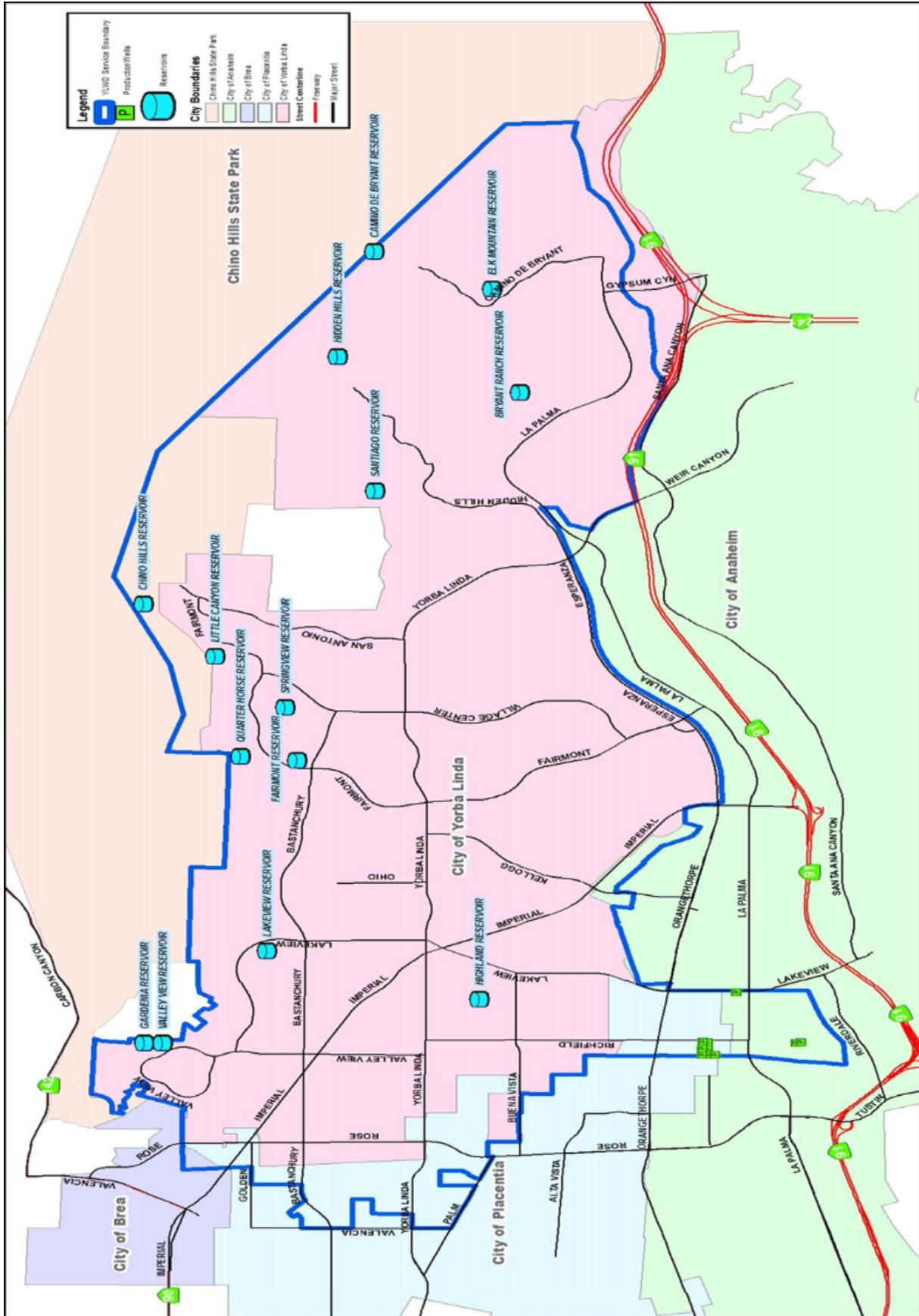


Delia Lugo  
Finance Manager

# Yorba Linda Water District Organization Chart



# District Boundaries





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Yorba Linda Water District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Yorba Linda Water District  
Placentia, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Yorba Linda Water District (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yorba Linda Water District, as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State regulations governing Special Districts.

## **Emphasis of Matter**

As discussed in Notes 1e and 12 to the financial statements, the District adopted Governmental Accounting Standards Board's Statement No. 68, "*Accounting and Financial Reporting for Pensions*" and Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*". The adoption of these standards required retrospective application resulting in a \$6,420,251 reduction of previously reported net position. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Report on Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplementary information consisting of combining schedules, schedule of operating expenses by cost center and nature of expenses for water and sewer, schedule of capital assets and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules, schedule of operating expenses by cost center and nature of expenses for water and sewer and schedule of capital assets, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

## **Other Matters (Continued)**

### *Other Information (Continued)*

Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules, schedule of operating expenses by cost center and nature of expenses for water and sewer and schedule of capital assets are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*White Nelson Dick Evans LLP*

Irvine, California  
October 29, 2015

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# YORBA LINDA WATER DISTRICT

## *MANAGEMENT'S DISCUSSION AND ANALYSIS*

**For the Year Ended June 30, 2015**

The following Management's Discussion and Analysis ("MD&A") of activities and financial performance of the Yorba Linda Water District ("District") provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

### **Financial Highlights**

- The District's net position decreased by \$7.2 million, or a 4.3% decrease in net position.
- During the year the District's revenues were \$32.1 million, down 5.7%.
- During the year, the District's expenses were \$33.6 million, down 4.5%.

### **Required Financial Statements**

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The District's statements consist of two funds; the Water Fund and the Sewer Fund. The District's records are maintained on an enterprise basis, as it is the intent of the Board of Directors that the costs of providing water and sewer to the customer of the District are financed primarily through user charges.

The Statement of Net Position includes all of the District's investments in resources (assets), deferred outflows of resources, obligations to creditors (liabilities) and deferred inflow of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**YORBA LINDA WATER DISTRICT**

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

**For the Year Ended June 30, 2015**

**Financial Analysis of the District**

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. You can think of the District's net position (the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources), as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 19 through 52

**YORBA LINDA WATER DISTRICT**

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

**For the Year Ended June 30, 2015**

**Statement of Net Position**

	<u>2015</u>		<u>2014</u>		<u>Change</u>
<b>Assets:</b>					
Current assets	\$ 35,311,996	\$	31,772,410	\$	3,539,586
Restricted assets	2,177,524		2,229,419		(51,895)
Capital assets, net	194,647,917		199,641,820		(4,993,903)
<b>Total assets</b>	<u>232,137,437</u>		<u>233,643,649</u>		<u>(1,506,212)</u>
<b>Deferred Outflows of Resources:</b>					
Deferred amount on refunding & pension plans	<u>1,037,227</u>		<u>474,939</u>		<u>562,288</u>
<b>Liabilities:</b>					
Liabilities payable from unrestricted current assets	5,221,619		6,390,185		(1,168,566)
Liabilities payable from restricted assets	1,045,000		1,087,095		(42,095)
Non-current liabilities	64,474,415		58,864,439		5,609,976
<b>Total liabilities</b>	<u>70,741,034</u>		<u>66,341,719</u>		<u>4,399,315</u>
<b>Deferred Inflows of Resources:</b>					
Deferred amounts from pension plans	<u>1,810,965</u>		<u>-</u>		<u>1,810,965</u>
<b>Net position:</b>					
Net investment in capital assets	157,092,210		161,159,541		(4,067,331)
Unrestricted	3,530,455		6,617,328		(3,086,873)
<b>Total net position</b>	<u>\$ 160,622,665</u>	\$	<u>167,776,869</u>	\$	<u>(7,154,204)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$160.6 million and \$167.8 million as of June 30, 2015 and 2014, respectively. The net change between these two reported fiscal years is primarily due the District recording of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the cost-sharing defined benefit pension plans as required by the adoption of the Governmental Accounting Standards Board's (GASB) Statement No. 68 and Statement No. 71.

By far the largest portion of the District's net position (98% and 96% as of June 30, 2015 and 2014, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

For the year ended June 30, 2015, the District showed a positive balance in its unrestricted net position of \$3.5 million, which indicates that there are reserves to be utilized in future years, which is a significant decrease from the stated balance of \$6.6 million for the year ended June 30, 2014.

**YORBA LINDA WATER DISTRICT**

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

**For the Year Ended June 30, 2015**

**Statement of Revenues, Expenses and Changes in Net Position**

	<u>2015</u>	<u>2014</u>	<u>Change</u>
<b>Revenues:</b>			
Operating revenues:			
Water sales	\$ 26,446,618	\$ 28,376,082	\$ (1,929,464)
Sewer revenue	1,775,676	1,762,816	12,860
Other operating revenue	1,461,106	1,047,625	413,481
Total operating revenues	<u>29,683,400</u>	<u>31,186,523</u>	<u>(1,503,123)</u>
Non-operating revenues:			
Investment income	187,316	145,048	42,268
Property taxes	1,496,489	1,394,722	101,767
Other non-operating income	744,572	1,325,685	(581,113)
Total non-operating revenue	<u>2,428,377</u>	<u>2,865,455</u>	<u>(437,078)</u>
<b>Total revenues</b>	<u>32,111,777</u>	<u>34,051,978</u>	<u>(1,940,201)</u>
<b>Expenses:</b>			
Operating expenses:			
Variable costs	12,733,762	14,673,144	(1,939,382)
Personnel services	7,778,763	7,529,481	249,282
Supplies and services	3,806,900	3,849,183	(42,283)
Depreciation	7,432,586	7,315,084	117,502
Total operating expenses	<u>31,752,011</u>	<u>33,366,892</u>	<u>(1,614,881)</u>
Non-operating expenses:			
Interest expense	1,683,039	1,715,429	(32,390)
Other non-operating expense	116,528	47,948	68,580
Total non-operating expenses	<u>1,799,567</u>	<u>1,763,377</u>	<u>36,190</u>
<b>Total expenses</b>	<u>33,551,578</u>	<u>35,130,269</u>	<u>(1,578,691)</u>
<b>Net income(loss) before capital contributions   and extraordinary item</b>	<u>(1,439,801)</u>	<u>(1,078,291)</u>	<u>(361,510)</u>
Capital contributions	705,848	2,128,579	(1,422,731)
Extraordinary item	-	5,000,000	(5,000,000)
<b>Change in net position</b>	<u>(733,953)</u>	<u>6,050,288</u>	<u>(6,784,241)</u>
<b>Net position, beginning of year, as Restated</b>	<u>161,356,618</u>	<u>161,726,581</u>	<u>(369,963)</u>
<b>Net position, end of year</b>	<u>\$ 160,622,665</u>	<u>\$ 167,776,869</u>	<u>\$ (7,154,204)</u>

**YORBA LINDA WATER DISTRICT**

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

**For the Year Ended June 30, 2015**

The statement of revenues, expenses and changes of net position shows how the District's net position changed during the fiscal years. In the case of the District, net position decreased by \$7.2 million and increased by \$6.1 million for the fiscal years ended June 30, 2015 and 2014, respectively. Of the \$7.2 million decrease in net position, \$733,953 is associated with an actual change in the net position within the fiscal year and \$6,420,251 is due to the implementation of Governmental Accounting Standards Board's (GASB) Statement 68 and 71 (refer to Note 12).

A closer examination of the sources of changes in net position reveals that:

In 2015, the District's total revenues decreased by \$1.9 million, primarily due to a decrease in water sales of \$1.9 million as a result of conservation efforts by District customer base. Total expenses decreased by \$1.6 million primarily due to decreased variable water costs of \$1.9 million due to decreased water purchases.

