

YORBA LINDA WATER DISTRICT
of Yorba Linda, California

Comprehensive Annual Financial Report

WITH REPORT ON AUDIT BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

For the Year Ended June 30, 2020

Prepared by:

The Yorba Linda Water District Finance Department

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For the Fiscal Year Ended June 30, 2020
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INTRODUCTORY SECTION



Yorba Linda Water District

*Independent, Reliable and Trusted
Service for More Than 100 Years*

October 1, 2020

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, 2020. 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 the Yorba Linda Water District. Consequently, management assumes 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 misstatements. 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 District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. 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 GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR 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 81 employees. The District's Board of Directors meets on the second and fourth Tuesdays 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 81,000 and currently provides water service through approximately 25,350 residential, commercial, and light industrial connections.

Mission/Vision Statement and Major Initiatives

The activities of the Board and District staff are driven by its Mission Statement: "Yorba Linda Water District will provide reliable water and sewer services to protect public health and the environment with financial integrity and superior customer service," and its Vision Statement: "Yorba Linda Water District will accomplish its mission to improve the quality of life for those we serve by: embracing proven technology; improving customer satisfaction; providing efficient and responsive operations; ensuring reliable infrastructure." The Mission and Vision Statements dictate the following six 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. We maintain a commitment of courtesy, assessment and resolution with all customer concerns.
4. **Transparency** – We listen to our customers and communicate openly about our policies, processes, and plans for the future.
5. **Teamwork** –We work together by sharing information and resources to achieve common goals.

6. **Respect** – We ensure every voice, of the District, is treated with dignity and civility; differences are valued and individual abilities and contributions are recognized.

District Services

Residential customers make up approximately 93% of the District's customer base and consume approximately 75% of the water provided annually by the District.

The District's service area is known for having larger than average residential lots and a network of horse trails. The City of Yorba Linda's median income is approximately 54% greater than the overall median income for Orange County, as reported by 2016-17 Census data.

The District's service area borders Chino Hills State Park to the north and the Santa Ana River to the south, encompassing the cities of Yorba Linda, portions of Placentia, Brea, Anaheim and unincorporated Orange County. The complex system of pipes, valves, pressure control stations, pump stations and reservoirs are strategically located throughout the service area to provide reliable, high quality drinking water to the customers while transporting wastewater away to Orange County Sanitation District's (OCSD) treatment plants.

The District's water supplies come from two sources: local groundwater and imported water. Approximately 77% comes from groundwater basins managed by Orange County Water District (OCWD). OCWD sets a maximum percentage of water that can be pumped from the ground, the Basin Production Percentage (BPP). The remaining 23% is purchased through the Municipal Water District of Orange County (MWDOC). MWDOC, in turn, purchases water from the State Water Project (Northern California source) and the Colorado River Aqueduct, through the Metropolitan Water District of Southern California (MWD). The cost of imported water to the retail agencies, such as YLWD, is approximately two times the cost of pumping groundwater from local groundwater basins. The imported water is treated at MWD's Diemer Filtration Plant, located on Valley View and Diemer Road in Yorba Linda. YLWD's current system capacity can store approximately 57 million gallons of water in its reservoirs and produce 45 million gallons per day through its wells and import water connections.

With the completion of the new Fairmont Booster Pump Station, the District now has a redundancy system with the capability to serve 100% groundwater or 100% imported water.

Economic Condition and Outlook

The District's administrative offices are located in the City of Placentia in Orange County. The economic condition for the District's service area has experienced some challenges since March 2020 with the onset of the COVID-19 pandemic. Local restaurants, educational, fitness and religious facilities, as well as local entertainment and recreation venues have been required to cease their operations in response to federal, state, and

local government mandates in efforts to promote public health and safety and mitigate the risk of spreading the COVID-19 virus. A pandemic was never expected/anticipated to have occurred; therefore, a majority of the general population and local businesses were not prepared for the immediate effects and day-to-day adjustments.

In complying with Governor Newsom's Executive Order (EO) N-42-20 of April 2, 2020, the District has suspended disconnection/shutting off water service of customer connections for nonpayment (Health and Safety Code: Section 116902, Subdivision (c)). Though the EO restricts water shutoffs due to nonpayment while the State responds to the COVID-19 health emergency, the obligation of water customers to pay for water service is not eliminated or reduced, nor is the District prevented from charging it customers for such ongoing services.

As a Special District, the risk/exposure of revenue loss, during these unprecedented times, for the District is minimal. Generation of revenue is a result of assessing Board of Director approved rates and charges rather than relying on voter approved tax assessments. It is the intent of the governing body to ensure the costs of providing goods and services to the general public on a continuing basis be recovered primarily through approved rates and charges.

California's water supply continues to be a concern due to environmental and regulatory restrictions that threaten the State's ability to provide storage, preserve water supply, and maintain a conveyance system through the Sacramento-San Joaquin Delta, all of which lead to increasing supply costs.

On August 23, 2019, the State's Division of Drinking Water released new response and notification levels for Per- and Polyfluoroalkyl Substances (PFAS) for all water retailers to ensure compliance. As directed by the State, all water retailers are to monitor its water resources for the PFAS chemicals. In doing so, the District's water supply coming from OCWD's groundwater basin resulted in exceeding the response levels. Therefore in reporting these results to the Board of Director a decision was made to shut all 11 groundwater wells down and import water from MWD as of February 7, 2020. The financial impact from this decision weighed heavily and resulted in total water costs exceeding the annual budget by 14% (\$2.1 million). These unplanned additional costs did affect the District's year end resulting net position and the ability to contribute to the planned annual pay-down of its Net Pension and OPEB unfunded liabilities. However, contractual year end covenant requirements were met.

The District, along with the local groundwater producers, have entered into negotiations with OCWD to design and construct treatment plants to address the PFAS contaminants. On April 28, 2020 the District entered into the PFAS Treatment Facilities and Program Agreement among the Orange County Water District (OCWD), Yorba Linda Water District, and other Groundwater Producers. Per the Agreement, funding from OCWD will enable the District and the other Groundwater Producers to design, construct, and operate treatment facilities to treat PFAS. Once the treatment facility is in operation, at least 77% of the District's water supply may be pumped from the groundwater basin with the remaining 23% imported. This change in water resource can have a significant effect on the District's FY21 budget operating plan.

Future Years

The District continues to update its Asset Management Plan and develop a detailed 5-year Capital Improvement Program. A priority project will be energy/power redundancy. Due to wildfires and Southern California Edison's Public Safety Power Shutoffs, the District will implement backup generators at all critical infrastructures.

AB1668 and SB606 will establish a new foundation for long-term improvements in water conservation and drought planning. In the forthcoming FY21, this new framework will require the District to use water more efficiently (developing a water budget), eliminating water waste, and strengthening local drought resiliency. The goals, objectives and initiatives within the District's Strategic Plan and Asset Management Plan will pave the way as to how the District continues to move forward. In support of these goals and objective, District staff, with the assistance of Raftelis Consultants Inc., will develop updated financial models for the water and sewer enterprises to ensure financial sufficiency that include the establishment of adequate reserve balances, comply with coverage ratios, cover annual operation and maintenance costs, and ensure sufficient funding for future capital projects and scheduled refurbishment and replacement needs.

The forthcoming FY21 budget is predicated upon the assumption that customer water consumption will remain the same as that of FY20 due to permanent landscaping changes, water use efficiency awareness, and a growing culture of drought sensitivity. In addition, the uncertainty on the timeframe by when the Governor's Executive Order N-42-20 will be lifted, the COVID-19 pandemic economic impacts, as well as existing and future State mandates were into consideration during the budget development process.

Long-term Financial Planning and Policies

The District perpetually maintains a five-year Financial Forecast to identify and focus on current and projected economic conditions. The purpose of the forecast is to identify the District's ability over the next five years to continue current services, maintain existing assets and fund new initiatives or acquire new capital assets.

The Board of Directors also annually reviews and adopts a five-year forecast of Capital Improvement Projects. These investments reflect the Board of Directors commitment to maintain and improve the District, in order to provide citizens the highest possible service.

The District's Debt Management Policy has a significant impact on the District's water and sewer rates set by the Board of Directors on an annual basis. District annual rates and charges shall be set to maintain an annual debt coverage ratio of at least 225% to retain a AA, or greater, rating from bond rating agencies. These policies are measured by the District's reportable net position for each fiscal year end.

As a means to prefund Net Pension and Other Post Employment Benefit (OPEB) obligations, the District established a Public Agencies Post-Employment Trust made available by PARS. In support of this, staff developed the Pension Rate Stabilization Program (PRSP) and Other Post-Employment Benefits (OPEB) Funding Policy that addresses the methodology and process for funding current and future contractual obligations to provide pension and retiree medical benefits as set forth in the District's

personnel rules and regulations. The policy also establishes procedures that are formulated in compliance with the requirements of Section 115 of the Internal Revenue Code for a prudent and systematic investment in support of the District's goals.

Water and Sewer Rates

In the absence of a water budget from the SWRCB resulting from AB1668 and SB606, staff had projected that the annual customer consumption for FY20 (based on rolling 5-year average) would increase by approximately 10% from the projected year-end results of FY19.

This projected consumption increase along with projected increases in operating expenses resulted in the Board of Directors unanimously approving an adjustment to the monthly service charges with an effective date of July 1, 2019. This adjustment in charges would assist in accomplishing the goal of meeting the District's cost of service and providing superior customer service.

As such, the District's commodity rate was retained at \$2.80/unit for the entire fiscal year and the monthly service charges as of July 1, 2019, were set at follows: 5/8" and 3/4" meters at \$21.20, 1" meters at \$35.41, 1 1/2" meters at \$70.61, 2" meters at \$113.02, 3" meters at \$247.47, 4" meters at \$445.32 and 6" meters at \$989.67. At an average of 18 units of water per month (approximately 13,500 gallons), a typical 1" metered YLWD residential classed customer would pay about \$85.81 for their monthly water.

YLWD also provides wastewater service to approximately 19,991 customer connections in FY20, at a charge of \$8.10 per month for traditional single-family residential customers and \$7.62 per month for multi-family residential customers. For commercial customers, it is \$8.10 per month plus a \$0.52 per unit charge, based on water consumption above 7 units. These rates are the result of a Cost of Service analysis via the FY16 Water and Sewer Rate Update Report.

Technological Advancements in Progress

Technological advancements include the incorporation of a Computerized Maintenance & Management System (CMMS), which automates and tracks field work orders and includes actual costs to perform work-order related functions. As means to enhance electronic payment options, this past December 2019 staff implemented Invoice Cloud as a third party add-on to the existing payment platform that allows our customers to continue to pay their monthly bills quickly and securely. The newly added features included: pay by text, pay by phone, mobile payments and electronic bill reminder notifications.

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 GAAP. 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 Board of Directors adopts an operating and capital budget on a biennial basis with a mid-year review. 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 financial statement presentation.

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 unmodified (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 with 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,



Brett R. Barbre
General Manager



Delia Lugo
Finance Manager

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



Phil Hawkins, President



Andrew J. Hall, Vice-President



J. Wayne Miller, Director



Al Nederhood, Director



Brooke Jones, Director

.....