In 2014, the District's total revenues increased by \$3.1 million, primarily due to an increase in water sales of \$2 million as a result of warmer patterns than that of the two previous years and an increase in non-operating other income of \$736 thousand due to recorded gains for the sale of assets. In addition, total expenses increased by \$1.3 million primarily due to increased variable water costs of \$1.2 million due to increased water purchases and an overall increase of \$115 thousand in the remaining operating expense categories.

**YORBA LINDA WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(CONTINUED)**

**For the Year Ended June 30, 2015**

**Capital Assets**

	<u>Balance 2014</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2015</u>
Capital assets:				
Capital assets, not being depreciated	\$ 6,897,314	\$ 1,892,905	\$ (5,256,291)	\$ 3,533,928
Capital assets, being depreciated	267,846,796	5,644,205	(113,540)	273,377,461
Less accumulated depreciation	<u>(75,241,233)</u>	<u>(7,432,586)</u>	<u>113,540</u>	<u>(82,560,279)</u>
Total capital assets, net	<u>\$ 199,502,877</u>	<u>\$ 104,524</u>	<u>\$ (5,256,291)</u>	<u>\$ 194,351,110</u>

**Changes in capital asset amounts for 2014 were as follows:**

	<u>Balance 2013</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2014</u>
Capital assets:				
Capital assets, not being depreciated	\$ 5,835,304	\$ 5,658,198	\$ (4,596,188)	\$ 6,897,314
Capital assets, being depreciated	264,004,834	4,915,408	(1,073,446)	267,846,796
Less accumulated depreciation	<u>(68,995,334)</u>	<u>(7,315,084)</u>	<u>1,069,185</u>	<u>(75,241,233)</u>
Total capital assets, net	<u>\$ 200,844,804</u>	<u>\$ 3,258,522</u>	<u>\$ (4,600,449)</u>	<u>\$ 199,502,877</u>

At the end of fiscal year 2015 and 2014, the District's investment in capital assets amounted to \$194.4 million and \$199.5 million, respectively (net of accumulated depreciation). This investment in capital assets includes land, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment, vehicles and construction-in-process, etc. Major capital assets projects in fiscal year 2014-15 include Yorba Linda Boulevard Pump Station project, construction of various water and sewer mains for development, and the purchase of various district vehicles.

Additional information regarding capital assets can be found in note 4 in Notes to Basic Financial Statements.

**YORBA LINDA WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(CONTINUED)**

**For the Year Ended June 30, 2015**

**Long-Term Liabilities**

Changes in long-term debt amounts for the year ended June 30, 2015 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
2008 Revenue Certificates of Participation	\$ 31,365,000	\$ -	\$ (735,000)	\$ 30,630,000
2012A Refunding Certificate of Participation	8,070,000	-	(275,000)	7,795,000
Subtotal	39,435,000	-	(1,010,000)	38,425,000
Add (Less):				
2008 Premium	625,275	-	(26,420)	598,855
2012A Premium	910,324	-	(47,704)	862,620
Total Certificates	40,970,599	-	(1,084,124)	39,886,475
Line of Credit	4,642,656	1,351,443		5,994,099
Compensated Balances	1,047,342	735,888	(578,635)	1,204,595
Total	\$ 46,660,597	\$ 2,087,331	\$ (1,662,759)	\$ 47,085,169

Changes in long-term liabilities amounts for the year ended June 30, 2014 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
2008 Revenue Certificates of Participation	32,070,000	-	(705,000)	31,365,000
2012A Refunding Certificate of Participation	8,330,000	-	(260,000)	8,070,000
Subtotal	40,400,000	-	(965,000)	39,435,000
Add (Less):				
2008 Premium	651,695	-	(26,420)	625,275
2012A Premium	958,027	-	(47,703)	910,324
Total Certificates	42,009,722	-	(1,039,123)	40,970,599
Line of Credit	1,171,131	3,471,525		4,642,656
Compensated Balances	1,000,383	623,735	(576,776)	1,047,342
Total	\$ 44,181,236	\$ 4,095,260	\$ (1,615,899)	\$ 46,660,597

Additional information regarding long-term liabilities can be found in note 5 in Notes to Basic Financial Statements.

**YORBA LINDA WATER DISTRICT**

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

**For the Year Ended June 30, 2015**

**Requests for Information**

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District at 1717 E. Miraloma Avenue, Placentia, California 92807 or the Finance Department at (714) 701-3040.

## **BASIC FINANCIAL STATEMENTS**

YORBA LINDA WATER DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

ASSETS AND DEFERRED OUTFLOWS  
OF RESOURCES

CURRENT ASSETS:

UNRESTRICTED ASSETS:

Cash and cash equivalents (Note 2)	\$ 24,026,870
Investments (Note 2)	7,283,882
Accounts receivable - water and sewer services	3,342,733
Accounts receivable - property taxes	16,168
Note receivable	72,634
Accrued interest receivable	36,563
Prepaid expenses and deposits	270,984
Inventory	<u>262,162</u>

TOTAL UNRESTRICTED ASSETS	<u>35,311,996</u>
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RESTRICTED ASSETS:

Cash and cash equivalents (Note 2)	55,756
Investments (Note 2)	<u>2,121,768</u>

TOTAL RESTRICTED ASSETS	<u>2,177,524</u>
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TOTAL CURRENT ASSETS	<u>37,489,520</u>
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NONCURRENT ASSETS:

Capital assets (Note 4):	
Non-depreciable	3,533,928
Depreciable, net of accumulated depreciation	190,817,182
Note receivable	154,107
Other post-employment benefit (OPEB) asset (Note 6)	<u>142,700</u>

TOTAL NONCURRENT ASSETS	<u>194,647,917</u>
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TOTAL ASSETS	<u>232,137,437</u>
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DEFERRED OUTFLOWS OF RESOURCES:

Deferred amount from pension plans	587,176
Deferred loss on refunding	<u>450,051</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,037,227</u>
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See accompanying notes to basic financial statements.

(Continued)

YORBA LINDA WATER DISTRICT

STATEMENT OF NET POSITION  
(CONTINUED)

June 30, 2015

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

CURRENT LIABILITIES:

PAYABLE FROM UNRESTRICTED CURRENT ASSETS:

Accounts payable	\$ 3,456,202
Accrued expenses	280,197
Compensated absences payable - current portion (Note 5)	301,149
Customer and construction deposits	417,992
Unearned revenue	342,064
Accrued interest payable	424,015

TOTAL PAYABLE FROM UNRESTRICTED CURRENT ASSETS	5,221,619
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PAYABLE FROM RESTRICTED ASSETS:

Certificates of Participation - current portion (Note 5)	1,045,000
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TOTAL PAYABLE FROM RESTRICTED ASSETS	1,045,000
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TOTAL CURRENT LIABILITIES	6,266,619
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LONG-TERM LIABILITIES (LESS CURRENT PORTION):

Unearned annexation revenue	13,642,769
Compensated absences (Note 5)	903,446
Payable on line of credit (Note 5)	5,994,099
Certificates of Participation (Note 5)	38,841,475
Net pension liability (Note 7)	5,092,626

TOTAL LONG-TERM LIABILITIES (LESS CURRENT PORTION)	64,474,415
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TOTAL LIABILITIES	70,741,034
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DEFERRED INFLOWS OF RESOURCES:

Deferred amounts from pension plans	1,810,965
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NET POSITION:

Net investment in capital assets (Note 8)	157,092,210
Unrestricted	3,530,455

TOTAL NET POSITION	\$ 160,622,665
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See accompanying notes to basic financial statements.

YORBA LINDA WATER DISTRICT  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN NET POSITION

For the year ended June 30, 2015

OPERATING REVENUES:	
Water sales	\$ 26,446,618
Sewer revenues	1,775,676
Other operating revenues	<u>1,461,106</u>
TOTAL OPERATING REVENUES	<u>29,683,400</u>
OPERATING EXPENSES:	
Variable water costs	12,733,762
Personnel services	7,778,763
Supplies and services	3,806,900
Depreciation	<u>7,432,586</u>
TOTAL OPERATING EXPENSES	<u>31,752,011</u>
OPERATING LOSS	<u>(2,068,611)</u>
NONOPERATING REVENUES (EXPENSES):	
Property taxes	1,496,489
Investment income	187,316
Interest expense	(1,683,039)
Other nonoperating revenues	744,572
Other nonoperating expenses	<u>(116,528)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>628,810</u>
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(1,439,801)
CAPITAL CONTRIBUTIONS	<u>705,848</u>
CHANGES IN NET POSITION	(733,953)
NET POSITION - BEGINNING OF YEAR, AS RESTATED (NOTE 12)	<u>161,356,618</u>
NET POSITION - END OF YEAR	<u><u>\$ 160,622,665</u></u>

See accompanying notes to basic financial statements.

YORBA LINDA WATER DISTRICT

STATEMENT OF CASH FLOWS

For the year ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 30,303,296
Cash payments to employees for salaries and wages	(7,712,084)
Cash payments to suppliers of goods and services	(17,815,294)
Other revenues	250,274
Other expenses	<u>(91,640)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,934,552</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Proceeds from line of credit	1,351,443
Proceeds from property taxes and assessments	<u>1,504,786</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>2,856,229</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from annexation fees and capital contributions	791,037
Acquisition and construction of capital assets	(1,989,442)
Proceeds from sales of capital assets	17,638
Principal paid on long-term liabilities	(1,010,000)
Interest paid on long-term liabilities	<u>(1,798,933)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,989,700)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Sale/purchase of investments, net	(125,820)
Interest and investment earnings	<u>181,119</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>55,299</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,856,380
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>20,226,246</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 24,082,626</u></u>

See accompanying notes to basic financial statements.

(Continued)

YORBA LINDA WATER DISTRICT

STATEMENT OF CASH FLOWS  
(CONTINUED)

For the year ended June 30, 2015

RECONCILIATION OF OPERATING LOSS TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES:

Operating loss	<u>\$ (2,068,611)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	7,432,586
Other revenues	250,274
Other expenses	(91,640)
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	633,922
Inventory	(23,959)
Prepaid expenses and deposits	(3,723)
Other post-employment benefits (OPEB) asset	(3,757)
Deferred outflows of resources from pension plans	(49,067)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(1,369,234)
Accrued salaries and wages	17,019
Accrued compensated absences	157,253
Customer and construction deposits	108,258
Net pension liability	(1,865,734)
Deferred inflows of resources from pension plans	<u>1,810,965</u>
 Total adjustments	 <u>7,003,163</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u><u>\$ 4,934,552</u></u>

CASH AND CASH EQUIVALENTS -  
FINANCIAL STATEMENT CLASSIFICATION:

Unrestricted	\$ 24,026,870
Restricted	<u>55,756</u>
TOTAL CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION	<u><u>\$ 24,082,626</u></u>

NONCASH INVESTING, CAPITAL AND  
RELATED FINANCING ACTIVITIES:

Amortization related to long-term debt	<u>\$ 74,124</u>
Capital contributions	<u>\$ 258,331</u>
Note receivable paid through capital contributions	<u><u>\$ 245,116</u></u>

See accompanying notes to basic financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

# YORBA LINDA WATER DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### a. Organization and Description of the Reporting Entity:

The Yorba Linda Water District (the District) is an independent special district established in 1959, which operates under the authority of Division 12 of the California Water Code for the purpose of providing water and sewer services to the properties within the District. The District is governed by a five member board of Directors elected by the voters in the area to four-year terms. The District provides two services which include Water and Sewer. Water is provided to the entire service area. Sewer is provided to about two-thirds of the service area. The District's service area includes Yorba Linda and portions of Placentia, Anaheim, Brea, and areas of unincorporated Orange County. The District provides water service to approximately 73,990 residents and sewer service to approximately 72,498 residents.

The financial statements present the District and its component units. The District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority or the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the District.