Brett R. Barbre, General Manager



Douglass Davert, Asst. General
Manager



Rosanne Weston
Engineering Manager



John DeCriscio
Operations Manager



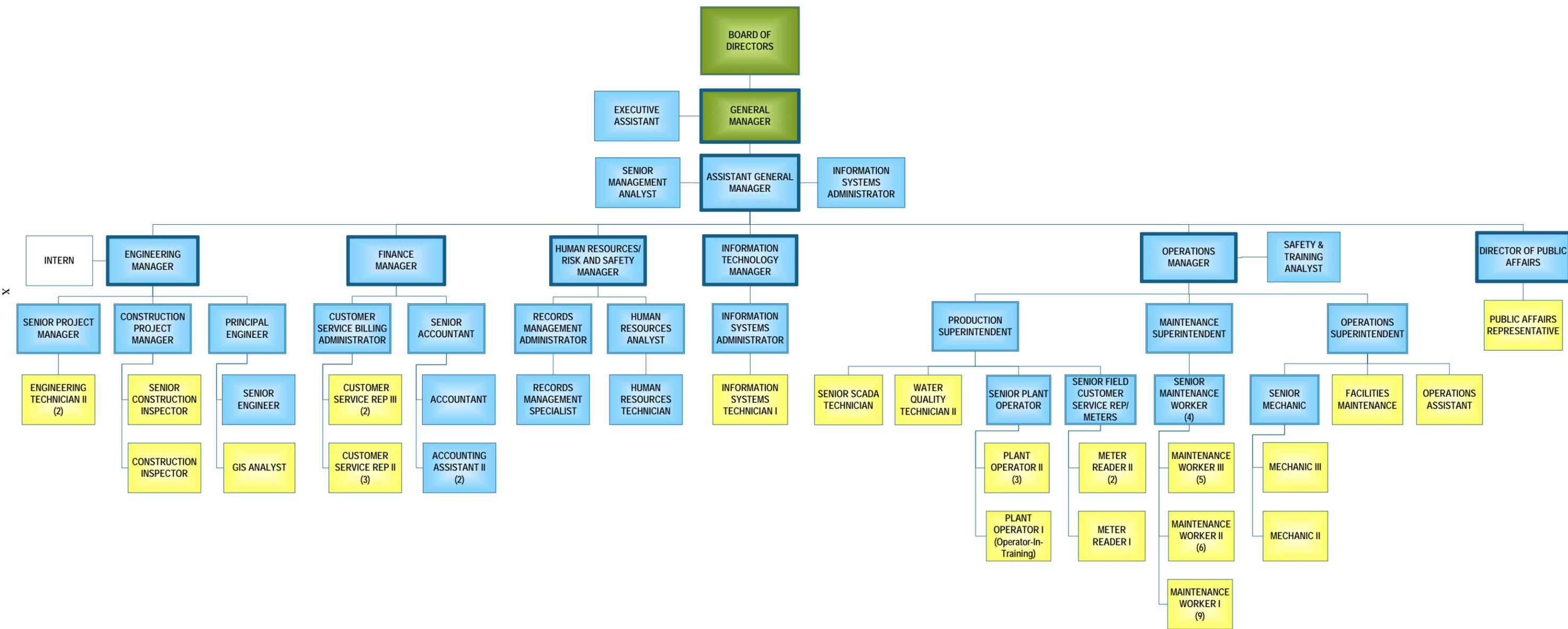
Gina Knight
HR/Risk Manager



Delia Lugo
Finance Manager



Organizational Chart

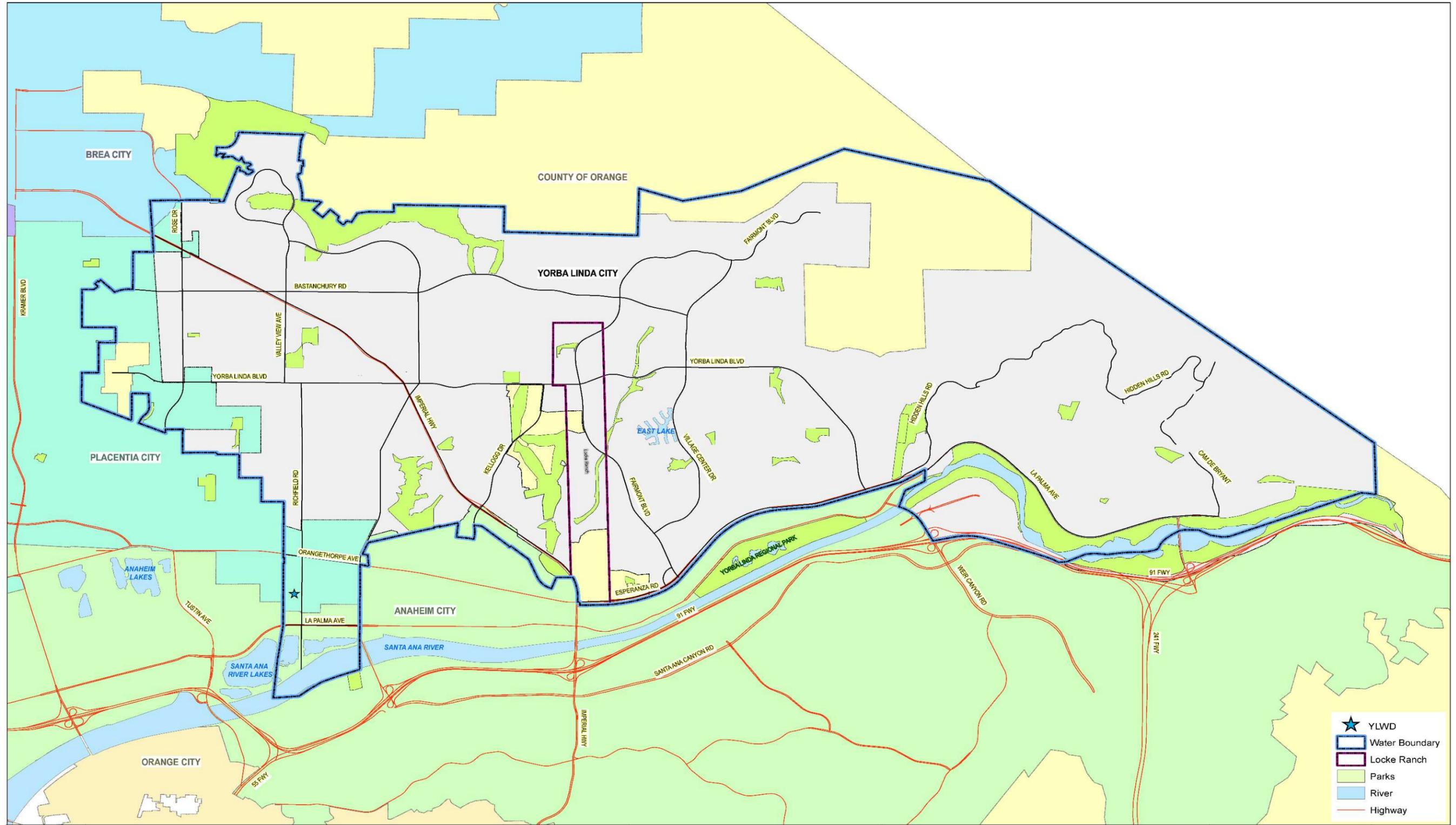


5 BOARD OF DIRECTORS
 81 FULL TIME AUTHORIZED POSITIONS
 1 INTERN (Part-time)

Bargaining Unit	
Unrepresented Employees	
Management	Supervisors

Effective March 3, 2019

IX

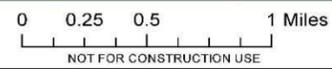


- YLWD
- Water Boundary
- Locke Ranch
- Parks
- River
- Highway



YORBA LINDA WATER DISTRICT

Nov 2018



DISCLAIMER:
This map represent a visual aid intended to assist Public Utility Department personnel with the management of Water System facility. Data provided hereon is not a guarantee of actual field conditions nor a substitute for record drawings and field verification.

SERVICE AREA





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, 2019

Christopher P. Morrill

Executive Director/CEO

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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 the Yorba Linda Water District (the District), as of and for the year ended June 30, 2020, 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 the District as of June 30, 2020, 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.

Other Matters

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required for a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2019, from which such partial information was derived.

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, the schedule of changes in the net other post-employment benefit (OPEB) liability and related ratios, and the schedule of contributions - OPEB, 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 GASB, 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 the combining schedules, the schedules of operating expenses by cost center and nature of expenses for water and sewer, the schedules of capital assets, and the 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, the schedules of operating expenses by cost center and nature of expenses for water and sewer, and the schedules of capital assets as of and for the year ended June 30, 2020, 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. 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, the schedules of operating expenses by cost center and nature of expenses for water and sewer, and the schedules of capital assets are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Matters (Continued)

Other Information (Continued)

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 1, 2020, 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 Nick Evans LLP

Irvine, California
October 1, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

YORBA LINDA WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

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, 2020. 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

FY 2020

- The District's net position decreased by \$1,156,051, or a 0.70% decrease in net position.
- During the year, the District's revenues were \$39.6 million, an increase of 6.8%.
- During the year, the District's expenses were \$41.8 million, an increase of 10.84%.
- The District had a net decrease to capital assets of \$3.6 million.

FY 2019

- The District's net position decreased by \$440,000, or a 0.27% decrease in net position.
- During the year, the District's revenues were \$37.1 million, a decrease of 2.3%.
- During the year, the District's expenses were \$37.7 million, a decrease of 0.48%.
- The District had a net decrease to capital assets of \$3.4 million.

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.

YORBA LINDA WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

For the Year Ended June 30, 2020

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 may be used to evaluate sustainability 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.

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, conservation mandates, population growth, weather patterns, 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 22 through 57.

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

For the Year Ended June 30, 2020

Statement of Net Position

Statement of Net Position for the year ended June 30, 2020 is as follows:

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Assets:			
Current assets	\$ 44,493,315	\$ 40,622,393	\$ 3,870,922
Restricted assets	2,026,031	1,960,797	65,234
Capital assets, net			
Not depreciable	3,656,485	2,730,749	925,736
Depreciable, net of accumulated depreciation	183,657,558	188,179,826	(4,522,268)
Total assets	<u>233,833,389</u>	<u>233,493,765</u>	<u>339,624</u>
Deferred Outflows of Resources:	<u>3,090,184</u>	<u>3,148,735</u>	<u>(58,551)</u>
Liabilities:			
Liabilities payable from unrestricted current assets	9,382,131	8,163,093	1,219,038
Non-current liabilities	<u>62,374,835</u>	<u>62,470,561</u>	<u>(95,726)</u>
Total liabilities	<u>71,756,966</u>	<u>70,633,654</u>	<u>1,123,312</u>
Deferred Inflows of Resources:	<u>885,992</u>	<u>572,180</u>	<u>313,812</u>
Net position:			
Net investment in capital assets	148,668,148	152,297,398	(3,629,250)
Restricted	2,131,773	2,063,965	67,808
Unrestricted	<u>13,480,694</u>	<u>11,075,303</u>	<u>2,405,391</u>
Total net position	<u>\$ 164,280,615</u>	<u>\$ 165,436,666</u>	<u>\$ (1,156,051)</u>

YORBA LINDA WATER DISTRICT

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

For the Year Ended June 30, 2020

Statement of Net Position for the year ended June 30, 2019 is as follows:

	<u>2019</u>		<u>2018</u>		<u>Change</u>
Assets:					
Current assets	\$ 40,622,393	\$	41,482,969	\$	(860,576)
Restricted assets	1,960,797		593,767		1,367,030
Capital assets, net					
Not depreciable	2,730,749		10,788,120		(8,057,371)
Depreciable, net of accumulated depreciation	<u>188,179,826</u>		<u>183,473,005</u>		<u>4,706,821</u>
Total assets	<u>233,493,765</u>		<u>236,337,861</u>		<u>(2,844,096)</u>
Deferred Outflows of Resources:	<u>3,148,735</u>		<u>3,524,983</u>		<u>(376,248)</u>
Liabilities:					
Liabilities payable from unrestricted current assets	8,163,093		7,957,100		205,993
Liabilities payable from restricted assets	-		346,205		(346,205)
Non-current liabilities	<u>62,470,561</u>		<u>64,894,947</u>		<u>(2,424,386)</u>
Total liabilities	<u>70,633,654</u>		<u>73,198,252</u>		<u>(2,564,598)</u>
Deferred Inflows of Resources:	<u>572,180</u>		<u>787,723</u>		<u>(215,543)</u>
Net position:					
Net investment in capital assets	152,297,398		154,271,627		(1,974,229)
Restricted	2,063,965		352,063		1,711,902
Unrestricted	<u>11,075,303</u>		<u>11,253,179</u>		<u>(177,876)</u>
Total net position	<u>\$ 165,436,666</u>	\$	<u>\$ 165,876,869</u>	\$	<u>(440,203)</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 \$164.3 million and \$165.4 million as of June 30, 2020 and 2019, respectively. The net change between the two reported fiscal years is primarily due in Net Position "Net investment in capital assets" balance.

By far the largest portion of the District's net position (90.5% and 92.1% as of June 30, 2020 and 2019, 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, 2020, the District showed a positive balances in its unrestricted net position of \$13.5 million and in its Restricted for Water Conservation and PARS Net Pension/OPEB contribution position of \$2.1 million, which indicates that there are reserves to be utilized in future years and is an increase from the stated unrestricted balance of \$11.1 million for the year ended June 30, 2019.

YORBA LINDA WATER DISTRICT

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

For the Year Ended June 30, 2020

Statement of Revenues, Expenses and Changes in Net Position

Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2020 is as follows:

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Revenues:			
Operating revenues:			
Water sales	\$ 32,192,312	\$ 29,819,532	\$ 2,372,780
Sewer revenue	2,731,285	2,528,020	203,265
Other operating revenue	896,107	1,014,691	(118,584)
Total operating revenues	<u>35,819,704</u>	<u>33,362,243</u>	<u>2,457,461</u>
Non-operating revenues:			
Investment income	694,705	819,522	(124,817)
Property taxes	1,961,002	1,874,688	86,314
Other non-operating income	1,104,622	1,014,495	90,127
Total non-operating revenue	<u>3,760,329</u>	<u>3,708,705</u>	<u>51,624</u>
Total revenues	<u>39,580,033</u>	<u>37,070,948</u>	<u>2,509,085</u>
Expenses:			
Operating expenses:			
Variable costs	16,916,388	13,327,860	3,588,528
Personnel services	10,890,404	9,538,167	1,352,237
Supplies and services	4,754,718	4,592,521	162,197
Depreciation	7,757,139	7,322,753	434,386
Total operating expenses	<u>40,318,649</u>	<u>34,781,301</u>	<u>5,537,348</u>
Non-operating expenses:			
Interest expense	1,309,883	1,350,616	(40,733)
Other non-operating expense	137,569	1,550,378	(1,412,809)
Total non-operating expenses	<u>1,447,452</u>	<u>2,900,994</u>	<u>(1,453,542)</u>
Total expenses	<u>41,766,101</u>	<u>37,682,295</u>	<u>4,083,806</u>
Net income(loss) before capital contributions and special items	<u>(2,186,068)</u>	<u>(611,347)</u>	<u>(1,574,721)</u>
Capital contributions	<u>1,030,017</u>	<u>171,144</u>	<u>858,873</u>
Change in net position	<u>(1,156,051)</u>	<u>(440,203)</u>	<u>(715,848)</u>
Net position, beginning of year	<u>165,436,666</u>	<u>165,876,869</u>	<u>(440,203)</u>
Net position, end of year	<u>\$ 164,280,615</u>	<u>\$ 165,436,666</u>	<u>\$ (1,156,051)</u>

YORBA LINDA WATER DISTRICT

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

For the Year Ended June 30, 2020

Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2019 is as follows:

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Revenues:			
Operating revenues:			
Water sales	\$ 29,819,532	\$ 32,082,152	\$ (2,262,620)
Sewer revenue	2,528,020	2,330,809	197,211
Other operating revenue	1,014,691	831,733	182,958
Total operating revenues	<u>33,362,243</u>	<u>35,244,694</u>	<u>(1,882,451)</u>
Non-operating revenues:			
Investment income	819,522	518,600	300,922
Property taxes	1,874,688	1,749,957	124,731
Other non-operating income	1,014,495	413,465	601,030
Total non-operating revenue	<u>3,708,705</u>	<u>2,682,022</u>	<u>1,026,683</u>
Total revenues	<u>37,070,948</u>	<u>37,926,716</u>	<u>(855,768)</u>
Expenses:			
Operating expenses:			
Variable costs	13,327,860	15,028,131	(1,700,271)
Personnel services	9,538,167	9,874,212	(336,045)
Supplies and services	4,592,521	4,298,863	293,658
Depreciation	7,322,753	7,465,977	(143,224)
Total operating expenses	<u>34,781,301</u>	<u>36,667,183</u>	<u>(1,885,882)</u>
Non-operating expenses:			
Interest expense	1,350,616	1,106,515	244,101
Other non-operating expense	1,550,378	89,021	1,461,357
Total non-operating expenses	<u>2,900,994</u>	<u>1,195,536</u>	<u>1,705,458</u>
Total expenses	<u>37,682,295</u>	<u>37,862,719</u>	<u>(180,424)</u>
Net income(loss) before capital contributions and special items	<u>(611,347)</u>	<u>63,997</u>	<u>(675,344)</u>
Capital contributions	171,144	3,554,123	(3,382,979)
Special item	<u>-</u>	<u>(2,205,847)</u>	<u>2,205,847</u>
Change in net position	<u>(440,203)</u>	<u>1,412,273</u>	<u>(1,852,476)</u>
Net position, beginning of year	<u>165,876,869</u>	<u>166,979,423</u>	<u>(1,102,554)</u>
Prior-period Adjustments	<u>-</u>	<u>(2,514,827)</u>	<u>2,514,827</u>
Net position, end of year	<u>\$ 165,436,666</u>	<u>\$ 165,876,869</u>	<u>\$ (440,203)</u>

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 approximately \$1.2 million and decreased by \$440,000 for the fiscal years ended June 30, 2020 and 2019, respectively.

YORBA LINDA WATER DISTRICT

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

For the Year Ended June 30, 2020

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

In 2020, the District's total revenues increased by \$2.5 million, primarily due to a net increase in water sales of \$2.4 million resulting from increased water usage. Total expense increased by \$4.1 million primarily due to a net result of an increase in variable water costs of \$3.6, an increase in personnel costs or \$1.4 million and a decrease in other non-operating expenses of \$1.4 million.

In 2019, the District's total revenues decreased by \$856,000, primarily due to a net decrease in water sales of \$2.3 million resulting from decreased water usage. Total expense decrease by \$180,000 primarily due to a net result of a decrease in variable water costs of \$1.7 million and an increase in other non-operating expenses of \$1.46 million.

Capital Assets

Changes in capital asset amounts for 2020 were as follows:

	<u>Balance 2019</u>		<u>Additions</u>		<u>Transfers/ Deletions</u>		<u>Balance 2020</u>
Capital assets:							
Capital assets, not being depreciated	\$ 2,730,749	\$	4,106,457	\$	(3,180,721)	\$	3,656,485
Capital assets, being depreciated	297,012,874		3,234,871		-		300,247,745
Less accumulated depreciation	<u>(108,833,048)</u>		<u>(7,757,139)</u>		<u>-</u>		<u>(116,590,187)</u>
Total capital assets, net	<u>\$ 190,910,575</u>	\$	<u>(415,811)</u>	\$	<u>(3,180,721)</u>	\$	<u>187,314,043</u>

Changes in capital asset amounts for 2019 were as follows:

	<u>Balance 2018</u>		<u>Additions</u>		<u>Transfers/ Deletions</u>		<u>Balance 2019</u>
Capital assets:							
Capital assets, not being depreciated	\$ 10,788,120	\$	5,489,806	\$	(13,547,177)	\$	2,730,749
Capital assets, being depreciated	287,511,866		13,546,292		(4,045,284)		297,012,874
Less accumulated depreciation	<u>(104,038,861)</u>		<u>(7,322,753)</u>		<u>2,528,566</u>		<u>(108,833,048)</u>
Total capital assets, net	<u>\$ 194,261,125</u>	\$	<u>11,713,345</u>	\$	<u>(15,063,895)</u>	\$	<u>190,910,575</u>

At the end of fiscal year 2020 and 2019, the District's investment in capital assets amounted to \$187.3 million and \$190.9 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 asset projects in fiscal year 2020 included the Highland Pressure Reducing Station refurbishment, meter replacements, sewer line replacements, and the purchase of various district vehicles and equipment.

Where fiscal year 2018-19 include the completion of Fairmont Booster Pump Station, water and sewer line replacements, a pressure reducing station refurbishment, and the purchase of various district vehicles and equipment.

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

For the Year Ended June 30, 2020

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

Long-Term Liabilities

Changes in long-term debt amounts for the year ended June 30, 2020 were as follows:

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending Balance</u>
2012A Refunding Revenue Bond	\$ 6,625,000	\$	-	\$	(315,000)	\$	6,310,000
2017A Revenue Bonds	27,560,000		-		(860,000)		26,700,000
Subtotal	34,185,000		-		(1,175,000)		33,010,000
Add (Less):							
2012A Premium	671,810		-		(47,703)		624,107
2017A Premium	4,009,270		-		(208,274)		3,800,996
Total Revenue Bonds	38,866,080		-		(1,430,977)		37,435,103
Revolving Line of Credit	-		1,443,751		-		1,443,751
Compensated Balances	1,561,861		758,855		(621,348)		1,699,368
Total Long-Term Debt	\$ 40,427,941	\$	2,202,606	\$	(2,052,325)	\$	40,578,222

Changes in long-term debt amounts for the year ended June 30, 2019 were as follows:

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending Balance</u>
2012A Refunding Revenue Bond	\$ 6,935,000	\$	-	\$	(310,000)	\$	6,625,000
2017A Revenue Bonds	28,390,000		-		(830,000)		27,560,000
Subtotal	35,325,000		-		(1,140,000)		34,185,000
Add (Less):							
2012A Premium	719,513		-		(47,703)		671,810
2017A Premium	4,217,543		-		(208,273)		4,009,270
Total Revenue Bonds	40,262,056		-		(1,395,976)		38,866,080
Compensated Balances	1,755,262		840,575		(1,033,976)		1,561,861
Total Long-Term Debt	\$ 42,017,318	\$	840,575	\$	(2,429,952)	\$	40,427,941

In fiscal year 2020, long-term debt decreased by 1.18 million due to the principal payments on the 2012A and 2017A Revenue Bonds. Compared to fiscal year 2019, where long-term debt decreased by \$1.14 million due to the principal payments on the 2012A and 2017A Revenue Bonds.

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, 2020

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, 2020

(With comparative totals for June 30, 2019)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2020	2019
CURRENT ASSETS		
UNRESTRICTED ASSETS		
Cash and cash equivalents	\$ 34,780,016	\$ 28,978,387
Investments	4,232,940	7,110,770
Accounts receivable - water and sewer services	4,733,310	3,837,208
Accounts receivable - property taxes	27,139	19,355
Accrued interest receivable	115,399	105,086
Prepaid expenses and deposits	272,863	288,064
Inventory	331,648	283,523
TOTAL UNRESTRICTED ASSETS	44,493,315	40,622,393
RESTRICTED ASSETS		
Cash and investments held by fiscal agent	43	252
Cash and investments - pension trust	1,417,430	1,371,644
Cash and investments - OPEB trust	608,558	588,901
TOTAL RESTRICTED ASSETS	2,026,031	1,960,797
TOTAL CURRENT ASSETS	46,519,346	42,583,190
NONCURRENT ASSETS		
Capital assets:		
Not depreciable	3,656,485	2,730,749
Depreciable, net of accumulated depreciation	183,657,558	188,179,826
TOTAL NONCURRENT ASSETS	187,314,043	190,910,575
TOTAL ASSETS	233,833,389	233,493,765
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts from pension plans	2,224,306	2,335,328
Deferred amounts from OPEB	539,981	462,680
Deferred loss on refunding	325,897	350,727
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,090,184	3,148,735

(Continued)

YORBA LINDA WATER DISTRICT

STATEMENT OF NET POSITION
(CONTINUED)

June 30, 2020

(With comparative totals for June 30, 2019)

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2020	2019
CURRENT LIABILITIES		
PAYABLE FROM UNRESTRICTED CURRENT ASSETS		
Accounts payable	\$ 5,819,844	\$ 5,193,196
Accrued expenses	250,170	202,687
Compensated absences payable - current portion	424,842	390,465
Customer and construction deposits	1,104,622	583,614
Unearned revenue	170,539	224,267
Accrued interest payable	382,114	393,864
Certificates of Participation - current portion	1,230,000	1,175,000
TOTAL PAYABLE FROM UNRESTRICTED CURRENT ASSETS	9,382,131	8,163,093
TOTAL CURRENT LIABILITIES	9,382,131	8,163,093
LONG-TERM LIABILITIES (LESS CURRENT PORTION)		
Unearned annexation revenue	12,617,886	13,112,931
Compensated absences	1,274,526	1,171,396
Revolving credit	1,443,751	-
Certificates of Participation	36,205,103	37,691,080
Net pension liability	9,372,305	8,449,114
Net OPEB liability	1,461,264	2,046,040
TOTAL LONG-TERM LIABILITIES (LESS CURRENT PORTION)	62,374,835	62,470,561
TOTAL LIABILITIES	71,756,966	70,633,654
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts from pension plans	418,786	430,507
Deferred amounts from OPEB	374,225	43,597
Deferred gain on refunding	92,981	98,076
TOTAL DEFERRED INFLOWS OF RESOURCES	885,992	572,180
NET POSITION		
Net investment in capital assets	148,668,148	152,297,398
Restricted:		
Water conservation	105,785	103,420
Pension benefits	1,417,430	1,371,644
Other post-employment benefits	608,558	588,901
Unrestricted	13,480,694	11,075,303
TOTAL NET POSITION	\$ 164,280,615	\$ 165,436,666

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, 2020
(With comparative totals for the year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Water sales	\$ 32,192,312	\$ 29,819,532
Sewer revenues	2,731,285	2,528,020
Other operating revenues	896,107	1,014,691
	<u>35,819,704</u>	<u>33,362,243</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Variable water costs	16,916,388	13,327,860
Personnel services	10,890,404	9,538,167
Supplies and services	4,754,718	4,592,521
Depreciation	7,757,139	7,322,753
	<u>40,318,649</u>	<u>34,781,301</u>
TOTAL OPERATING EXPENSES		
OPERATING LOSS	<u>(4,498,945)</u>	<u>(1,419,058)</u>
NONOPERATING REVENUES (EXPENSES)		
Property taxes	1,961,002	1,874,688
Investment income	694,705	819,522
Interest expense	(1,309,883)	(1,350,616)
Other nonoperating revenues	1,104,622	1,014,495
Other nonoperating expenses	(137,569)	(1,550,378)
	<u>2,312,877</u>	<u>807,711</u>
TOTAL NONOPERATING REVENUES (EXPENSES)		
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(2,186,068)	(611,347)
CAPITAL CONTRIBUTIONS	<u>1,030,017</u>	<u>171,144</u>
CHANGES IN NET POSITION	(1,156,051)	(440,203)
NET POSITION - BEGINNING OF YEAR	<u>165,436,666</u>	<u>165,876,869</u>
NET POSITION - END OF YEAR	<u>\$ 164,280,615</u>	<u>\$ 165,436,666</u>

See accompanying notes to basic financial statements.