The District's reporting entity includes the Yorba Linda Water District Public Financing Corporation, a California nonprofit public benefit corporation, formed in July 2003 for the purpose of providing assistance to the District and other public agencies in the State of California of which the District is a member, or is otherwise engaged with in the financing, refinancing, acquiring, constructing and rehabilitating of facilities, land and equipment, in the sale or leasing of facilities, land and equipment for the use, benefit and enjoyment of the public served by such agencies and any other purpose incidental thereto). Although the District and the Public Financing Corporation are legally separate entities, the District's Board of Directors is financially responsible for the Public Financing Corporation and, therefore, the accompanying financial statements include the accounts and records of the Public Financing Corporation using the blending method as required by accounting principles generally accepted in the United States of America. There are no separate financial statements for the Public Financing Corporation.

#### b. Basic Financial Statements:

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

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Basis of Presentation:

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

d. Measurement Focus and Basis of Accounting:

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

e. New Accounting Pronouncements:

**GASB Current Year Standards:**

In fiscal year 2014-2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, “*Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*” and GASB Statement No. 71 - “*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*”. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pension plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

e. New Accounting Pronouncements (Continued):

**GASB Current Year Standards (Continued):**

Accounting changes adopted to conform to the provisions of these statements should be applied retroactively. The result of the implementation of these standards decreased the net position at July 1, 2014 by \$6,420,251.

GASB Statement No. 69 - "*Government Combinations and Disposals of Government Operations*" was required to be implemented in the current fiscal year and did not impact the District.

**GASB Pending Accounting Standards:**

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

- GASB 72 - "*Fair Value Measurement and Application*", effective for periods beginning after June 15, 2015.
- GASB 73 - "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.
- GASB 74 - "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", effective for periods beginning after June 15, 2016.
- GASB 75 - "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", effective for periods beginning after June 15, 2017.
- GASB 76 - "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", effective for periods beginning after June 15, 2015.

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

f. Cash and Cash Equivalents:

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

g. Investments and Investment Policy:

The District has adopted an investment policy directing the District's General Manager or Finance Manager to invest, reinvest, sell or exchange securities.

Investments are stated at fair value which represents the quoted or stated market value. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

h. Accounts Receivable:

The District extends credit to customers in the normal course of operations. Management has evaluated the accounts and believes they are all collectible. Management evaluates all accounts receivable and if it is determined that they are uncollectible they are written off as a bad debt expense. A charge of \$14,026 was made to bad debt expense for the fiscal year ended June 30, 2015.

i. Prepaid Expenses:

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

j. Inventory:

Inventory consists primarily of materials and supplies used in the construction and maintenance of the water and sewer systems and are stated at cost using the average-cost method on a first in, first out basis.

k. Capital Assets:

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Contributed assets are recorded at estimated fair market value at the date of contribution. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

k. Capital Assets (Continued):

Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets as follows:

Source of Supply	30 to 75 years
Pumping Plant	20 to 40 years
Water Treatment Plant	12 to 40 years
Sewer Plant	5 to 60 years
Transmission and Distribution Plant	10 to 40 years
General Plant	3 to 40 years

l. Interest Expense:

The District incurs interest charges on the Line of Credit and Certificates of Participation. Interest expense of \$33,046 has been capitalized as an addition to the cost of construction for the year ended June 30, 2015.

m. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. The first item is the deferred loss on refunding reported in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is the deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item is a deferred inflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years.

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

m. Deferred Outflows/Inflows of Resources (Continued):

The second item is a deferred inflow related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2013 (the beginning of the measurement period ended June 30, 2014), which is 3.8 years.

n. Compensated Absences:

The District's policy is to permit employees to accumulate earned vacation and sick leave. The liability for vested vacation and sick leave is recorded as an expense when earned. Employees may carry forward up to one and one-half years of earned vacation days and an unlimited number of sick leave days. Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused vacation leave except for those employees that have not completed the probationary period.

Permanent employees that retire in accordance with the California Public Employee's Retirement System qualifications are entitled to receive cash compensation at their current base salary for three-eighths of all unused sick leave and the remaining five-eighths of the unused sick leave is contributed to the employee's CalPERS account. The District has accrued 100% of the unused sick leave as a liability as it expects most employees to meet the CalPERS requirements when retiring or leaving the District.

o. Construction Advances and Deposits:

Construction deposits are collected by the District to cover the cost of construction projects within the District. Funds in excess of project costs are refunded to the customer.

p. Construction Bonding Deposits:

The District's policy is to maintain certain bonding requirements for water and sewer construction projects performed within District boundaries to ensure the proper completion of the project. Deposited amounts are refunded upon final approval of the project.

q. Unearned Revenue:

Unearned revenue consists of customer refunds that have not been cashed and prepaid connection fees. Connection fees are collected by the District to cover the cost of service connections within the District. Funds in excess of connection costs are refunded to the customer.

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

r. Unearned Annexation Revenue:

The District collects a fee from newly annexed developments for all residential and commercial properties. This fee is in-lieu of the District's share of 40 years of the 1% property tax revenue which the District no longer received post-Proposition 13. The fee is a present worth value required to generate a forty year revenue stream equivalent to the lost property tax revenue.

It is calculated based on the fair market value estimate of the improved property at the time the fee is collected and based on the current rate of return on the District's investments. The deposit balance accrues interest and provides a source of operational revenue for the District and is amortized on a straight-line basis over 40 years. This unearned revenue source may be used for capital facilities in the future if approved by the Board.

s. Net Position:

In the Statement of Net Position, net position is classified in the following categories:

- Net investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- Restricted net position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
- Unrestricted net position - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

t. Net Position Flow Assumptions:

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the Statement of Net Position, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied.

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

u. Operating Revenues and Expenses:

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

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

v. Property Taxes and Assessments:

The Orange County Assessor's Office assesses all real and personal property within the County each year. The Orange County Tax Collector's Office bills and collects the District's share of property taxes and assessments. The Orange County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property taxes in California are levied in accordance with Article XIII A of the State Constitution at 1% of countywide assessed valuations. This levy is allocated pursuant to state law to the appropriate units of local governments.

Property taxes receivable at year-end are related to property taxes collected by the Orange County Tax Collector which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

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

w. Water and Sewer Sales:

The District recognizes water and sewer service charges based on cycle billings rendered to the customers each month.

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

x. Capital Contributions:

Capital contributions represent cash and capital asset additions contributed to the District by property owners or real estate developers desiring services that require capital expenditures or capacity commitment.

y. Pensions:

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

z. Budgetary Policies:

The District adopts annual nonappropriated budget for planning, control and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

aa. Use of Estimates:

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management's best estimates and judgments. Accordingly, actual results could differ from the estimates.

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

2. CASH AND INVESTMENTS:

**Cash and Investments:**

Cash and investments as of June 30, 2015 are reported in the accompanying statement of net position as follows:

Unrestricted Current Assets:

Cash and cash equivalents	\$ 24,026,870
Investments	7,283,882

Restricted Assets:

Cash and cash equivalents	55,756
Investments	<u>2,121,768</u>

Total Cash and Investments	<u>\$ 33,488,276</u>
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Cash and investments as of June 30, 2015 consisted of the following:

Cash on hand	\$ 1,250
Deposits with financial institutions	1,060,724
Investments	<u>32,426,302</u>

Total Cash and Investments	<u>\$ 33,488,276</u>
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YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

2. CASH AND INVESTMENTS (Continued):

**Investments Authorized by the California Government Code and the District's Investment Policy:**

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

This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio *</u>	<u>Maximum Investment in One Issuer</u>	<u>Minimum Credit Rating</u>
Bank or Savings and Loans	5 years	None	None	FDIC or FSLIC
Negotiable Certificates of Deposit	5 years	30%	None	A and FDIC/ collateralized
Local Agency Investment Fund (LAIF) Orange County Commingled Investment Pool	N/A	None	None	N/A
California Asset Management Program	N/A	(1)	None	N/A
United States Treasury Bills, Notes and Bonds	5 years	None	None	N/A
United States Government Sponsored Agency Securities	5 years	None	None	N/A
Corporate Bonds	5 years	30%	None	A
Bankers Acceptances	180 days	10%	5%	A-1
Commercial Paper	270 days	25%	5%	A-1
CalTRUST Investment Pool	N/A	None	None	N/A
Money Market Funds	N/A	20%	10%	N/A

\* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

(1) Limited to bond proceeds held by the District.

N/A - Not Applicable

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

**Investments Authorized by Debt Agreements:**

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
Cash	None	None	None
United States Treasury Bills, Notes and Bonds	None	None	None
United States Treasury Obligations	None	None	None
Resolution Funding Corp. (REFCORP)	None	None	None
Prefunded Municipal Bonds	None	None	None
United States Government Sponsored Agency Securities	None	None	None
Commercial Paper	None	None	None
Money Market Funds	None	None	None
Certificates of Deposits	None	None	None
Guaranteed Investment Contracts	None	None	None
Bankers Acceptance	1 year	None	None
Repurchase Agreements	30 days	None	None
Local Agency Investment Fund	None	None	None

**Disclosures Relating to Interest Rate Risk:**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations.

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

**Disclosures Relating to Interest Rate Risk (Continued):**

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2015.

Investment Type	Remaining Maturity (in Months)					Totals
	12 Months or Less	13 to 24 Months	25 to 36 Months	37 to 48 Months	48 to 60 Months	
CalTRUST Investment Pool	\$ 13,855,071	\$ -	\$ -	\$ -	\$ -	\$13,855,071
LAIF	9,165,581	-	-	-	-	9,165,581
United States Government						
Sponsored Agency Securities	-	-	2,491,785	-	-	2,491,785
Negotiable Certificates of Deposit	249,829	499,418	4,042,850	-	-	4,792,097
Held by bond trustee:						
United States Government						
Sponsored Agency Securities	-	2,121,768	-	-	-	2,121,768
	<u>\$ 23,270,481</u>	<u>\$ 2,621,186</u>	<u>\$ 6,534,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$32,426,302</u>

**Disclosures Relating to Credit Risk:**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following table are the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual Standard and Poor's credit rating as of June 30, 2015 for each investment type.

Investment Type	Minimum Legal Rating	Total	Not	
			Rated	AA+
CalTRUST Investment Pool	N/A	\$13,855,071	\$13,851,694	\$ 3,377
LAIF	N/A	9,165,581	9,165,581	-
United States Government				
Sponsored Agency Securities	N/A	2,491,785	-	2,491,785
Negotiable Certificates of Deposit	N/A	4,792,097	4,792,097	-
Held by bond trustee:				
United States Government				
Sponsored Agency Securities	N/A	2,121,768	-	2,121,768
		<u>\$32,426,302</u>	<u>\$27,809,372</u>	<u>\$ 4,616,930</u>

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

**Concentration of Credit Risk:**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code with the exception of banker's acceptances, commercial paper and money market funds which are limited to an investment in any one issuer of 5%, 5% and 10%, respectively.

**Custodial Credit Risk:**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and CalTRUST Investment Pool).

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.

As of June 30, 2015, all of the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

**Investment in State Investment Pool:**

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's prorate share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

**Investment in CalTRUST Investment Pool:**

CalTRUST is a Joint Powers Agency Authority created by local public agencies to provide a convenient method for local public agencies to pool their assets for investment purposes. CalTRUST is governed by a Board of Trustees made up of experienced local agency treasurers and investment officers. The Board sets overall policies for the program and selects and supervises the activities of the investment manager and other agents. CalTRUST maintains and administers four pooled accounts within the program: Money Market, Short-Term, Medium-Term and Long-Term. The Money Market account permits daily transactions, with same-day liquidity (provided redemption requests are received by 1:00 p.m. Pacific time), with no limit on the amount of funds that may be invested. The Short-Term account permits an unlimited number of transactions per month (with prior day notice), with no limit on the amount of funds that may be invested. The Medium- and Long-Term accounts permit investments, withdrawals and transfers once per month, with five days advance notice. All CalTRUST accounts comply with the limits and restrictions placed on local agency investments by the California Government Code. CalTRUST imposes a \$250,000 minimum investment; however, there is no maximum limit. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's percentage interest of the fair value provided by CalTRUST for the CalTRUST accounts (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CalTRUST.