YORBA LINDA WATER DISTRICT

STATEMENT OF CASH FLOWS

For the year ended June 30, 2020
 (With comparative totals for the year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 34,919,584	\$ 33,654,033
Cash payments to employees for salaries and wages	(10,014,372)	(9,924,099)
Cash payments to suppliers of goods and services	(20,552,356)	(18,161,013)
Other revenues	191,055	162,240
Other expenses	<u>(137,569)</u>	<u>(38,112)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,406,342</u>	<u>5,693,049</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from property taxes and assessments	<u>1,954,595</u>	<u>1,873,286</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,954,595</u>	<u>1,873,286</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for annexation fees and capital contributions	(36,917)	(40,269)
Acquisition and construction of capital assets	(3,147,401)	(5,321,835)
Proceeds from sales of capital assets	-	4,454
Proceeds from revolving credit	1,443,751	-
Principal paid on long-term liabilities	(1,175,000)	(1,140,000)
Interest and commitment fees paid on long-term liabilities	<u>(1,557,873)</u>	<u>(1,598,256)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(4,473,440)</u>	<u>(8,095,906)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	30,590,107	15,642,682
Purchase of investments	(27,360,367)	(21,696,032)
Interest and investment earnings	<u>684,392</u>	<u>765,475</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>3,914,132</u>	<u>(5,287,875)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,801,629	(5,817,446)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>28,978,387</u>	<u>34,795,833</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 34,780,016</u>	<u>\$ 28,978,387</u>

(Continued)

YORBA LINDA WATER DISTRICT

STATEMENT OF CASH FLOWS
(CONTINUED)

For the year ended June 30, 2020
(With comparative totals for the year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING LOSS TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (4,498,945)	\$ (1,419,058)
Adjustments to reconcile operating loss to		
net cash provided by operating activities:		
Depreciation	7,757,139	7,322,753
Other revenues	191,055	162,240
Other expenses	(137,569)	(38,112)
Changes in operating assets, deferred outflows of resources,		
operating liabilities, and deferred inflows of resources:		
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(896,102)	294,650
Prepaid expenses and deposits	15,201	(117,507)
Inventory	(48,125)	(35,034)
Deferred outflows of resources from pension plans	111,022	414,498
Deferred outflows of resources from OPEB	(77,301)	(63,081)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable and accrued expenses	626,648	(122,199)
Accrued salaries and wages	47,483	20,577
Accrued compensated absences	137,506	(193,401)
Customer and construction deposits	521,008	30,486
Net pension liability	923,191	(125,940)
Net OPEB liability	(584,776)	(227,375)
Deferred inflows of resources from pension plans	(11,721)	(209,079)
Deferred inflows of resources from OPEB	330,628	(1,369)
	<u>8,905,287</u>	<u>7,112,107</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 4,406,342</u>	<u>\$ 5,693,049</u>
NONCASH INVESTING, CAPITAL, AND		
RELATED FINANCING ACTIVITIES		
Amortization related to long-term debt	<u>\$ 255,977</u>	<u>\$ 236,240</u>
Capital contributions	<u>\$ 1,030,017</u>	<u>\$ 171,144</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 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 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 that include water and sewer. Water is provided to the entire service area. Sewer is provided to most of the service areas. The District's service area includes Yorba Linda, portions of Placentia, Anaheim, and Brea, and areas of unincorporated Orange County. The District provides water service to approximately 81,000 residents and sewer service to approximately 63,400 residents.

The financial statements present the District (the primary government), the Yorba Linda Water District Public Financing Corporation (the Corporation), and the Yorba Linda Water District Financing Authority (the Authority). The Corporation and the Authority meet the definition of a component unit and are presented on a blended basis, as if they are part of the primary government. Although they are legally separate entities, the governing board of the Corporation and the Authority are composed of the same membership as the District's Board of Directors. The District may impose its will on the Corporation and the Authority, including the ability to appoint, hire, reassign, or dismiss management. There is also a financial benefit/burden relationship between the District and the Corporation and the Authority.

The Corporation, a California nonprofit public benefit corporation, was 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 in the financing, refinancing, acquiring, constructing, and rehabilitating of facilities, land, and equipment; 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. There are no separate financial statements for the Corporation.

The Authority, a public agency, was organized pursuant to a Joint Exercise of Powers Agreement (the JPA Agreement) between the District and the California Municipal Finance Authority (CMFA), dated April 11, 2017. The Authority is statutorily authorized by Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code and is empowered under the JPA Agreement to issue its bonds for, among other things, the purposes of the plan of financing described herein. Separate basic financial statements prepared for the Authority may be obtained from the Yorba Linda Water District, 1717 East Miraloma Avenue, Placentia, CA 92870.

b. Basic Financial Statements

The basic financial statements are composed 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
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Basis of Presentation

The accounts of the District are that of 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) 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 May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*, which was effective immediately. This Statement provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and postponed the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

In June 2020, GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84*, and a supersession of GASB Statement No. 32. This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. New Accounting Pronouncements (Continued)

GASB Current-Year Standards (Continued)

The requirements of these paragraphs did not impact the District.

Pending Accounting Standards

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

In June 2017, GASB issued Statement No. 87 – *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset for leases with a term of more than 12 months. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. For leases with a term of 12 months or less, lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021, early application is encouraged.

In June 2018, GASB issued Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, early application is encouraged. The requirements of this Statement should be applied prospectively.

In January 2020, GASB issued Statement No. 92 – *Omnibus 2020*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to leases, fiduciary activities, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. New Accounting Pronouncements (Continued)

Pending Accounting Standards (Continued)

- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

In March 2020, GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. This Statement was issued to assist state and local governments in the transition away from existing interbank offered rates (IBORs), including the London Interbank Offered Rate (LIBOR) to other reference rate. LIBOR is expected to cease to exist in its current form at the end of 2021. It addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021, early application is encouraged.

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 is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 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 \$4,018 and \$2,860 was made to bad debt expense for the years ended June 30, 2020 and 2019, respectively. Management has evaluated the remaining accounts receivable and has determined that they are collectible.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Prepaid Expenses

Certain payments to vendors reflect 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 with an expected useful life of greater than one year. Contributed assets are recorded at acquisition value at the date of acquisition. 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.

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

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

l. 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 will not be recognized as an outflow of resources (expense) until that time. The District has the following items that qualify for reporting in this category:

- Deferred outflow related to loss on refunding. 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.
- Deferred outflows related to pensions and OPEB for employer contributions made after the measurement date of the net pension liability and the net OPEB liability.
- Deferred outflows related to pensions for differences between actual and expected experiences, changes in assumptions, and changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions. These amounts are 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.
- Deferred outflows from OPEB resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with retiree health benefits through the plan.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. Deferred Outflows/Inflows of Resources (Continued)

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 the following items that qualify for reporting in this category:

- Deferred inflow related to gain on refunding. A deferred gain 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.
- Deferred inflows related to pensions and OPEB resulting from the difference in projected and actual earnings on investments of the pension plans' fiduciary net position and OPEB plans' fiduciary net position. These amounts are amortized over five years.
- Deferred inflows related to pensions and OPEB for differences between actual and expected experiences. 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 pension and retiree health benefits through the respective plans.
- Deferred inflows related to pensions for differences between changes of assumptions and changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions. These amounts are 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.

m. 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-a-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 eligible leave.

Permanent employees that retire in accordance with California Public Employee's Retirement System (CalPERS) 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 CalPERS requirements when retiring or leaving the District.

n. Customer Deposits

Customer deposits may be collected at the time water service is initiated. Deposits may be applied to customer accounts or refunded at the time an account is closed.

o. Construction Advances, Deposits, and Bonding 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.

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.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. Unearned Revenue

Unearned revenue consists of customer refunds that have not been cashed.

q. 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 that the District no longer receives post-Proposition 13. The fee is a present worth value required to generate a 40-year revenue stream equivalent to the lost property tax revenue.

The fee is calculated based on the fair market value estimate of the improved property at the time the fee is collected and is 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 of Directors.

r. 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. Amounts reported in restricted net position for the years ended June 30, 2020 and 2019, represent the following:
 - Amounts of \$105,785 and \$103,420, respectively, which are the balance remaining of administrative penalty fees collected by the District that must be used for capital improvement projects that are related to conservation efforts, water use efficiency improvements, water conservation education, and regulatory compliance.
 - Amounts of \$1,417,430 and \$1,371,644, respectively, represent funds held in a trust with PARS that are restricted for future contributions to pension plans and \$608,558 and \$588,901, respectively, represent funds held in a trust with PARS that are restricted for future contributions to an OPEB plan.
- 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.

s. 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.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s. Net Position Flow Assumptions (Continued)

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

t. 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, 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 costs of providing water, sewer, and related services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

u. Property Taxes and Assessments

The Orange County Assessor's Office assesses all real and personal property within Orange 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

v. Water and Sewer Sales

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

w. 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.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x. 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 CalPERS plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

y. Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the District's OPEB plan recognizes benefit payments 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.

ab. Prior-Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's prior-year financial statements from which this selected financial data was derived.

ac. Reclassifications

Certain amounts in the June 30, 2019 financial statements have been reclassified for comparative purposes to conform to the presentation in the June 30, 2020 financial statements. There was no change in reported net income or net position related to these reclassifications.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 2 - CASH AND INVESTMENTS

Cash and Investments

Cash and investments as of June 30, 2020 and 2019, are reported in the accompanying statement of net position as follows:

	<u>2020</u>	<u>2019</u>
Unrestricted current assets:		
Cash and cash equivalents	\$ 34,780,016	\$ 28,978,387
Investments	4,232,940	7,110,770
Restricted assets:		
Cash and investments held by fiscal agent	43	252
Cash and investments - pension trust	1,417,430	1,371,644
Cash and investments - OPEB trust	608,558	588,901
Total cash and investments	<u>\$ 41,038,987</u>	<u>\$ 38,049,954</u>

Cash and investments as of June 30, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Cash on hand	\$ 1,250	\$ 1,250
Deposits with financial institutions	1,131,165	518,382
Investments	39,906,572	37,530,322
Total cash and investments	<u>\$ 41,038,987</u>	<u>\$ 38,049,954</u>

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

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

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. This table does not address investments of the employer contributions to the other post-employment benefit trust that are governed by the trust agreement or the investments of funds within the pension and other post-employment benefit (OPEB) trusts that are governed by the agreement between the District and the trustees, rather than the general provisions of the California Government Code or the District's Investment Policy.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code and the District's Investment Policy (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Credit Rating
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	N/A	None	None	None
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
Banker's Acceptance	180 days	10%	5%	A-1
Commercial Paper	270 days	25%	5%	A-1
CaTRUST Investment Pool	N/A	None	None	N/A
Money Market Mutual Funds	N/A	20%	10%	N/A

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

N/A Not applicable

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by the provisions of debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. Investments authorized for funds held by bond trustees include, US Treasury Bills, Notes and Bonds, US Treasury Obligations, Resolution Funding Corp (REFCORP), Prefunded Municipal Bonds, US Government-Sponsored Agency Securities, Commercial Paper, Money Market Mutual Funds, Certificates of Deposits, Guaranteed Investment Contracts, Banker's Acceptance, Repurchase Agreements, and Local Agency Investment Funds. There are no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed, or the maximum maturity of an investment, except for the maturity of Banker's Acceptance, which are limited to one year and Repurchase Agreements, which are limited to 30 days.