3. RESTRICTED ASSETS:

Restricted assets were provided by, and are to be used for the following as of June 30, 2015:

<u>Source</u>	<u>Use</u>	<u>Amount</u>
Bond proceeds	Repayment of debt	<u>\$ 2,177,524</u>

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

4. CAPITAL ASSETS:

Changes in capital assets for the year ended June 30, 2015 is as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land, mineral and water rights	\$ 287,419	\$ -	\$ -	\$ 287,419
Construction in progress	<u>6,609,895</u>	<u>1,892,905</u>	<u>(5,256,291)</u>	<u>3,246,509</u>
Total capital assets, not being depreciated	<u>6,897,314</u>	<u>1,892,905</u>	<u>(5,256,291)</u>	<u>3,533,928</u>
Capital assets, being depreciated:				
Source of supply	6,096,155	-	-	6,096,155
Pumping plant	24,312,697	1,291,534	-	25,604,231
Water treatment plant	3,130,572	-	-	3,130,572
Transmission and distribution plant	213,847,580	3,871,489	-	217,719,069
General plant	<u>20,459,792</u>	<u>481,182</u>	<u>(113,540)</u>	<u>20,827,434</u>
Total capital assets, being depreciated	<u>267,846,796</u>	<u>5,644,205</u>	<u>(113,540)</u>	<u>273,377,461</u>
Less accumulated depreciation for:				
Source of supply	(2,146,918)	(168,655)	-	(2,315,573)
Pumping plant	(6,640,072)	(915,771)	-	(7,555,843)
Water treatment plant	(1,356,254)	(197,191)	-	(1,553,445)
Transmission and distribution plant	(56,992,184)	(4,976,501)	-	(61,968,685)
General plant	<u>(8,105,805)</u>	<u>(1,174,468)</u>	<u>113,540</u>	<u>(9,166,733)</u>
Total accumulated depreciation	<u>(75,241,233)</u>	<u>(7,432,586)</u>	<u>113,540</u>	<u>(82,560,279)</u>
Total capital assets, being depreciated, net	<u>192,605,563</u>	<u>(1,788,381)</u>	<u>-</u>	<u>190,817,182</u>
Total capital assets, net	<u>\$ 199,502,877</u>	<u>\$ 104,524</u>	<u>\$ (5,256,291)</u>	<u>\$ 194,351,110</u>

Depreciation expense for the depreciable capital assets was \$7,432,586 in 2015.

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

5. LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2015 were as follows:

	Balance <u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2015</u>	Due Within <u>One Year</u>
Certificates of Participation:					
2008 Revenue Certificates					
of Participation	\$ 31,365,000	\$ -	\$ (735,000)	\$ 30,630,000	\$ 765,000
2012A Refunding Certificates					
of Participation	<u>8,070,000</u>	<u>-</u>	<u>(275,000)</u>	<u>7,795,000</u>	<u>280,000</u>
Subtotal	39,435,000	-	(1,010,000)	38,425,000	1,045,000
Add (Less):					
2008 Premium	625,275	-	(26,420)	598,855	-
2012A Premium	<u>910,324</u>	<u>-</u>	<u>(47,704)</u>	<u>862,620</u>	<u>-</u>
Total Certificates					
of Participation	40,970,599	-	(1,084,124)	39,886,475	1,045,000
Line of credit	4,642,656	1,351,443	-	5,994,099	-
Compensated absences	<u>1,047,342</u>	<u>735,888</u>	<u>(578,635)</u>	<u>1,204,595</u>	<u>301,149</u>
 Total	 <u>\$ 46,660,597</u>	 <u>\$ 2,087,331</u>	 <u>\$ (1,662,759)</u>	 <u>\$ 47,085,169</u>	 <u>\$ 1,346,149</u>

**2008 Revenue Certificates of Participation:**

In February 2008, the District issued \$34,995,000 2008 Revenue Certificates of Participation for the purpose of financing the 2008 Capital Improvement Projects. The Certificates bear interest ranging from 4% to 5%, payable semiannually on April 1 and October 1. The Term Certificates of \$10,885,000 are due on October 1, 2038. The legal reserve requirement is \$2,147,096. At June 30, 2015 the reserve fund had a balance of \$2,153,538. At June 30, 2015 the 2008 Certificates outstanding balance was \$30,630,000.

The Certificates are obligations of the Corporation payable solely from payments received from the District pursuant to the Installment Purchase Agreement, by and between the District and the Corporation. The Installment Purchase Agreement requires the District to fix, prescribe and collect rates and charges for the water service which will be at least sufficient to yield during each fiscal year net revenues equal to 110% of the debt service for such fiscal year. For fiscal year 2015, the net revenues equal to 233% of the debt service.

The Certificates of Participation are subject to federal arbitrage regulations. The District calculated no arbitrage rebate due as of March 2013.

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

5. LONG-TERM LIABILITIES (CONTINUED):

**2008 Revenue Certificates of Participation (Continued):**

The annual debt service requirements for the 2008 Revenue Certificates of Participation outstanding at June 30, 2015 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 765,000	\$ 1,364,596	\$ 2,129,596
2017	795,000	1,333,396	2,128,396
2018	825,000	1,300,996	2,125,996
2019	860,000	1,267,296	2,127,296
2020	895,000	1,232,196	2,127,196
2021 - 2025	5,040,000	5,582,601	10,622,601
2026 - 2030	6,170,000	4,413,004	10,583,004
2031 - 2035	7,675,000	2,861,764	10,536,764
2036 - 2039	<u>7,605,000</u>	<u>783,375</u>	<u>8,388,375</u>
Subtotal	<u>\$ 30,630,000</u>	<u>\$ 20,139,224</u>	<u>\$ 50,769,224</u>

**2012A Refunding Certificates of Participation:**

In September 2012, the District issued \$8,330,000 of Revenue Refunding Certificates of Participation, Series 2012A. The 2012A Certificates were issued to provide funds (1) to advance refund all of the currently outstanding District Certificates of Participation Series 2003 and (2) to pay costs of issuance of the 2012A Bonds. The District completed the refunding to reduce its total debt service payments over the next 21 years by over \$1.72 million, resulting in an economic gain (difference between the present value of the old and new debt service payments) of over \$1.32 million. The 2003 Certificates were paid off in October 2012.

The Certificates bear interest ranging from 2% to 5%, payable semiannually on April 1 and October 1. There is no reserve requirement for the 2012A Certificates of Participation.

The Certificates are obligations of the Corporation payable solely from payments received from the District pursuant to the Installment Purchase Agreement, by and between the District and the Corporation. The Installment Purchase Agreement requires the District to fix, prescribe and collect rates and charges for the water service which will be at least sufficient to yield during each fiscal year net revenues equal to 110% of the debt service for such fiscal year. For fiscal year 2015, the net revenues equal to 233% of the debt service.

The Certificates of Participation are subject to federal arbitrage regulations. The District has no arbitrage calculation due until September 2017.

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

5. LONG-TERM LIABILITIES (CONTINUED):

**2012A Refunding Certificates of Participation (Continued):**

The annual debt service requirements for the 2012A Revenue Refunding Certificates of Participation outstanding at June 30, 2015 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 280,000	\$ 311,962	\$ 591,962
2017	285,000	303,487	588,487
2018	295,000	293,312	588,312
2019	310,000	281,212	591,212
2020	315,000	268,712	583,712
2021 - 2025	1,810,000	1,119,216	2,929,216
2026 - 2030	2,300,000	619,965	2,919,965
2031 - 2033	<u>2,200,000</u>	<u>143,083</u>	<u>2,343,083</u>
Subtotal	<u>\$ 7,795,000</u>	<u>\$ 3,340,949</u>	<u>\$ 11,135,949</u>

**Line of Credit:**

On September 24, 2012, the District established a \$7,000,000 Line of Credit (Line) pursuant to a line of credit agreement (Credit Agreement) with Wells Fargo Bank, NA. The Line is subordinate to the 2008 Revenue Certificates of Participation and the Revenue Refunding Bonds, Series 2012A and borrowings from it are due and payable by September 30, 2016, though the maturity date can be extended by request of the District and agreement by the bank. The Line has an interest rate equal to One-Month LIBOR + 0.90%, with an annual unused commitment fee of 0.35%. As of June 30, 2015, the District has drawn down \$5,994,099 of the available line and has incurred \$60,538 of interest expense and fees.

The Credit Agreement requires the District to fix, prescribe and collect rates and charges for the water service which will be at least sufficient to yield during each fiscal year net revenues equal to 110% of the debt service for such fiscal year. For fiscal year 2015, the net revenues equal to 236% of the debt service.

**Compensated Absences:**

Compensated absences are comprised of unpaid vacation leave, sick leave and compensating time off which are accrued as earned. (See Note 1n).

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

6. OTHER POST EMPLOYMENT BENEFITS (OPEB):

a. Plan Description:

The District, through a single employer defined benefit plan, provides post-employment health care benefits. Specifically, the District provides health (medical, dental and vision) insurance for its retired employees and directors, their dependent spouses (if married and covered on the District's plan at time of retirement), or survivors in accordance with Board resolutions. Medical coverage is provided for retired employees who are age 50 or over and who have a minimum of 5 years service with the District. The District pays 100% of the premium for the retiree and two-thirds of the premium amount for eligible dependents accrued at a rate of one year for every three years of service. Two-thirds of the premium amount of medical coverage is provided for the surviving spouse of retired employees for the remaining vested period. The plan does not provide a publicly available financial report.

b. Funding Policy:

The contribution requirements of plan members and the District are established and may be amended by the District, District's Board of Directors, and/or the employee associations. Currently, contributions are not required from plan members. The District has established a trust to fund future OPEB benefits. For the year ended June 30, 2015, the District made a contribution of \$192,919 to the OPEB trust.

c. Annual OPEB Cost and Net OPEB Asset:

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities of the plan over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 187,756
Interest on net OPEB asset	(10,073)
Adjustment to annual required contribution	<u>11,479</u>
Annual OPEB cost (expense)	189,162
Actual contributions made	<u>(192,919)</u>
Increase in net OPEB asset	(3,757)
Net OPEB asset - beginning of year	<u>(138,943)</u>
Net OPEB asset - end of year	<u>\$ (142,700)</u>

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

6. OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED):

c. Annual OPEB Cost and Net OPEB Asset (Continued):

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for the years ended June 30, 2015, 2014 and 2013 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Asset
6/30/13	\$ 170,501	163.87%	\$ (140,364)
6/30/14	189,177	99.25%	(138,943)
6/30/15	189,162	101.99%	(142,700)

d. Funded Status and Funding Progress:

As of July 1, 2013, the most recent actuarial valuation date, the plan was 28.36 percent funded. The actuarial accrued liability for benefits was \$1,896,791, and the actuarial value of assets was \$537,913, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,358,878. Assets were valued using a five year smoothing formula with a 20% corridor around market value. The covered payroll (annual payroll of active employees covered by the plan) was \$5,200,000 and the ratio of the UAAL to the covered payroll was 26.13%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

6. OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED):

e. Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. 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. In the July 1, 2013 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included an inflation rate of 2.75% per annum, an investment return of 7.25% per annum, a projected salary increase of 2.75% per annum and a health inflation rate of 4.0% per annum. The District is using the level percentage of payroll method to allocate amortization cost by year and a closed 30 year period for the initial unfunded actuarial accrued liability and an open 30 year amortization for any residual unfunded actuarial accrued liabilities.

7. PENSION PLANS:

a. General Information about the Pension Plans:

**Plan Descriptions:**

All qualified permanent and probationary employees are eligible to participate in the District's 2.0% at 55 (Tier I), 2.0% at 60 (Tier II), and 2.0% at 62 (Tier III PEPRA) Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided:**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age fifty (50) with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five (5) years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

7. PENSION PLANS (CONTINUED):

a. General Information about the Pension Plans (Continued):

**Benefits Provided (Continued):**

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous		
	Tier I Prior to December 22, 2011	Tier II On or After December 22, 2011	Tier III - PEPR On or After January 1, 2013
Hire date	2% @55	2% @60	2% @62
Benefit formula	5 years of service	5 years of service	5 years of service
Benefit vesting schedule	monthly for life	monthly for life	monthly for life
Benefit payments	50 - 63	50 - 63	52 - 67
Retirement age	1.426% to 2.418%	1.092% to 2.418%	1.0% to 2.5%
Monthly benefits, as a % of eligible compensation	7%	7%	6.25%
Required employee contribution rates	10.781%	8.486%	6.25%
Required employer contribution rates			

**Contributions:**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for all Plans were as follows:

	Miscellaneous
Contributions - employers	\$ 673,736
Contributions - employee (paid by employer)	\$ -

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

7. PENSION PLANS (CONTINUED):

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of all Plans as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	<u>\$ 5,092,626</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for all Plans as of June 30, 2013 and 2014 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2013	0.21237%
Proportion - June 30, 2014	0.20606%
Change - Increase (Decrease)	-0.00631%

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

7. PENSION PLANS (CONTINUED):

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

For the year ended June 30, 2015, the District recognized pension expense of \$519,031. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 587,176	\$ -
Differences between actual and expected experience	-	-
Change in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(99,607)
Net differences between projected and actual earnings on plan investments	-	(1,711,358)
Total	\$ 587,176	\$ (1,810,965)

\$587,176 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2016	\$ (463,413)
2017	(463,413)
2018	(456,301)
2019	(427,838)
2020	-
Thereafter	-

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

7. PENSION PLANS (CONTINUED):

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

**Actuarial Assumptions:**

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

**Discount Rate:**

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

7. PENSION PLANS (CONTINUED):

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

**Discount Rate (Continued):**

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as a change in the methodology occurs.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

7. PENSION PLANS (CONTINUED):

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

**Discount Rate (Continued):**

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

7. PENSION PLANS (CONTINUED):

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

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:**

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

	<u>Miscellaneous</u>
1% Decrease	6.50%
Net Pension Liability	\$ 9,073,486
Current Discount Rate	7.50%
Net Pension Liability	\$ 5,092,626
1% Increase	8.50%
Net Pension Liability	\$ 1,788,891

**Pension Plan Fiduciary Net Position:**

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

- c. Payable to the Pension Plan:

At June 30, 2015, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

8. NET INVESTMENT IN CAPITAL ASSETS:

The balance of net investment in capital assets consisted of the following as of June 30, 2015:

Capital assets, net of accumulated depreciation	\$ 194,351,110
Certificates of participation - current	(1,045,000)
Certificates of participation - long-term	(38,841,475)
Unspent debt proceeds	2,177,524
Deferred amount on refunding	<u>450,051</u>
Net investment in capital assets	<u>\$ 157,092,210</u>

9. RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. In an effort to manage its risk exposure, the District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (the Authority).

The Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

At June 30, 2015, as a member of the Authority, the District participated in the insurance programs as follows:

- General and auto liability, public officials and employee's error and omissions: Total risk financing self-insurance limits of \$2,000,000, combined single limit at \$2,000,000 per occurrence. The Authority purchases additional excess coverage layers: \$58 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.
- Employee dishonesty coverage up to \$100,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages, subject to a \$1,000 deductible per occurrence.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis. The District's Retrospective Allocation Point (deductible) is \$25,000 per occurrence. The Authority is self-insured for the first \$100,000, and purchases excess coverage up to \$150 million limited to insurable value, subject to a \$1,000 deductible, except for a \$500 deductible on vehicles.

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

9. RISK MANAGEMENT (CONTINUED):

- Boiler and machinery coverage for the replacement cost up to \$150 million per occurrence limited to insurable value, subject to various deductibles depending on the type of equipment.
- Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law. The Authority is self-insured to \$2,000,000 and has purchased excess insurance to the statutory limit.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ended 2015, 2014, and 2013. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no claims payable as of June 30, 2015, 2014 and 2013.

10. PRE-ANNEXATION AGREEMENT:

In June 2008, the District entered into a pre-annexation agreement with Placentia Yorba Linda Unified School District (PYLUSD) whereby the District intends to provide access to water and sewer service to the PYLUSD for the benefit of a property that PYLUSD wishes to develop for public high school use. Per the agreement, PYLUSD agreed to fund additional District reservoir improvements equal to the cost of constructing additional 450,000 gallons of reservoir storage. The cost for the additional water storage was estimated to be approximately \$1.50 per gallon, resulting in a total approximate cost of \$675,000. PYLUSD paid the District \$32,500 within 30 days of execution of the agreement. The remaining balance is payable over a nine-year period at an annual interest rate of 4%. Annual payments of \$81,704, which include principal and interest, started in the fiscal year ended June 30, 2010. The remaining outstanding balance at June 30, 2015 was \$226,741 plus interest receivable of \$18,375. The current portion of the note receivable and interest receivable as of June 30, 2015 is \$72,634 and \$9,070, respectively. As of June 30, 2015 the District reservoir improvements have been completed. The District has completed its obligation in its entirety and has earned the rights to the entire amount. Therefore, the outstanding balance is recorded in the District's books as a note receivable.

YORBA LINDA WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

11. COMMITMENTS AND CONTINGENCIES:

**Construction Contracts:**

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and advances for construction. The District has committed to approximately \$418,479 of open construction contracts as of June 30, 2015. Construction contracts include:

Project Name	Total Approved Contract	Construction Costs to Date	Balance to Complete
Well No. 21	\$ 147,258	\$ 113,726	\$ 33,532
Lakeview Grade Separation	250,000	-	250,000
YLWD-Fairmont/Zone 5 BPS Project	657,588	557,440	100,148
Richfield Road Pipeline	<u>87,966</u>	<u>53,167</u>	<u>34,799</u>
	<u>\$ 1,142,812</u>	<u>\$ 724,333</u>	<u>\$ 418,479</u>

**Litigation:**

The District is a defendant in certain legal actions arising in the normal course of operations. In the opinion of management and legal counsel, any liability resulting from these actions will not result in a material adverse effect on the District's financial statements.

12. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS:

The implementation of GASB Statement Numbers 68 and 71 requires reporting the net pension liability of the District's defined benefit pension plans in the financial statements and is applied retroactively by restating the net position as of the beginning of the fiscal year. The implementation of GASB Numbers 68 and 71 resulted in a reduction of net position by \$6,420,251 as of July 1, 2014.

13. SUBSEQUENT EVENTS:

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through October 29, 2015, the date the financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY INFORMATION**

YORBA LINDA WATER DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years\*

	<u>2015</u>
Plan's proportion of the net pension liability	0.08184%
Plan's proportionate share of the net pension liability	\$ 5,092,626
Plan's covered - employee payroll	\$ 5,054,265
Plan's proportionate share of the net pension liability as a percentage of its covered - employee payroll	100.76%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	83.03%
Plan's proportionate share of aggregate employer contributions	\$ 673,737

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There were no changes in assumptions.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

YORBA LINDA WATER DISTRICT

SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years\*

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 587,176
Contributions in relation to the actuarially determined contributions	<u>(587,176)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered - employee payroll	\$ 5,564,327
Contributions as a percentage of covered - employee payroll	-10.55%

Notes to Schedule:

Valuation Date 6/30/2012

Methods and Assumptions Used to Determine Contribution Rates:

Cost-sharing employers	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 year fixed with 5 year ramp up at beginning and 5 year ramp down at the end of the amortization period. Changes in liability for plan amendments, changes in actuarial methodology and assumptions are amortized over a 20 year period.
Asset valuation method	Market
Inflation	3.50%
Salary increases	3.30% to 14.20% depending on age, service, and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	50 years (2%@55 and 2%@60), 52 years (2%@62)
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

YORBA LINDA WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2015

**OTHER POST-EMPLOYMENT BENEFIT PLAN  
SCHEDULE OF FUNDING PROGRESS**

**Retiree Health Plan**

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Actuarial Accrued Liability (UAAL) (a) - (b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(a)-(b)]/(c)
03/01/2011	\$ 1,594,667	\$ -	\$ 1,594,667	0.00%	\$ 5,044,860	31.61%
06/30/2011	\$ 1,597,488	\$ 164,291	\$ 1,433,197	10.28%	\$ 4,773,686	30.02%
07/01/2013	\$ 1,896,791	\$ 537,913	\$ 1,358,878	28.36%	\$ 5,200,000	26.13%

**SUPPLEMENTARY INFORMATION**

YORBA LINDA WATER DISTRICT

COMBINING SCHEDULE OF NET POSITION

June 30, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Water	Sewer	Totals
CURRENT ASSETS:			
UNRESTRICTED ASSETS:			
Cash and cash equivalents	\$ 20,268,232	\$ 3,758,638	\$ 24,026,870
Investments	7,085,194	198,688	7,283,882
Accounts receivable - water and sewer services	3,171,976	170,757	3,342,733
Accounts receivable - property taxes	14,540	1,628	16,168
Note receivable	72,634	-	72,634
Accrued interest receivable	34,160	2,403	36,563
Prepaid expenses and deposits	270,984	-	270,984
Inventory	262,162	-	262,162
<b>TOTAL UNRESTRICTED ASSETS</b>	<b>31,179,882</b>	<b>4,132,114</b>	<b>35,311,996</b>
RESTRICTED ASSETS:			
Cash and cash equivalents	55,756	-	55,756
Investments	2,121,768	-	2,121,768
<b>TOTAL RESTRICTED ASSETS</b>	<b>2,177,524</b>	<b>-</b>	<b>2,177,524</b>
<b>TOTAL CURRENT ASSETS</b>	<b>33,357,406</b>	<b>4,132,114</b>	<b>37,489,520</b>
NONCURRENT ASSETS:			
Capital assets:			
Non-depreciable	3,272,009	261,919	3,533,928
Depreciable, net of accumulated depreciation	152,637,495	38,179,687	190,817,182
Note receivable	154,107	-	154,107
Other post-employment benefit (OPEB) asset	132,711	9,989	142,700
<b>TOTAL NONCURRENT ASSETS</b>	<b>156,196,322</b>	<b>38,451,595</b>	<b>194,647,917</b>
<b>TOTAL ASSETS</b>	<b>189,553,728</b>	<b>42,583,709</b>	<b>232,137,437</b>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred amount from pension plans	519,786	67,390	587,176
Deferred loss on refunding	450,051	-	450,051
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>969,837</b>	<b>67,390</b>	<b>1,037,227</b>

YORBA LINDA WATER DISTRICT

COMBINING SCHEDULE OF NET POSITION  
(CONTINUED)