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
June 30, 2020

NOTE 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 tables that show the distribution of the District's investments by maturity as of June 30, 2020 and 2019.

Investment Type	Remaining Maturity (in Months)					Total
	12 Months or Less	13 to 24 Months	25 to 36 Months	37 to 48 Months	48 to 60 Months	
Local Agency Investment Fund	\$ 30,338,670	\$ -	\$ -	\$ -	\$ -	\$ 30,338,670
Negotiable Certificates of Deposits	2,014,280	2,218,660	-	-	-	4,232,940
Money Market Mutual Funds	3,308,931	-	-	-	-	3,308,931
Restricted:						
Pension Trust - PARS Pooled Trust	1,417,430	-	-	-	-	1,417,430
OPEB Trust - PARS Pooled Trust	608,558	-	-	-	-	608,558
Held by Bond Trustee:						
Money Market Mutual Funds	43	-	-	-	-	43
Total	<u>\$ 37,687,912</u>	<u>\$ 2,218,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,906,572</u>

Investment Type	Remaining Maturity (in Months)					Total
	12 Months or Less	13 to 24 Months	25 to 36 Months	37 to 48 Months	48 to 60 Months	
CalTRUST Investment Pool	\$ 12,208,015	\$ -	\$ -	\$ -	\$ -	\$ 12,208,015
Local Agency Investment Fund	10,417,666	-	-	-	-	10,417,666
Negotiable Certificates of Deposits	247,509	1,248,338	3,129,251	-	486,712	5,111,810
United States Government-Sponsored						
Agency Securities	-	1,998,960	-	-	-	1,998,960
Money Market Mutual Funds	5,833,074	-	-	-	-	5,833,074
Restricted:						
Pension Trust - PARS Pooled Trust	1,371,644	-	-	-	-	1,371,644
OPEB Trust - PARS Pooled Trust	588,901	-	-	-	-	588,901
Held by Bond Trustee:						
Money Market Mutual Funds	252	-	-	-	-	252
Total	<u>\$ 30,667,061</u>	<u>\$ 3,247,298</u>	<u>\$ 3,129,251</u>	<u>\$ -</u>	<u>\$ 486,712</u>	<u>\$ 37,530,322</u>

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following table are the minimum ratings required by (where applicable) the California Government Code, the District's investment policy, or debt agreements and the actual S&P credit rating as of June 30, 2020 and 2019, for each investment type.

June 30, 2020	Minimum Legal Rating	Total as of June 30, 2020	Not Rated	A-	AAA
Local Agency Investment Fund	N/A	\$ 30,338,670	\$ 30,338,670	\$ -	\$ -
Negotiable Certificates of Deposits	A	4,232,940	3,219,710	1,013,230	-
Money Market Mutual Funds	N/A	3,308,931	-	-	3,308,931
Restricted:					
Pension Trust - PARS Pooled Trust	N/A	1,417,430	1,417,430	-	-
OPEB Trust - PARS Pooled Trust	N/A	608,558	608,558	-	-
Held by Bond Trustee:					
Money Market Mutual Funds	N/A	43	-	-	43
Total		<u>\$ 39,906,572</u>	<u>\$ 35,584,368</u>	<u>\$ 1,013,230</u>	<u>\$ 3,308,974</u>

June 30, 2019	Minimum Legal Rating	Total as of June 30, 2019	Not Rated	AA+	AAA
CalTRUST Investment Pool	N/A	\$ 12,208,015	\$ 10,838,552	\$ 1,369,463	\$ -
Local Agency Investment Fund	N/A	10,417,666	10,417,666	-	-
United States Government-Sponsored Agency Securities	N/A	1,998,960	-	1,998,960	-
Negotiable Certificates of Deposits	A	5,111,810	5,111,810	-	-
Money Market Mutual Funds	N/A	5,833,074	5,833,074	-	-
Restricted:					
Pension Trust - PARS Pooled Trust	N/A	1,371,644	1,371,644	-	-
OPEB Trust - PARS Pooled Trust	N/A	588,901	588,901	-	-
Held by Bond Trustee:					
Money Market Mutual Funds	N/A	252	-	-	252
Total		<u>\$ 37,530,322</u>	<u>\$ 34,161,647</u>	<u>\$ 3,368,423</u>	<u>\$ 252</u>

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. The District has no investments that exceed these limits.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, 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 the Local Agency Investment Fund (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, 2020 and 2019, 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 LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

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 of Trustees sets overall policies for the program and selects and supervises the activities of the investment manager and other agents. CalTRUST maintains and administers five pooled accounts within the program: Money Market, Short-Term, Medium-Term, Liquidity Fund, and Government Fund. The funds permit daily transactions, with liquidity ranging from same-day to two days, and with no limit on the amount of funds that may be invested. All CalTRUST accounts comply with the limits and restrictions placed on local agency investments by the California Government Code. There is no maximum investment 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. As of June 30, 2019, the District was invested in Short-Term and Medium-Term investments through CalTRUST. The District was no longer invested in CalTRUST as of June 30, 2020.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Cash and Investments - Other Post-Employment Benefit (OPEB) and Pension Trust

Restricted assets are financial resources generated for a specific purpose, such as OPEB and pension benefits. These assets are for the benefit of a specific purpose and, as such, are legally or contractually restricted by an external third-party agreement. The District's restricted assets consisted of a trust account with the Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the District's OPEB health plan and pension plan. The OPEB and pension trusts funds' specific cash and investments are listed as restricted cash and investments on the schedule of net position and are managed by a third-party portfolio manager under guidelines approved by the District. The District-approved guidelines are as follows:

Risk Tolerance	Moderate
Risk Management	The portfolio is constructed to control through four layers of diversification - asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process help to drive return potential while reducing portfolio risk.
Investment Objective	To provide current income and moderate capital appreciation. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.
Strategic Ranges	0% - 20% Cash 40% - 60% Fixed Income 40% - 60% Equity

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices for similar assets in active markets, and Level 3 inputs are significant unobservable inputs.

Negotiable certificates of deposit and United States Government - Sponsored Agency securities classified in level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

The District has the following recurring fair value measurements as of June 30, 2020 and 2019:

June 30, 2020	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Negotiable Certificates of Deposit	\$ -	\$ 4,232,940	\$ -	\$ 4,232,940
Total Levelled Investments	<u>\$ -</u>	<u>\$ 4,232,940</u>	<u>\$ -</u>	4,232,940
Local Agency Investment Fund*				30,338,670
Money Market Mutual Funds*				3,308,931
Restricted:				
Pension Trust - PARS Pooled Trust*				1,417,430
OPEB Trust - PARS Pooled Trust*				608,558
Held by Bond Trustee:				
Money Market Mutual Funds*				43
Total Investments				<u>\$ 39,906,572</u>
June 30, 2019	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
United States Government-Sponsored				
Agency Securities	\$ -	\$ 1,998,960	\$ -	\$ 1,998,960
Negotiable Certificates of Deposit	-	5,111,810	-	5,111,810
Total Levelled Investments	<u>\$ -</u>	<u>\$ 7,110,770</u>	<u>\$ -</u>	7,110,770
CalTRUST Investment Pool*				12,208,015
Local Agency Investment Fund*				10,417,666
Money Market Mutual Funds*				5,833,074
Restricted:				
Pension Trust - PARS Pooled Trust*				1,371,644
OPEB Trust - PARS Pooled Trust*				588,901
Held by Bond Trustee:				
Money Market Mutual Funds*				252
Total Investments				<u>\$ 37,530,322</u>

* Not subject to fair value measurement hierarchy.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 3 - RESTRICTED ASSETS

Restricted assets are provided by and are to be used for the following uses as of June 30, 2020 and 2019:

Source	Use	2020	2019
Bond proceeds	Repayment of debt	\$ 43	\$ 252
Pension Trust - PARS Pooled Trust	Payment of pension benefits	1,417,430	1,371,644
OPEB Trust - PARS Pooled Trust	Payment of OPEB benefits	608,558	588,901
Total restricted assets		\$ 2,026,031	\$ 1,960,797

NOTE 4 - CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2020, were as follows:

	Balance at June 30, 2019	Additions	Deletions/ Transfers	Balance at June 30, 2020
Capital assets, not depreciated:				
Land, mineral, and water rights	\$ 287,419	\$ -	\$ -	\$ 287,419
Construction in progress	2,443,330	4,106,457	(3,180,721)	3,369,066
Total capital assets, not depreciated	2,730,749	4,106,457	(3,180,721)	3,656,485
Capital assets, being depreciated:				
Source of supply	6,348,997	-	-	6,348,997
Pumping plant	28,427,965	9,590	-	28,437,555
Water treatment plant	3,507,669	-	-	3,507,669
Transmission and distribution plant	236,475,593	2,475,943	-	238,951,536
General plant	22,252,650	749,338	-	23,001,988
Total capital assets, being depreciated	297,012,874	3,234,871	-	300,247,745
Less accumulated depreciation for:				
Source of supply	(3,007,049)	(177,083)	-	(3,184,132)
Pumping plant	(9,052,404)	(1,182,520)	-	(10,234,924)
Water treatment plant	(2,324,068)	(215,174)	-	(2,539,242)
Transmission and distribution plant	(82,422,375)	(5,290,363)	-	(87,712,738)
General plant	(12,027,152)	(891,999)	-	(12,919,151)
Total accumulated depreciation	(108,833,048)	(7,757,139)	-	(116,590,187)
Total capital assets, being depreciated, net	188,179,826	(4,522,268)	-	183,657,558
Total capital assets, net	\$ 190,910,575	\$ (415,811)	\$ (3,180,721)	\$ 187,314,043

Depreciation expense for the depreciable capital assets was \$7,757,139 for the fiscal year-ended June 30, 2020.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Changes in capital assets for the year ended June 30, 2019, were as follows:

	Balance at June 30, 2018	Additions	Deletions/ Transfers	Balance at June 30, 2019
Capital assets, not depreciated:				
Land, mineral, and water rights	\$ 287,419	\$ -	\$ -	\$ 287,419
Construction in progress	10,500,701	5,489,806	(13,547,177)	2,443,330
Total capital assets, not depreciated	<u>10,788,120</u>	<u>5,489,806</u>	<u>(13,547,177)</u>	<u>2,730,749</u>
Capital assets, being depreciated:				
Source of supply	6,348,997	-	-	6,348,997
Pumping plant	26,349,078	5,742,845	(3,663,958)	28,427,965
Water treatment plant	3,507,669	-	-	3,507,669
Transmission and distribution plant	229,372,432	7,266,963	(163,802)	236,475,593
General plant	21,933,690	536,484	(217,524)	22,252,650
Total capital assets, being depreciated	<u>287,511,866</u>	<u>13,546,292</u>	<u>(4,045,284)</u>	<u>297,012,874</u>
Less accumulated depreciation for:				
Source of supply	(2,829,966)	(177,083)	-	(3,007,049)
Pumping plant	(10,389,995)	(937,268)	2,274,859	(9,052,404)
Water treatment plant	(2,108,894)	(215,174)	-	(2,324,068)
Transmission and distribution plant	(77,369,754)	(5,165,474)	112,853	(82,422,375)
General plant	(11,340,252)	(827,754)	140,854	(12,027,152)
Total accumulated depreciation	<u>(104,038,861)</u>	<u>(7,322,753)</u>	<u>2,528,566</u>	<u>(108,833,048)</u>
Total capital assets, being depreciated, net	<u>183,473,005</u>	<u>6,223,539</u>	<u>(1,516,718)</u>	<u>188,179,826</u>
Total capital assets, net	<u>\$ 194,261,125</u>	<u>\$ 11,713,345</u>	<u>\$ (15,063,895)</u>	<u>\$ 190,910,575</u>

Depreciation expense for the depreciable capital assets was \$7,322,753 for the fiscal year-ended June 30, 2019.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 5 - LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2020, were as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Certificates of Participation:					
2012A Revenue Refunding Certificates of Participation	\$ 6,625,000	\$ -	\$ (315,000)	\$ 6,310,000	\$ 335,000
2017A Revenue Bonds	27,560,000	-	(860,000)	26,700,000	895,000
Subtotal	34,185,000	-	(1,175,000)	33,010,000	1,230,000
Add (Less):					
2012A Premium	671,810	-	(47,703)	624,107	-
2017A Premium	4,009,270	-	(208,274)	3,800,996	-
Total Certificates of Participation	38,866,080	-	(1,430,977)	37,435,103	1,230,000
Revolving Credit - Direct Placement	-	1,443,751	-	1,443,751	-
Compensated balances	1,561,861	758,855	(621,348)	1,699,368	424,842
Total	<u>\$ 40,427,941</u>	<u>\$ 2,202,606</u>	<u>\$ (2,052,325)</u>	<u>\$ 40,578,222</u>	<u>\$ 1,654,842</u>

Changes in long-term liabilities for the year ended June 30, 2019, were as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Certificates of Participation:					
2012A Revenue Refunding Certificates of Participation	\$ 6,935,000	\$ -	\$ (310,000)	\$ 6,625,000	\$ 315,000
2017A Revenue Bonds	28,390,000	-	(830,000)	27,560,000	860,000
Subtotal	35,325,000	-	(1,140,000)	34,185,000	1,175,000
Add (Less):					
2012A Premium	719,513	-	(47,703)	671,810	-
2017A Premium	4,217,543	-	(208,273)	4,009,270	-
Total Certificates of Participation	40,262,056	-	(1,395,976)	38,866,080	1,175,000
Compensated balances	1,755,262	840,575	(1,033,976)	1,561,861	390,465
Total	<u>\$ 42,017,318</u>	<u>\$ 840,575</u>	<u>\$ (2,429,952)</u>	<u>\$ 40,427,941</u>	<u>\$ 1,565,465</u>

2012A Revenue Refunding Certificates of Participation

In September 2012, the Corporation issued \$8,330,000 of Revenue Refunding Certificates of Participation, Series 2012A (the 2012A Certificates). The 2012A Certificates were issued to provide funds (1) to advance refund all of the currently outstanding District Certificates of Participation Series 2003 (the 2003 Certificates) 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 2012A 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.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

2012A Revenue Refunding Certificates of Participation (Continued)

The 2012A 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 that 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 years 2020 and 2019, the net revenues are equal to 199% and 302% of the debt service, respectively.