June 30, 2015

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	Water	Sewer	Totals
CURRENT LIABILITIES:			
PAYABLE FROM UNRESTRICTED CURRENT ASSETS:			
Accounts payable	\$ 3,422,231	\$ 33,971	\$ 3,456,202
Accrued expenses	280,197	-	280,197
Compensated absences payable - current portion	301,149	-	301,149
Customer and construction deposits	376,060	41,932	417,992
Unearned revenue	342,064	-	342,064
Accrued interest payable	424,015	-	424,015
TOTAL PAYABLE FROM UNRESTRICTED CURRENT ASSETS	<u>5,145,716</u>	<u>75,903</u>	<u>5,221,619</u>
PAYABLE FROM RESTRICTED ASSETS:			
Certificates of Participation - current portion	<u>1,045,000</u>	<u>-</u>	<u>1,045,000</u>
TOTAL PAYABLE FROM RESTRICTED ASSETS	<u>1,045,000</u>	<u>-</u>	<u>1,045,000</u>
TOTAL CURRENT LIABILITIES	<u>6,190,716</u>	<u>75,903</u>	<u>6,266,619</u>
LONG-TERM LIABILITIES (LESS CURRENT PORTION):			
Unearned annexation revenue	13,642,769	-	13,642,769
Compensated absences	903,446	-	903,446
Payable on line of credit	5,994,099	-	5,994,099
Certificates of Participation	38,841,475	-	38,841,475
Net pension liability	4,508,143	584,483	5,092,626
TOTAL LONG-TERM LIABILITIES (LESS CURRENT PORTION)	<u>63,889,932</u>	<u>584,483</u>	<u>64,474,415</u>
TOTAL LIABILITIES	<u>70,080,648</u>	<u>660,386</u>	<u>70,741,034</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred amounts from pension plans	<u>1,603,120</u>	<u>207,845</u>	<u>1,810,965</u>
NET POSITION:			
Net investment in capital assets	118,650,604	38,441,606	157,092,210
Unrestricted	<u>189,193</u>	<u>3,341,262</u>	<u>3,530,455</u>
TOTAL NET POSITION	<u>\$ 118,839,797</u>	<u>\$ 41,782,868</u>	<u>\$ 160,622,665</u>

YORBA LINDA WATER DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION

For the year ended June 30, 2015

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
OPERATING REVENUES:			
Water sales	\$ 26,446,618	\$ -	\$ 26,446,618
Sewer revenues	-	1,775,676	1,775,676
Other operating revenues	1,312,235	148,871	1,461,106
	<u>27,758,853</u>	<u>1,924,547</u>	<u>29,683,400</u>
TOTAL OPERATING REVENUES			
OPERATING EXPENSES:			
Variable water costs	12,733,762	-	12,733,762
Personnel services	6,885,991	892,772	7,778,763
Supplies and services	3,482,354	324,546	3,806,900
Depreciation	6,088,966	1,343,620	7,432,586
	<u>29,191,073</u>	<u>2,560,938</u>	<u>31,752,011</u>
TOTAL OPERATING EXPENSES			
OPERATING LOSS	<u>(1,432,220)</u>	<u>(636,391)</u>	<u>(2,068,611)</u>
NONOPERATING REVENUES (EXPENSES):			
Property taxes	1,496,489	-	1,496,489
Investment income	168,872	18,444	187,316
Interest expense	(1,683,039)	-	(1,683,039)
Other nonoperating revenues	715,022	29,550	744,572
Other nonoperating expenses	(116,528)	-	(116,528)
	<u>580,816</u>	<u>47,994</u>	<u>628,810</u>
TOTAL NONOPERATING REVENUES (EXPENSES)			
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(851,404)	(588,397)	(1,439,801)
CAPITAL CONTRIBUTIONS	<u>547,855</u>	<u>157,993</u>	<u>705,848</u>
CHANGES IN NET POSITION	(303,549)	(430,404)	(733,953)
NET POSITION - BEGINNING OF YEAR, AS RESTATED	<u>119,143,346</u>	<u>42,213,272</u>	<u>161,356,618</u>
NET POSITION - END OF YEAR	<u>\$ 118,839,797</u>	<u>\$ 41,782,868</u>	<u>\$ 160,622,665</u>

YORBA LINDA WATER DISTRICT  
COMBINING SCHEDULE OF CASH FLOWS

For the year ended June 30, 2015

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 28,366,000	\$ 1,937,296	\$ 30,303,296
Cash payments to employees for salaries and wages	(6,807,132)	(904,952)	(7,712,084)
Cash payments to suppliers of goods and services	(17,453,632)	(361,662)	(17,815,294)
Other revenues	216,584	33,690	250,274
Other expenses	(91,640)	-	(91,640)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>4,230,180</u>	<u>704,372</u>	<u>4,934,552</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Proceeds from line of credit	1,351,443	-	1,351,443
Proceeds from property taxes and assessments	1,504,786	-	1,504,786
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>2,856,229</u>	<u>-</u>	<u>2,856,229</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from annexation fees and capital contributions	671,341	119,696	791,037
Acquisition and construction of capital assets	(1,811,063)	(178,379)	(1,989,442)
Proceeds from sales of capital assets	17,638	-	17,638
Principal paid on long-term liabilities	(1,010,000)	-	(1,010,000)
Interest paid on long-term liabilities	(1,798,933)	-	(1,798,933)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(3,931,017)</u>	<u>(58,683)</u>	<u>(3,989,700)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Sale/purchase of investments, net	(118,667)	(7,153)	(125,820)
Interest and investment earnings	163,423	17,696	181,119
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>44,756</u>	<u>10,543</u>	<u>55,299</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,200,148	656,232	3,856,380
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>17,123,840</u>	<u>3,102,406</u>	<u>20,226,246</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 20,323,988</u>	<u>\$ 3,758,638</u>	<u>\$ 24,082,626</u>

(Continued)

YORBA LINDA WATER DISTRICT

COMBINING SCHEDULE OF CASH FLOWS  
(CONTINUED)

For the year ended June 30, 2015

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating loss	\$ (1,432,220)	\$ (636,391)	\$ (2,068,611)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	6,088,966	1,343,620	7,432,586
Other revenues	216,584	33,690	250,274
Other expenses	(91,640)	-	(91,640)
Changes in operating assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	619,282	14,640	633,922
Inventory	(23,959)	-	(23,959)
Prepaid expenses and deposits	(3,723)	-	(3,723)
Other post-employment benefits (OPEB) asset	(3,494)	(263)	(3,757)
Deferred outflows of resources from pension plans	(43,436)	(5,631)	(49,067)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(1,327,991)	(41,243)	(1,369,234)
Accrued salaries and wages	17,019	-	17,019
Accrued compensated absences	157,253	-	157,253
Customer and construction deposits	106,022	2,236	108,258
Net pension liability	(1,651,603)	(214,131)	(1,865,734)
Deferred inflows of resources from pension plans	1,603,120	207,845	1,810,965
Total adjustments	<u>5,662,400</u>	<u>1,340,763</u>	<u>7,003,163</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 4,230,180</u>	<u>\$ 704,372</u>	<u>\$ 4,934,552</u>
CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION:			
Unrestricted	\$ 20,268,232	\$ 3,758,638	\$ 24,026,870
Restricted	<u>55,756</u>	<u>-</u>	<u>55,756</u>
TOTAL CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION	<u>\$ 20,323,988</u>	<u>\$ 3,758,638</u>	<u>\$ 24,082,626</u>
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:			
Amortization related to long-term debt	<u>\$ 74,124</u>	<u>\$ -</u>	<u>\$ 74,124</u>
Capital contributions	<u>\$ 221,034</u>	<u>\$ 37,297</u>	<u>\$ 258,331</u>
Note receivable paid through capital contributions	<u>\$ 245,116</u>	<u>\$ -</u>	<u>\$ 245,116</u>

YORBA LINDA WATER DISTRICT

SCHEDULE OF OPERATING EXPENSES BY COST CENTER  
AND NATURE OF EXPENSES FOR WATER AND SEWER

For the year ended June 30, 2015

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
<b>OPERATING EXPENSES:</b>			
Variable Water Costs:			
Imported water	\$ 4,939,604	\$ -	\$ 4,939,604
OCWD replenishment assessment	3,704,207	-	3,704,207
Continuous use program	1,399,994	-	1,399,994
MWD connection charge	1,207,623	-	1,207,623
Fuel and power/pumping	1,482,334	-	1,482,334
	<u>12,733,762</u>	<u>-</u>	<u>12,733,762</u>
Personnel Services:			
Unit salaries	5,070,696	647,604	5,718,300
Fringe benefits	1,745,332	239,981	1,985,313
Director's fees	69,963	5,187	75,150
	<u>6,885,991</u>	<u>892,772</u>	<u>7,778,763</u>
Supplies and Services:			
Communications	194,722	9,341	204,063
Contractual services	449,250	30,879	480,129
Data processing	169,314	8,426	177,740
District activities	15,111	1,138	16,249
Dues and memberships	68,603	5,312	73,915
Fees and permits	192,602	9,991	202,593
Insurance	249,215	12,545	261,760
Maintenance	445,838	77,719	523,557
Materials	663,744	29,321	693,065
Noncapital equipment	135,225	29,501	164,726
Office expense	46,203	3,082	49,285
Professional services	402,097	46,033	448,130
Training	42,650	5,078	47,728
Travel and conferences	32,159	2,459	34,618
Uncollectible accounts	12,135	1,891	14,026
Utilities	71,252	6,148	77,400
Vehicle expense	292,234	45,682	337,916
	<u>3,482,354</u>	<u>324,546</u>	<u>3,806,900</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><u>\$ 23,102,107</u></u>	<u><u>\$ 1,217,318</u></u>	<u><u>\$ 24,319,425</u></u>

YORBA LINDA WATER DISTRICT

SCHEDULE OF CAPITAL ASSETS

For the year ended June 30, 2015

	Water	Sewer	Totals
<b>Land, Mineral and Water Rights:</b>			
Land	\$ 78,558	\$ -	\$ 78,558
Water rights	86,300	-	86,300
Mineral rights	63,650	-	63,650
Land rights and easements	385	58,526	58,911
Total Land, Mineral and Water Rights	<u>228,893</u>	<u>58,526</u>	<u>287,419</u>
<b>Source of Supply:</b>			
Wells	5,531,788	-	5,531,788
MWD connection	564,367	-	564,367
Total Source of Supply	<u>6,096,155</u>	<u>-</u>	<u>6,096,155</u>
<b>Pumping Plant:</b>			
Structures and improvements	13,532,628	-	13,532,628
Equipment	11,640,027	431,576	12,071,603
Total Pumping Plant	<u>25,172,655</u>	<u>431,576</u>	<u>25,604,231</u>
<b>Water Treatment Plant:</b>			
Structures and improvements	1,302,811	-	1,302,811
Equipment	1,827,761	-	1,827,761
Total Water Treatment Plant	<u>3,130,572</u>	<u>-</u>	<u>3,130,572</u>
<b>Transmission and Distribution Plant:</b>			
Mains	78,048,708	46,960,666	125,009,374
Reservoirs and tanks	61,565,605	-	61,565,605
Service and meter installation	5,993,735	2,695,425	8,689,160
Fire hydrants	6,837,901	-	6,837,901
Meters	9,351,794	-	9,351,794
Fire mains	717,746	-	717,746
Structures and improvements	2,875,095	-	2,875,095
Control system	2,638,909	33,485	2,672,394
Total Transmission and Distribution Plant	<u>168,029,493</u>	<u>49,689,576</u>	<u>217,719,069</u>
<b>General Plant:</b>			
Structures and improvements	13,373,615	-	13,373,615
Transportation equipment	1,698,630	1,182,655	2,881,285
Power operated equipment	601,673	-	601,673
Communication equipment	511,268	-	511,268
Computer equipment	1,961,628	238,071	2,199,699
Office furniture	1,098,711	-	1,098,711
Tools, shops and garage equipment	96,292	-	96,292
Other	4,650	-	4,650
Store equipment	60,241	-	60,241
Total General Plant	<u>19,406,708</u>	<u>1,420,726</u>	<u>20,827,434</u>
Construction in Progress	<u>3,043,116</u>	<u>203,393</u>	<u>3,246,509</u>
Total Capital Assets	<u>\$ 225,107,592</u>	<u>\$ 51,803,797</u>	<u>\$ 276,911,389</u>

**STATISTICAL SECTION**

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YORBA LINDA WATER DISTRICT

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2015

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and the note disclosures say about the government's overall financial health.

Contents:	<u>Pages</u>
<u>Financial Trends</u> these schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	68
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the District's most significant local revenue source, water sales.	70
<u>Debt Capacity</u> these schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	72
<u>Demographic and Economic Information</u> these schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	74
<u>Operating Information</u> these schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	76

**Yorba Linda Water District  
Changes in Net Position  
Last Ten Fiscal Years**

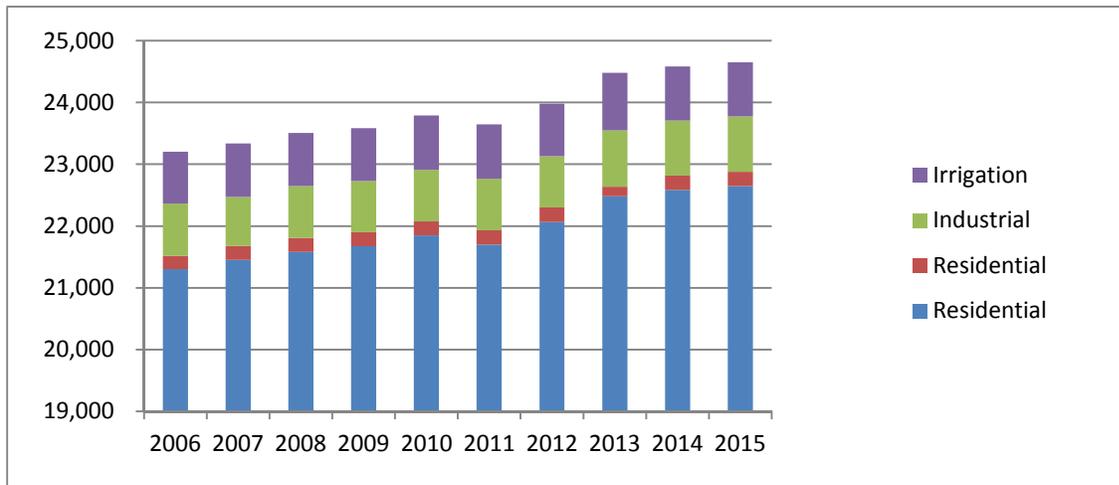
<b>Changes in Net Position:</b>	<b>Fiscal Year</b>			
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Operating Revenues				
Water Sales	\$ 26,446,618	\$ 28,376,082	\$ 26,369,940	\$ 24,998,673
Sewer Revenues	1,775,676	1,762,816	1,762,039	1,785,804
Other Operating Revenues	1,461,106	1,047,625	723,577	848,238
Operating Expenses				
Variable Water Costs	12,733,762	14,673,144	13,509,336	12,275,853
Personnel Services	7,778,763	7,529,481	7,225,729	6,979,088
Supplies and Services	3,806,900	3,849,183	4,222,398	3,811,125
Depreciation	7,432,586	7,315,084	6,884,213	6,595,720
Operating Loss	(2,068,611)	(2,180,369)	(2,986,120)	(2,029,071)
Nonoperating Revenues (Expenses)				
Property Taxes	1,496,489	1,394,722	1,340,916	1,273,855
Investment Income	187,316	145,048	137,569	277,137
Interest Expense	(1,683,039)	(1,715,429)	(1,781,416)	(1,626,190)
Bond Issuance Costs	-	-	(192,410)	-
Other Nonoperating Revenues	744,572	1,325,685	588,854	805,654
Other Nonoperating Expenses	(116,528)	(47,948)	(35,954)	(108,984)
Total Nonoperating Revenues (Expenses)	628,810	1,102,078	57,559	621,472
Net Income (Loss) Before Capital Contributions and Extraordinary Items	(1,439,801)	(1,078,291)	(2,928,561)	(1,407,599)
Capital Contributions	705,848	2,128,579	1,174,673	17,214,138
Extraordinary Items	-	5,000,000	-	(5,000,000)
<b>Changes in Net Position</b>	<b>\$ (733,953)</b>	<b>\$ 6,050,288</b>	<b>\$ (1,753,888)</b>	<b>\$ 10,806,539</b>
<b>Net Position by Component:</b>				
Net Investment in Capital Assets	\$ 157,092,210	\$ 161,159,541	\$ 161,494,158	\$ 161,672,565
Restricted	-	-	-	9,598,420
Unrestricted	3,530,455	6,617,328	232,423	(6,228,771)
<b>Total Net Position</b>	<b>\$ 160,622,665</b>	<b>\$ 167,776,869</b>	<b>\$ 161,726,581</b>	<b>\$ 165,042,214</b>

**Fiscal Year**

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 22,686,251	\$ 21,806,164	\$ 19,626,738	\$ 19,470,109	\$ 18,944,233	\$ 17,017,275
1,274,579	1,275,980	1,259,723	1,247,907	806,897	778,275
1,035,545	1,102,143	439,302	380,175	393,285	382,917
11,268,306	10,688,318	10,859,328	10,516,507	10,703,037	8,930,535
6,902,995	6,677,757	6,498,959	5,751,384	5,276,878	4,635,464
3,686,333	3,576,147	4,151,058	4,361,512	3,395,303	2,877,288
5,279,860	5,153,891	4,167,958	3,572,726	3,445,868	2,923,288
<u>(2,141,119)</u>	<u>(1,911,826)</u>	<u>(4,351,540)</u>	<u>(3,103,938)</u>	<u>(2,676,671)</u>	<u>(1,188,108)</u>
1,258,769	1,269,441	1,283,521	1,263,656	1,186,441	335,075
274,152	244,857	689,108	1,508,193	2,180,067	1,425,663
(1,172,503)	(1,170,498)	(1,469,925)	(824,387)	(468,087)	(472,163)
-	-	-	-	-	-
739,062	589,201	479,911	270,429	455,067	534,385
(406,575)	(151,300)	(177,553)	(133,604)	(138,501)	(336,649)
<u>692,905</u>	<u>781,701</u>	<u>805,062</u>	<u>2,084,287</u>	<u>3,214,987</u>	<u>1,486,311</u>
(1,448,214)	(1,130,125)	(3,546,478)	(1,019,651)	538,316	298,203
706,319	6,278,135	4,363,527	4,100,051	6,913,095	26,026,524
-	-	-	-	-	-
<u>\$ (741,895)</u>	<u>\$ 5,148,010</u>	<u>\$ 817,049</u>	<u>\$ 3,080,400</u>	<u>\$ 7,451,411</u>	<u>\$ 26,324,727</u>
\$ 146,235,362	\$ 146,877,122	\$ 141,514,024	\$ 139,677,663	\$ 121,317,296	\$ 106,376,683
12,620,256	15,797,432	14,063,802	14,523,549	23,089,201	22,274,814
(4,619,943)	(7,696,984)	(6,158,513)	(4,898,647)	1,815,668	10,119,257
<u>\$ 154,235,675</u>	<u>\$ 154,977,570</u>	<u>\$ 149,419,313</u>	<u>\$ 149,302,565</u>	<u>\$ 146,222,165</u>	<u>\$ 138,770,754</u>

**Yorba Linda Water District  
Number of Connections  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Single Family Residential</b>	<b>Multi-Family Residential</b>	<b>Commercial/Industrial</b>	<b>Irrigation</b>	<b>Direct Rate (Billing Unit)</b>
2006	21,300	217	847	838	1.57
2007	21,451	228	792	868	1.57
2008	21,580	228	840	857	1.79
2009	21,672	228	831	855	2.52
2010	21,846	228	837	877	2.52
2011	21,701	231	833	879	2.52
2012	22,064	240	829	846	2.52
2013	22,480	158	908	933	2.64
2014	22,586	230	892	876	2.70
2015	22,649	230	898	876	2.70



Source: YLWD Billing System

**Yorba Linda Water District  
Ten Largest Customers  
Current and Four Years Ago**

**FY 2015**

	<u>Customer Name</u>	<u>Business Type</u>	<u>Annual Revenues</u>	<u>% of Total Revenues</u>
1	City of Yorba Linda	Government	\$ 2,331,179	7.85%
2	Placentia-Yorba Linda USD	Government	305,915	1.03%
3	Toll Brothers	Manufacturer	131,157	0.44%
4	RRE Yorba Linda Holdings	Manufacturer	130,572	0.44%
5	The Hills at Yorba Linda	Homeowners' Assoc.	127,406	0.43%
6	Yorba Linda Villages	Homeowners' Assoc.	120,873	0.41%
7	Fairmont Hill Coummunity Assoc	Homeowners' Assoc.	190,828	0.64%
8	Lake Park Mobile Home Community	Homeowners' Assoc.	77,327	0.26%
9	Aspetic Tech	Manufacturer	65,020	0.22%
10	Woodgate Condominiums	Homeowners' Assoc.	63,688	0.21%
			<u>\$ 3,543,965</u>	<u>11.94%</u>

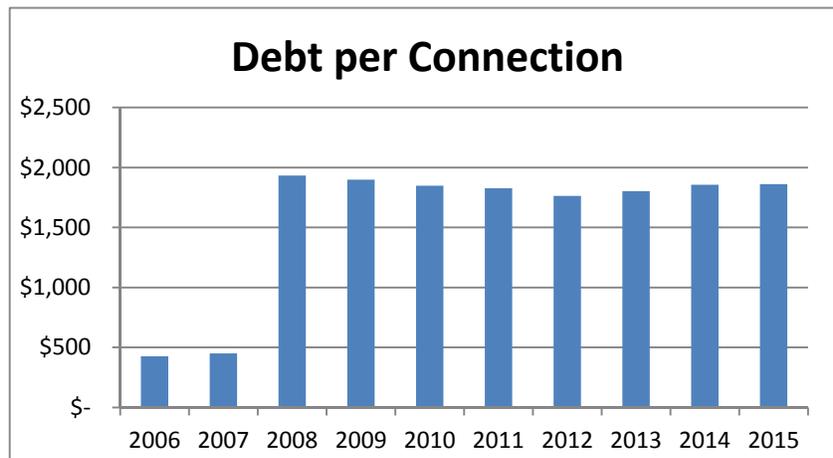
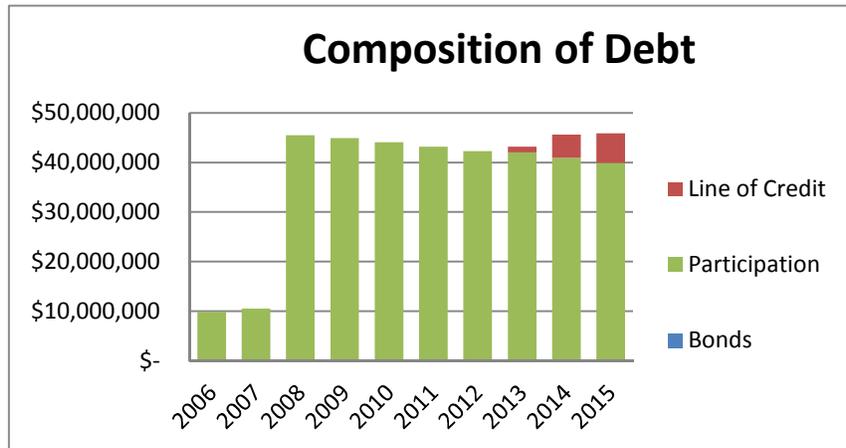
**FY 2011\***