The 2012A Certificates are subject to federal arbitrage regulations and have no amounts due.

At June 30, 2020 and 2019, the 2012A Certificates' outstanding balance was \$6,310,000 and \$6,625,000, respectively.

The annual debt service requirements for the 2012A Certificates outstanding at June 30, 2020, are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 335,000	\$ 255,712	\$ 590,712
2022	345,000	241,250	586,250
2023	360,000	225,388	585,388
2024	375,000	208,213	583,213
2025	395,000	188,653	583,653
2026 - 2030	2,300,000	619,965	2,919,965
2031 - 2034	2,200,000	143,083	2,343,083
	<u>\$ 6,310,000</u>	<u>\$ 1,882,264</u>	<u>\$ 8,192,264</u>

2017A Revenue Bonds

In May 2017, the Authority issued \$29,335,000 of Revenue Bonds, Series 2017A (the 2017A Bonds). The 2017A Bonds were issued to provide funds (1) to finance the acquisition and construction of certain improvements to the District's water system, (2) to advance refund all of the currently outstanding District Revenue Certificates of Participation Series 2008, and (3) to pay costs of issuance of the 2017A Bonds. A portion of the proceeds was deposited in an escrow fund with a trustee. The funds will be used to pay the outstanding balance of the Revenue Certificates of Participation Series 2008. The 2008 Certificates were paid off in October 2017. The District completed the refunding to reduce its total debt service payments over the next 21 years by more than \$5.05 million, resulting in an economic gain (difference between the present value of the old and new debt service payments) of approximately \$4.22 million.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

2017A Revenue Bonds (Continued)

At June 30, 2020 and 2019, the 2017A Bonds' outstanding balance was \$26,700,000 and \$27,560,000, respectively.

The 2017A Bonds bear interest at rates ranging from 3% to 5%, payable semiannually on April 1 and October 1. There is no reserve requirement for the 2017A Bonds.

The 2017A Bonds are obligations of the Authority payable solely from payments received from the District pursuant to the Installment Purchase Agreement by and between the District and the Authority. The Installment Purchase Agreement requires the District to fix, prescribe, and collect rates and charges for the water service that will be at least sufficient to yield during each fiscal year net revenues equal to 125% of the debt service for such fiscal year. For fiscal years 2020 and 2019, the net revenues are equal to 199% and 302% of the debt service, respectively.

The 2017A Bonds are subject to federal arbitrage regulations and have no amounts due.

The annual debt service requirements for the 2017A Bonds outstanding at June 30, 2020, are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 895,000	\$ 1,243,669	\$ 2,138,669
2022	945,000	1,197,669	2,142,669
2023	990,000	1,149,294	2,139,294
2024	1,045,000	1,098,419	2,143,419
2025	1,095,000	1,044,919	2,139,919
2026 - 2030	6,320,000	4,337,570	10,657,570
2031 - 2035	7,745,000	2,861,841	10,606,841
2036 - 2039	7,665,000	785,075	8,450,075
	<u>\$ 26,700,000</u>	<u>\$ 13,718,456</u>	<u>\$ 40,418,456</u>

Revolving Credit Agreement

On May 12, 2020, the District entered into a Revolving Credit Agreement (Agreement) with Bank of America. Under the Agreement, the District can borrow a maximum aggregate amount of \$20,000,000 on any business day from May 12, 2020 to the earlier of (a) May 12, 2023 and (b) the date the Revolving Commitment is reduced to zero (availability period). The proceeds of the Revolving Loans will be utilized to pay for capital projects of the Water System. The District can elect that any Revolving Loan be either a Fixed Rate Revolving Loan or a Floating Rate Revolving Loan. A Fixed Rate Revolving Loan will bear interest at the fixed rate, which is equal to the sum of (i) the product of 80% and the LIBOR rate for the applicable interest period and (ii) the Applicable Margin. A Floating Rate Revolving Loan will bear interest at the floating rate, which is a variable rate of interest equal to the sum of (i) the product of 80% and the LIBOR Rate (Floating) and (ii) the Applicable Margin.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

Revolving Credit Agreement (Continued)

The Applicable Margin means a rate per annum associated with the Level corresponding to the lowest long-term unenhanced debt rating assigned by any Moody's Fitch, or S&P to any Senior Indebtedness, as specified below:

<i>Level</i>	<i>Moody's Rating</i>	<i>S&P Rating</i>	<i>Fitch Rating</i>	<i>Applicable Margin</i>
Level 1	Aa3 or above	AA- or above	AA- or above	0.41%
Level 2	A1	A+	A+	0.56%
Level 3	A2	A	A2	0.61%
Level 4	A3	A1	A3	0.66%
Level 5	Baa1	BBB+	BBB+	0.81%
Level 6	Baa2	BBB	BBB	0.96%
Level 7	Baa3 or below	BBB- or below	BBB- or below	Default Rate*

*Default Rate means, for any day, a rate of interest per annum equal to the greater of (i) the Prime Rate in effect on such day plus 5%, (ii) the Federal Funds Rate in effect on such day plus 6%, (iii) 10%, and (iv) LIBOR Rate (Floating) plus 6%; provided that in no event shall the Default Rate exceed the Maximum Interest Rate then in effect (the maximum rate permitted by law).

If one of the Ratings Agencies' rating is at a different Level than the rating of another Rating Agency, the Applicable Margin is based upon the Level in which the lowest rating appears.

Commitment Fees accrue during the entire availability period (May 12, 2020 to May 12, 2023) and are calculated monthly, in arrears. Commitment Fees are equal to the product of (i) the Commitment Fee Rate and (ii) the actual daily amount by which the Revolving Commitment exceeds the Outstanding Amount of Revolving Loans.

The Commitment Fee Rate is a rate per annum associated with the Level corresponding to the lowest long-term unenhanced debt rating assigned by any Moody's Fitch, or S&P to any Senior Indebtedness, as specified below:

<i>Level</i>	<i>Moody's Rating</i>	<i>S&P Rating</i>	<i>Fitch Rating</i>	<i>Commitment Fee Rate if Available Commitment ≤ 60% Utilized</i>	<i>Commitment Fee Rate if Available Commitment > 60% Utilized</i>
Level 1	Aa3 or above	AA- or above	AA- or above	0.20%	0.00%
Level 2	A1	A+	A+	0.35%	0.00%
Level 3	A2	A	A2	0.40%	0.00%
Level 4	A3	A1	A3	0.45%	0.00%
Level 5	Baa1	BBB+	BBB+	0.60%	0.00%
Level 6	Baa2	BBB	BBB	0.75%	0.00%
Level 7	Baa3 or below	BBB- or below	BBB- or below	Default Rate	Default Rate

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

Revolving Credit Agreement (Continued)

The District can prepay the Revolving Loans in whole or in part without premium or penalty. However, if the Revolving Commitment is terminated or permanently reduced prior to May 12, 2021, the District must pay a lender termination fee in an amount equal to the product of (a) the amount of Commitment Fees to be charged on the Available Commitment amount from May 12, 2020 to May 12, 2021, less (b) the Commitment Fees paid up to and including the date of such termination or permanent reduction.

The aggregate principal amount of the Revolving Loans outstanding is due on May 12, 2023. Interest and Commitment Fees on each Revolving Loan are due and payable in arrears on the first business day of each month, commencing on June 1, 2020.

The District must fix and prescribe rates and charges for water service that are sufficient to yield net revenues after payment of debt service of 110%. The District is in compliance with this requirement.

As of June 30, 2020, the District's Outstanding Revolving Loans amount to \$1,443,751 and are due on May 12, 2023. These loans were fixed rate loans with an interest rates ranging from .548% to .553% as of June 30, 2020. Interest expense and commitment fees incurred for the fiscal year June 30, 2020 are \$729 and \$5,188, respectively.

Estimated future debt service payments, utilizing the fixed rates in effect as of June 30, 2020, are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ -	\$ 7,936	\$ 7,936
2022	-	7,936	7,936
2023	1,443,751	7,936	1,451,687
	<u>\$ 1,443,751</u>	<u>\$ 23,808</u>	<u>\$ 1,467,559</u>

Compensated Absences

Compensated absences are composed of unpaid vacation leave, sick leave, and compensating time off, which are accrued as earned (see Note 1m).

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

a. General Information about the OPEB Plan

Plan Description

The District, through an agent multiple-employer defined benefit plan, provides post-employment health-care benefits to retirees managed through California Employers' Retiree Benefit Trust (CERBT). 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 of Director resolutions. Medical coverage is provided for retired employees who are age 50 or over and who have a minimum of five years of service with the District. Only employees hired prior to December 8, 2011, qualify for these benefits. 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.

Employees Covered

As of the June 30, 2019 measurement date, the following current and former employees were covered by the benefit terms under the plan:

Inactive employees or beneficiaries currently receiving benefits	15
Active employees	38
Total	<u>53</u>

Contributions

Benefit provisions and contribution requirements are established by District policy and may be amended by the Board of Directors. The annual contribution is based on the actuarially determined contribution. For the measurement period end June 30, 2019, the District made a contribution of \$264,793 to the OPEB trust, made payments totaling \$154,103 for retiree health-care insurance benefits and the implied subsidy was \$43,784, resulting in payments of \$462,680.

b. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

b. Net OPEB Liability (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-age normal cost method
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.75%
Projected Salary Increase	2.75% per year
Expected Long-Term Investment Rate of Return	6.50%
Health-care Cost Trend Rates	4.00% per year
	Derived from 2017 CalPERS OPEB assumptions
Mortality, Preretirement Turnover	model for "public agency miscellaneous"

The actuarial assumptions used in the June 30, 2019 valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the District.

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. The asset class percentages were taken from the current composition of the CERBT trust, and the expected yields were taken from a CalPERS publication for the Pension Fund. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Strategic Allocation	Long-Term Expected Real Rate of Return
Global equity	59.00%	5.25%
Fixed income	25.00%	0.99%
Treasury securities	5.00%	0.45%
Real estate trusts	8.00%	4.50%
Commodities	3.00%	3.90%
Total	100.00%	

Using these figures, the weighted-average real rate of return is estimated to be 3.84%. Adding estimated inflation of 2.75%, 6.59% is the estimate percentage of expected rate of return, which was rounded to 6.5%.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

b. Net OPEB Liability (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the retiree's benefits. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

c. Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018 (Measurement Date)	\$ 3,723,392	\$ 1,677,352	\$ 2,046,040
Changes in the Year:			
Service cost	75,308	-	75,308
Interest on the total OPEB liability	235,589	-	235,589
Differences between actual and expected experience	(368,334)	-	(368,334)
Changes in assumptions	53,671	-	53,671
Contribution - employer	-	462,680	(462,680)
Net investment income	-	118,711	(118,711)
Administrative expenses	-	(381)	381
Benefit payments	(197,887)	(197,887)	-
Net Changes	(201,653)	383,123	(584,776)
Balance at June 30, 2019 (Measurement Date)	\$ 3,521,739	\$ 2,060,475	\$ 1,461,264

Change of Assumptions

The probabilities of retirement, termination and mortality have been changed from the 2014 CalPERS OPEB assumptions model to the 2017 CalPERS OPEB assumptions model.