	<u>Customer Name</u>	<u>Business Type</u>	<u>Annual Revenues</u>	<u>% of Total Revenues</u>
1	City of Yorba Linda	Government	\$ 1,614,372	6.46%
2	Placentia-Yorba Linda USD	Government	289,092	1.16%
3	Yorba Linda Villages	Homeowners' Assoc.	106,004	0.42%
4	Rancho Dominquez Assoc.	Homeowners' Assoc.	99,387	0.40%
5	Archstone Apts.	Apartment Complex	91,111	0.36%
7	Cal Water	Manufacturer	88,672	0.35%
6	Tac West Inc	Manufacturer	81,068	0.32%
8	Placentia Linda Hospital	Hospital	72,838	0.29%
9	Advanced Management	Apartment Complex	68,314	0.27%
10	St Francis of Assissi	Private School	66,345	0.27%
			<u>\$ 2,577,203</u>	<u>10.31%</u>

NOTE: \* Last available data

**Yorba Linda Water District  
Ratio of Outstanding Debt  
Last Ten Fiscal Years**

Fiscal Year	General Obligation Bonds	Wells Fargo Bank Line of Credit	Certificates of Participation	Total			As a Share of Personal Income
				Debt	Per Connection	Per Capita	
2006	\$ -	\$ -	\$ 9,873,717	\$ 9,873,717	\$ 426	139	0.38%
2007	-	-	10,540,139	10,540,139	451	149	0.41%
2008	-	-	45,502,080	45,502,080	1,932	639	1.64%
2009	-	-	44,911,092	44,911,092	1,900	629	1.51%
2010	-	-	44,065,104	44,065,104	1,848	616	1.47%
2011	-	-	43,189,117	43,189,117	1,827	599	1.47%
2012	-	-	42,278,129	42,278,129	1,764	591	1.41%
2013	-	1,171,131	42,009,722	43,180,853	1,802	588	1.35%
2014	-	4,642,656	40,970,599	45,613,255	1,858	609	1.35%
2015	-	5,994,099	39,886,475	45,880,574	1,861	620	1.33%



Source: YLWD Audited Financial Statements

**Yorba Linda Water District  
Debt Coverage  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Revenues</b>	<b>Operating &amp; Maint. Costs</b>	<b>Net Revenues</b>	<b>Debt Service</b>			<b>Coverage Ratio</b>
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2006	\$ 19,563	\$ 16,009	\$ 3,554	\$ 200	\$ 473	\$ 673	5.28
2007	23,036	18,703	4,333	205	469	674	6.43
2008	22,822	19,829	2,993	210	919	1,129	2.65
2009	22,514	20,604	1,910	570	2,051	2,621	0.73
2010	24,417	19,928	4,489	825	1,951	2,776	1.62
2011	25,912	20,845	5,067	855	1,949	2,804	1.81
2012	27,818	21,950	5,868	890	1,915	2,805	2.09
2013	27,055	23,790	3,265	925	1,985	2,910	1.12
2014	29,309	24,853	4,456	965	1,813	2,778	1.60
2015	27,759	23,102	4,657	1,010	1,714	2,724	1.71

NOTE: Excludes depreciation and debt service payments

**Yorba Linda Water District  
Demographics  
Last Ten Fiscal Years**

YLWD

<u>Year</u>	<u>Population *</u>	<u>City of YL Population</u>	<u>Personal Income</u>	<u>Personal Income per Capita</u>
2006	70,935	66,797	\$ 2,600,167,565	\$ 36,656
2007	71,258	67,904	2,772,221,232	38,904
2008	71,428	68,312	2,974,469,711	41,643
2009	71,507	68,852	2,996,211,308	41,901
2010	72,083	69,816	2,943,660,024	40,837
2011	71,520	70,681	2,993,957,236	41,862
2012	73,498	72,706	3,192,753,120	43,440
2013	74,861	65,777	3,374,570,547	45,078
2014	73,990	67,069	3,461,036,956	46,777
2015	74,787	67,826	3,451,134,500	46,146

County of Orange

<u>Year</u>	<u>Population</u>	<u>Unemployment Rate</u>	<u>Personal Income</u>	<u>Personal Income per Capita</u>
2006	3,072,336	3.2%	\$ 145,435,581	\$ 47,337
2007	3,098,121	3.9%	150,214,330	48,486
2008^	3,121,251	5.2%	157,828,108	50,566
2009^	3,139,017	9.0%	159,710,562	50,879
2010#^	3,170,721	9.8%	150,467,328	47,455
2011#^	3,192,916	8.7%	155,323,766	48,646
2012^	3,182,171	7.9%	160,637,055	50,480
2013^	3,055,792	8.5%	160,072,905	52,383
2014	3,081,804	6.2%	168,966,068	54,827
2015	3,113,991	5.4%	177,412,900	56,973

NOTES: ^ No personal income data available for County of Orange, used State of California data.

# No population data available for County of Orange, used State of California data.

Sources: City of Yorba Linda CAFR  
County of Orange CAFR  
State of California, Employment Development Department  
State of California, Department of Finance

**Yorba Linda Water District  
Ten Largest Employers  
Current and Nine Years Ago**

Employer ^	2015*		2006+	
	Employees	% of Total Labor Force	Employees	% of Total Labor Force
Placentia Linda Hospital	460	0.029 %	441	0.023 %
Nobel Biocare USA, Inc.	350	0.022 %	323	0.017 %
Viasys Respiratory Care, Inc. (CareFusion)	332	0.021 %	359	0.019 %
Costco Wholesale Corp.	260	0.016 %	204	0.011 %
Kohl's Inc.	230	0.014 %	145	0.007 %
Vons	200	0.012 %	167	0.009 %
City of Yorba Linda	171	0.011 %	180	0.009 %
Stater Brothers	135	0.008 %	129	0.007 %
Braid Group	110	0.007 %	104	0.005 %
Sunrise Retirement Homes	93	0.006 %	120	0.006 %
<b>Total</b>	<b>2,341</b>	<b>0.146 %</b>	<b>2,172</b>	<b>0.112 %</b>

NOTES: \* Most current available data

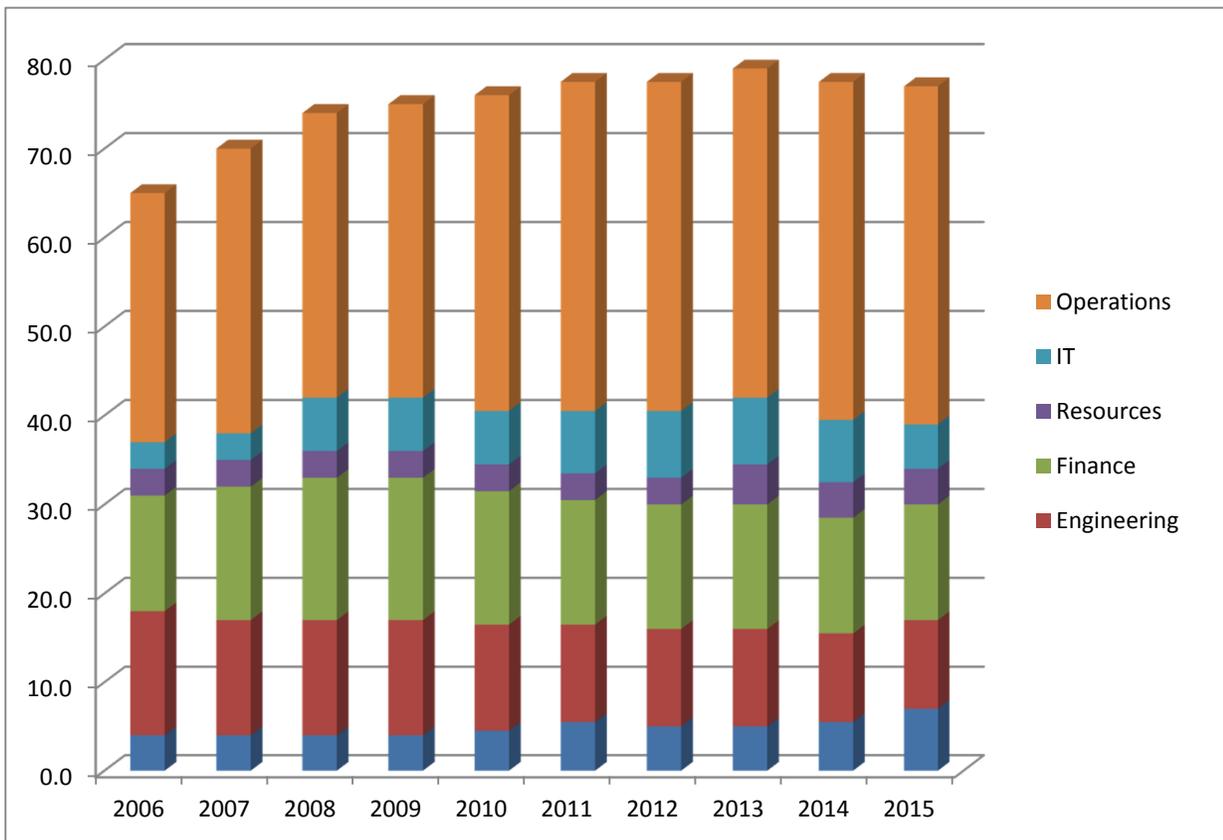
+ Oldest available data

^ The Placentia- Yorba Linda Unified School District has 2,500 employees and serves the entire communities of Yorba Linda and Placentia, and also serves parts of the Cities of Brea, Anaheim and Fullerton. YLWD cannot provide the number of employees working within the boundaries of Yorba Linda.

**Yorba Linda Water District  
Number of Employees  
Last Ten Fiscal Years**

**Full Time Equivalent Employees by Department \***

Fiscal Year	Department						Total
	Administration	Engineering	Finance	Human Resources	IT	Operations	
2006	4.0	14.0	13.0	3.0	3.0	28.0	65.0
2007	4.0	13.0	15.0	3.0	3.0	32.0	70.0
2008	4.0	13.0	16.0	3.0	6.0	32.0	74.0
2009	4.0	13.0	16.0	3.0	6.0	33.0	75.0
2010	4.5	12.0	15.0	3.0	6.0	35.5	76.0
2011	5.5	11.0	14.0	3.0	7.0	37.0	77.5
2012	5.0	11.0	14.0	3.0	7.5	37.0	77.5
2013	5.0	11.0	14.0	4.5	7.5	37.0	79.0
2014	5.5	10.0	13.0	4.0	7.0	38.0	77.5
2015	7.0	10.0	13.0	4.0	5.0	38.0	77.0



NOTE: \* Number of employees in each department are authorized and funded positions.

Source: YLWD Human Resources Department

**Yorba Linda Water District  
Operating and Capacity Indicators  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Miles of Water Mains Installed*</u>	<u>Yearly Water Production (MG)</u>	<u>Average Production (MGD)</u>	<u>Number of Field Service Calls</u>
2006	2.52	7,505	20.6	1,484
2007	9.72	8,360	22.9	1,565
2008	9.72	8,027	22.0	1,943
2009	9.72	7,590	20.8	1,674
2010	9.72	6,569	18.0	1,640
2011	2.00	6,282	17.2	1,924
2012	2.02	6,780	18.6	1,693
2013	1.10	7,099	19.4	1,561
2014	0.77	7,329	20.1	1,579
2015	1.53	6,447	17.7	1,247

<u>Fiscal Year</u>	<u>Number of Booster Pumps</u>	<u>Capacity by Booster Pump (GPM)</u>	<u>Number of Reservoirs</u>	<u>Capacity by Reservoir (MG)</u>
2006	11	43,025	11	41
2007	11	43,025	11	41
2008	11	43,025	11	41
2009	11	43,025	12	49
2010	11	43,025	12	49
2011	12	46,525	14	57
2012	12	46,525	14	57
2013	12	46,525	14	57
2014	12	46,525	14	57
2015	12	52,025	14	57

MG - Millions of Gallons

MGD - Millions of Gallons per Day

GPM - Gallon per Minute

NOTE: \* Miles of Water Main estimated

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