Change of Benefit Terms

There was no change of benefit terms.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

c. Changes in the Net OPEB Liability (Continued)

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

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB Liability	\$ 1,808,239	\$ 1,461,264	\$ 1,158,469

Sensitivity of the Net OPEB Liability to Changes in Health-care Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using health-care cost trend rates that are one percentage point lower or one percentage point higher than the current health-care cost trend rates:

	1% Decrease (3.00%)	Current Health-care Cost Trend Rates (4.00%)	1% Increase (5.00%)
Net OPEB Liability	\$ 1,139,585	\$ 1,461,264	\$ 1,833,689

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$159,488. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 490,937	\$ -
Differences between actual and expected experience	-	(336,581)
Change in assumptions	49,044	-
Net difference between projected and actual earnings	-	(37,644)
Total	<u>\$ 539,981</u>	<u>\$ (374,225)</u>

The net difference between projected and actual earnings on plan investments is amortized over a five-year period. The differences between actual and expected experience and changes in assumptions are amortized over the average of the expected remaining service lives of all employees, which is 11.6 years for the measurement period ended June 30, 2019.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

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

The amount of \$490,937 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2021	\$ (42,775)
2022	(42,773)
2023	(31,535)
2024	(29,065)
2025	(27,126)
Thereafter	(151,907)

e. Payable to the OPEB Plan

At June 30, 2020, the District had no outstanding amount of contributions to the OPEB plan as required for the year ended June 30, 2020.

f. Additional Funding of the OPEB Plan

In November 2017, the District approved the creation of an OPEB defined benefit plan trust with PARS (OPEB Trust). The PARS trust is legally restricted to providing benefits for members of the OPEB defined benefit plan. However, in accordance with GASB 75, the asset balance is not included in the calculation of the net OPEB liability above.

The District made no contributions to the OPEB Trust in the fiscal year ended June 30, 2020. Investment earnings of \$22,822, administrative expenses of \$3,164, and no distributions (benefit payments) resulted in an asset balance of \$608,558 as of June 30, 2020.

NOTE 7 - PENSION PLANS

a. General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's separate Miscellaneous Employee Pension Plans (Plans), which are cost-sharing multiple-employer defined benefit pension plans administered by CalPERS. Benefit provisions under these 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.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 7 - PENSION PLANS (CONTINUED)

a. General Information about the Pension Plans (Continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five (5) years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at the measurement date ended June 30, 2019, are summarized as follows:

	Miscellaneous		
	Tier I Prior to December 22, 2011	Tier II On or After December 22, 2011	Tier III - PEPRA On or After January 1, 2013
Hire date	December 22, 2011	December 22, 2011	January 1, 2013
Benefit formula	2%@55	2%@60	2%@62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	7%	6.25%
Required employer contribution rates			
Normal cost rate	9.409%	8.099%	6.842%
Payment of unfunded liability	\$ 421,448	\$ 716	\$ 3,256

Contributions

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

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 7 - PENSION PLANS (CONTINUED)

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plans as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	<u>\$ 9,372,305</u>

The District's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2019, and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

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

	<u>Miscellaneous</u>
Proportion - June 30, 2018	0.22419%
Proportion - June 30, 2019	0.23404%
Change - Increase (Decrease)	0.00985%

For the year ended June 30, 2020, the District recognized pension expense of \$2,133,378. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,110,885	\$ -
Differences between actual and expected experience	650,946	(50,435)
Change in assumptions	446,915	(158,427)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	15,560	(46,068)
Net differences between projected and actual earnings on plan investments	-	(163,856)
Total	<u>\$ 2,224,306</u>	<u>\$ (418,786)</u>

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 7 - PENSION PLANS (CONTINUED)

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

An amount of \$1,110,885 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. 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
2021	\$ 659,346
2022	(72,247)
2023	74,427
2024	33,109
2025	-
Thereafter	-

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement period the total pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The total pension liability was based on the following assumptions:

Valuation Date	<u>Miscellaneous</u> June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality Rate Table	(2)
Postretirement Benefit Increase	(3)

- (1) Varies by entry age and service.
- (2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.
- (3) The less of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 7 - PENSION PLANS (CONTINUED)

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

Long-term Expected Rate of Return

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

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

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

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

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

Discount Rate

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

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 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 the 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 one-percentage point lower or one-percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$ 14,933,180
Current Discount Rate	7.15%
Net Pension Liability	\$ 9,372,305
1% Increase	8.15%
Net Pension Liability	\$ 4,782,197

Pension Plans 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 Plans

At June 30, 2020, the District had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2020.

- d. Additional Funding of the Pension Plan

In November 2017, the District approved the creation of a CalPERS defined benefit pension plan trust with PARS (Pension Trust). The PARS trust is legally restricted to providing benefits for members of the defined benefit pension plan. However, in accordance with GASB 68, the asset balance is not included in the calculation of the net pension liability above.

The District made no contributions to the Pension Trust in the fiscal year ended June 30, 2020. Investment earnings of \$53,156, administrative expenses of \$7,370, and no distributions (benefit payments) resulted in an asset balance of \$1,417,430 as of June 30, 2020.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 8 - NET INVESTMENT IN CAPITAL ASSETS

The balance of net investment in capital assets consisted of the following as of June 30, 2020 and 2019:

	2020	2019
Capital assets, net of accumulated depreciation	\$ 187,314,043	\$ 190,910,575
Certificates of participation - current	(1,230,000)	(1,175,000)
Certificates of participation - long term	(36,205,103)	(37,691,080)
Revolving credit	(1,443,751)	-
Unspent debt proceeds	43	252
Deferred amount on refunding	232,916	252,651
Net investment in capital assets	<u>\$ 148,668,148</u>	<u>\$ 152,297,398</u>

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, and 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 Insurance Authority).

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

At June 30, 2020, as a member of the Insurance Authority, the District participated in the insurance programs as follows:

- General, auto liability, and public officials' and employee's error and omissions: Total risk financing self-insurance limits of \$5,000,000. The Insurance Authority purchases additional excess coverage layers of \$55 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.
- Employee dishonesty coverage of 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 Insurance Authority is self-insured for the first \$100,000 and purchases excess coverage of up to \$500 million limited to insurable value (\$33,397,458), subject to a \$1,000 deductible, except for a \$500 deductible on vehicles.
- Boiler and machinery coverage for the replacement cost of up to \$100 million per occurrence limited to insurable value, subject to various deductibles depending on the type of equipment.
- Workers' compensation insurance of up to California statutory limits for all work-related injuries/illnesses covered by California law. The Insurance Authority is self-insured to \$2,000,000 and has purchased excess insurance to the statutory limit.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 9 - RISK MANAGEMENT (CONTINUED)

- Cyber security coverage is \$3,000,000 per occurrence and \$5,000,000 in aggregate with a \$50,000 deductible per occurrence limited to the insurable value.

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 2020, 2019, and 2018. 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. There were no claims payable as of June 30, 2020, 2019, and 2018.

NOTE 10 - 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 \$74,340 and \$781,566 of open construction contracts as of June 30, 2020 and 2019, respectively. Construction contracts include the following:

June 30, 2020

	Total Approved Contract	Construction Costs to Date	Balance to Complete
Camino Verde/Mickel Lane Waterline	\$ 576,179	\$ 550,179	\$ 26,000
Hidden Hills BPS Upgrades	81,073	32,733	48,340
	<u>\$ 657,252</u>	<u>\$ 582,912</u>	<u>\$ 74,340</u>

June 30, 2019

	Total Approved Contract	Construction Costs to Date	Balance to Complete
Well No. 22	\$ 1,029,565	\$ 824,178	\$ 205,387
Camino Verde/Mickel Lane Waterline	576,179	-	576,179
	<u>\$ 1,605,744</u>	<u>\$ 824,178</u>	<u>\$ 781,566</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.

COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of an outbreak of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks that is posed to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

YORBA LINDA WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

COVID-19 (Continued)

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on the District's financial condition, liquidity, operations and workforce. The District cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time; however, if the pandemic continues, it may have a material effect on the District's results of future operations and financial position in fiscal year 2021.

NOTE 11 - SUBSEQUENT EVENTS

Events occurring after June 30, 2020, have been evaluated for possible adjustments to the financial statements or disclosure as of October 1, 2020, which is the date these 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*

Fiscal year ended	<u>June 30, 2020</u>
Measurement date	June 30, 2019
Plans' proportion of the net pension liability	0.09146%
Plans' proportionate share of the net pension liability	\$ 9,372,305
Plans' covered payroll	\$ 6,673,227
Plans' proportionate share of the net pension liability as a percentage of its covered payroll	140.45%
Plans' proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	75.26%
Plans' proportionate share of aggregate employer contributions	\$ 1,324,773

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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

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

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

There were no changes in assumptions.

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

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

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

Inflation was reduced from 2.75% to 2.5%.

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

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

YORBA LINDA WATER DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plans' proportion of the net pension liability	0.08768%	0.08647%	0.08368%	0.07706%	0.08184%
Plans' proportionate share of the net pension liability	\$ 8,449,114	\$ 8,575,054	\$ 7,240,999	\$ 5,289,322	\$ 5,092,626
Plans' covered payroll	\$ 6,561,629	\$ 6,116,587	\$ 5,899,338	\$ 5,564,327	\$ 5,054,265
Plans' proportionate share of the net pension liability as a percentage of its covered payroll	128.77%	140.19%	122.74%	95.06%	100.76%
Plans' proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	75.26%	73.31%	74.06%	83.35%	83.03%
Plans' proportionate share of aggregate employer contributions	\$ 1,128,006	\$ 1,071,006	\$ 967,937	\$ 916,213	\$ 673,737

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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

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

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

There were no changes in assumptions.

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

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

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

Inflation was reduced from 2.75% to 2.5%.

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

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

YORBA LINDA WATER DISTRICT

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2020</u>
Contractually required contribution (actuarially determined)	\$ 1,110,885
Contributions in relation to the actuarially determined contributions	<u>(1,110,885)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 6,605,148
Contributions as a percentage of covered payroll	16.82%
Notes to Schedule:	
Valuation Date	6/30/2017
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial cost method	Entry age
Amortization method	(1)
Asset valuation method	Market Value
Inflation	2.625%
Salary increases	(2)
Investment rate of return	7.25% (3)
Retirement age	(4)
Mortality	(5)

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

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

YORBA LINDA WATER DISTRICT

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 981,952	\$ 850,393	\$ 755,544	\$ 674,827	\$ 587,176
Contributions in relation to the actuarially determined contributions	<u>(981,952)</u>	<u>(850,393)</u>	<u>(755,544)</u>	<u>(674,827)</u>	<u>(587,176)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 6,673,227	\$ 6,561,629	\$ 6,116,587	\$ 5,899,338	\$ 5,564,327
Contributions as a percentage of covered payroll	14.71%	12.96%	12.35%	11.44%	10.55%

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age				
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

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

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

YORBA LINDA WATER DISTRICT

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years*

Fiscal year	6/30/2020	6/30/2019	6/30/2018
Measurement date	6/30/2019	6/30/2018	6/30/2017
Total OPEB Liability:			
Service cost	\$ 75,308	\$ 73,292	\$ 71,330
Interest on total OPEB liability	235,589	228,072	219,305
Differences between actual and expected experience	(368,334)	-	-
Assumption changes	53,671	-	-
Benefit payments	(197,887)	(173,539)	(137,979)
Net Change in Total OPEB Liability	(201,653)	127,825	152,656
Total OPEB Liability - Beginning of Year	3,723,392	3,595,567	3,442,911
Total OPEB Liability - End of Year (a)	3,521,739	3,723,392	3,595,567
Plan Fiduciary Net Position:			
Contributions - employer	462,680	431,245	355,672
Net investment income	118,711	98,256	121,311
Administrative expenses	(381)	(762)	(606)
Benefit payments	(197,887)	(173,539)	(137,979)
Net Change in Plan Fiduciary Net Position	383,123	355,200	338,398
Plan Fiduciary Net Position - Beginning of Year	1,677,352	1,322,152	983,754
Plan Fiduciary Net Position - End of Year (b)	2,060,475	1,677,352	1,322,152
Net OPEB Liability - Ending (a)-(b)	\$ 1,461,264	\$ 2,046,040	\$ 2,273,415
Plan fiduciary net position as a percentage of the total OPEB liability	58.51%	45.05%	36.77%
Covered - employee payroll	\$ 4,419,954	\$ 4,690,421	\$ 4,490,485
Net OPEB liability as percentage of covered - employee payroll	33.06%	43.62%	50.63%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From measurement date June 30, 2017 to June 30, 2018: None.

From measurement date June 30, 2018 to June 30, 2019:

The probabilities of retirement, termination and mortality have been changed from the 2014 CalPERS OPEB assumptions model to the 2017 CalPERS OPEB assumptions model.

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

YORBA LINDA WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS - OPEB

Last Ten Fiscal Years*

Fiscal year	6/30/2020	6/30/2019	6/30/2018
Actuarially determined contribution	\$ 490,937	\$ 462,680	\$ 431,245
Contributions in relation to the actuarially determined contributions	(490,937)	(462,680)	(431,245)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 3,679,078	\$ 4,419,954	\$ 4,690,421
Contributions as a percentage of covered - employee payroll	13.34%	10.47%	9.19%

Notes to Schedule:

Valuation Date	6/30/2019	6/30/2017	6/30/2017
Methods and Assumptions Used to Determine Contribution Rates:			
Single and agent employers	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value
Inflation	2.75%	2.75%	2.75%
Salary increases	2.75%	2.75%	2.75%
Investment rate of return	6.50%	6.50%	6.50%
Mortality, Retirement, Turnover	(3)	(2)	(2)

- (1) Level percentage of payroll, closed
- (2) 2014 CalPERS OPEB Assumptions Model
- (3) 2017 CalPERS OPEB Assumptions Model

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

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SUPPLEMENTARY INFORMATION

YORBA LINDA WATER DISTRICT

COMBINING SCHEDULE OF NET POSITION

June 30, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Water	Sewer	Total
CURRENT ASSETS			
UNRESTRICTED ASSETS			
Cash and cash equivalents	\$ 29,838,891	\$ 4,941,125	\$ 34,780,016
Investments	2,583,550	1,649,390	4,232,940
Accounts receivable - water and sewer services	4,442,812	290,498	4,733,310
Accounts receivable - property taxes	24,583	2,556	27,139
Accrued interest receivable	99,464	15,935	115,399
Prepaid expenses and deposits	272,863	-	272,863
Inventory	331,648	-	331,648
TOTAL UNRESTRICTED ASSETS	37,593,811	6,899,504	44,493,315
RESTRICTED ASSETS			
Cash and investments held by fiscal agent	43	-	43
Cash and investments - pension trust	1,274,244	143,186	1,417,430
Cash and investments - OPEB trust	547,094	61,464	608,558
TOTAL RESTRICTED ASSETS	1,821,381	204,650	2,026,031
TOTAL CURRENT ASSETS	39,415,192	7,104,154	46,519,346
NONCURRENT ASSETS			
Capital assets:			
Not depreciable	3,505,047	151,438	3,656,485
Depreciable, net of accumulated depreciation	145,288,723	38,368,835	183,657,558
TOTAL NONCURRENT ASSETS	148,793,770	38,520,273	187,314,043
TOTAL ASSETS	188,208,962	45,624,427	233,833,389
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts from pension plans	1,969,025	255,281	2,224,306
Deferred amounts from OPEB	478,007	61,974	539,981
Deferred loss on refunding	325,897	-	325,897
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,772,929	317,255	3,090,184

(Continued)

YORBA LINDA WATER DISTRICT

COMBINING SCHEDULE OF NET POSITION
(CONTINUED)

June 30, 2020

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CURRENT LIABILITIES			
PAYABLE FROM UNRESTRICTED CURRENT ASSETS			
Accounts payable	\$ 5,412,465	\$ 407,379	\$ 5,819,844
Accrued expenses	250,170	-	250,170
Compensated absences payable - current portion	424,842	-	424,842
Customer and construction deposits	827,677	276,945	1,104,622
Unearned revenue	170,539	-	170,539
Accrued interest payable	382,114	-	382,114
Certificates of Participation - current portion	1,230,000	-	1,230,000
	<u>8,697,807</u>	<u>684,324</u>	<u>9,382,131</u>
TOTAL PAYABLE FROM UNRESTRICTED CURRENT ASSETS	<u>8,697,807</u>	<u>684,324</u>	<u>9,382,131</u>
TOTAL CURRENT LIABILITIES	<u>8,697,807</u>	<u>684,324</u>	<u>9,382,131</u>
LONG-TERM LIABILITIES (LESS CURRENT PORTION)			
Unearned annexation revenue	12,617,886	-	12,617,886
Compensated absences	1,274,526	-	1,274,526
Revolving credit	1,443,751	-	1,443,751
Certificates of Participation	36,205,103	-	36,205,103
Net pension liability	8,296,642	1,075,663	9,372,305
Net OPEB liability	1,293,554	167,710	1,461,264
	<u>61,131,462</u>	<u>1,243,373</u>	<u>62,374,835</u>
TOTAL LONG-TERM LIABILITIES (LESS CURRENT PORTION)	<u>61,131,462</u>	<u>1,243,373</u>	<u>62,374,835</u>
TOTAL LIABILITIES	<u>69,829,269</u>	<u>1,927,697</u>	<u>71,756,966</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts from pension plans	370,720	48,066	418,786
Deferred amounts from OPEB	331,274	42,951	374,225
Deferred gain on refunding	92,981	-	92,981
	<u>794,975</u>	<u>91,017</u>	<u>885,992</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>794,975</u>	<u>91,017</u>	<u>885,992</u>
NET POSITION			
Net investment in capital assets	110,147,875	38,520,273	148,668,148
Restricted:			
Water conservation	105,785	-	105,785
Pension benefits	1,274,244	143,186	1,417,430
Other post-employment benefits	547,094	61,464	608,558
Unrestricted	8,282,649	5,198,045	13,480,694
	<u>120,357,647</u>	<u>43,922,968</u>	<u>164,280,615</u>
TOTAL NET POSITION	<u>\$ 120,357,647</u>	<u>\$ 43,922,968</u>	<u>\$ 164,280,615</u>

YORBA LINDA WATER DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

For the year ended June 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Water sales	\$ 32,192,312	\$ -	\$ 32,192,312
Sewer revenues	-	2,731,285	2,731,285
Other operating revenues	863,917	32,190	896,107
	<u>33,056,229</u>	<u>2,763,475</u>	<u>35,819,704</u>
TOTAL OPERATING REVENUES			
OPERATING EXPENSES			
Variable water costs	16,916,388	-	16,916,388
Personnel services	9,827,340	1,063,064	10,890,404
Supplies and services	4,303,126	451,592	4,754,718
Depreciation	6,314,950	1,442,189	7,757,139
	<u>37,361,804</u>	<u>2,956,845</u>	<u>40,318,649</u>
TOTAL OPERATING EXPENSES			
OPERATING LOSS	<u>(4,305,575)</u>	<u>(193,370)</u>	<u>(4,498,945)</u>
NONOPERATING REVENUES (EXPENSES)			
Property taxes	1,961,002	-	1,961,002
Investment income	595,316	99,389	694,705
Interest expense	(1,309,883)	-	(1,309,883)
Other nonoperating revenues	981,529	123,093	1,104,622
Other nonoperating expenses	(109,564)	(28,005)	(137,569)
	<u>2,118,400</u>	<u>194,477</u>	<u>2,312,877</u>
TOTAL NONOPERATING REVENUES (EXPENSES)			
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(2,187,175)	1,107	(2,186,068)
CAPITAL CONTRIBUTIONS	<u>430,143</u>	<u>599,874</u>	<u>1,030,017</u>
CHANGES IN NET POSITION	(1,757,032)	600,981	(1,156,051)
NET POSITION - BEGINNING OF YEAR	<u>122,114,679</u>	<u>43,321,987</u>	<u>165,436,666</u>
NET POSITION - END OF YEAR	<u>\$ 120,357,647</u>	<u>\$ 43,922,968</u>	<u>\$ 164,280,615</u>

YORBA LINDA WATER DISTRICT
COMBINING SCHEDULE OF CASH FLOWS

For the year ended June 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 32,163,253	\$ 2,756,331	\$ 34,919,584
Cash payments to employees for salaries and wages	(9,030,621)	(983,751)	(10,014,372)
Cash payments to suppliers of goods and services	(20,526,794)	(25,562)	(20,552,356)
Other revenues	127,266	63,789	191,055
Other expenses	(109,564)	(28,005)	(137,569)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,623,540</u>	<u>1,782,802</u>	<u>4,406,342</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from property taxes and assessments	1,954,595	-	1,954,595
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,954,595</u>	<u>-</u>	<u>1,954,595</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from (payments for) annexation fees and capital contributions	(53,728)	16,811	(36,917)
Acquisition and construction of capital assets	(2,556,518)	(590,883)	(3,147,401)
Proceeds from revolving credit	1,443,751	-	1,443,751
Principal paid on long-term liabilities	(1,175,000)	-	(1,175,000)
Interest and commitment fees paid on long-term liabilities	(1,557,873)	-	(1,557,873)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,899,368)</u>	<u>(574,072)</u>	<u>(4,473,440)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments	30,365,923	224,184	30,590,107
Purchases of investments	(27,360,367)	-	(27,360,367)
Interest and investment earnings	577,752	106,640	684,392
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>3,583,308</u>	<u>330,824</u>	<u>3,914,132</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,262,075	1,539,554	5,801,629
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>25,576,816</u>	<u>3,401,571</u>	<u>28,978,387</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 29,838,891</u>	<u>\$ 4,941,125</u>	<u>\$ 34,780,016</u>

(Continued)

YORBA LINDA WATER DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
(CONTINUED)

For the year ended June 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating loss	\$ (4,305,575)	\$ (193,370)	\$ (4,498,945)
Adjustments to reconcile loss to net cash provided by operating activities:			
Depreciation	6,314,950	1,442,189	7,757,139
Other revenues	127,266	63,789	191,055
Other expenses	(109,564)	(28,005)	(137,569)
Changes in operating assets, deferred outflows of resources, operating liabilities and deferred inflows of resources:			
(Increase) decrease in assets and deferred outflows: of resources:			
Accounts receivable - water and sewer services	(889,273)	(6,829)	(896,102)
Prepaid expenses and deposits	15,201	-	15,201
Inventory	(48,125)	-	(48,125)
Deferred outflows of resources from pension plans	98,279	12,743	111,022
Deferred outflows of resources from OPEB	(68,429)	(8,872)	(77,301)
Increase (decrease) in liabilities and deferred inflows of resources:			
Accounts payable	371,913	254,735	626,648
Accrued expenses	47,483	-	47,483
Accrued compensated absences	137,506	-	137,506
Customer and construction deposits	350,028	170,980	521,008
Net pension liability	817,236	105,955	923,191
Net OPEB liability	(517,661)	(67,115)	(584,776)
Deferred inflows of resources from pension plans	(10,376)	(1,345)	(11,721)
Deferred inflows of resources from OPEB	292,681	37,947	330,628
Total adjustments	<u>6,929,115</u>	<u>1,976,172</u>	<u>8,905,287</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,623,540</u>	<u>\$ 1,782,802</u>	<u>\$ 4,406,342</u>
NONCASH INVESTING, CAPITAL, AND RELATED FINANCING ACTIVITIES			
Amortization related to long-term debt	<u>\$ 255,977</u>	<u>\$ -</u>	<u>\$ 255,977</u>
Capital contributions	<u>\$ 430,143</u>	<u>\$ 599,874</u>	<u>\$ 1,030,017</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, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING EXPENSES			
Variable Water Costs:			
Imported water	\$ 9,622,547	\$ -	\$ 9,622,547
OCWD replenishment assessment	5,209,220	-	5,209,220
MWD connection charge	683,917	-	683,917
Fuel and power/pumping	1,400,704	-	1,400,704
	<u>16,916,388</u>	<u>-</u>	<u>16,916,388</u>
Total Variable Water Costs			
Personnel Services:			
Unit salaries	6,161,216	673,706	6,834,922
Fringe benefits	3,614,236	385,746	3,999,982
Director's fees	51,888	3,612	55,500
	<u>9,827,340</u>	<u>1,063,064</u>	<u>10,890,404</u>
Total Personnel Services			
Supplies and Services:			
Communications	175,757	9,321	185,078
Contractual services	400,521	26,031	426,552
Data processing	227,356	12,870	240,226
District activities	34,863	2,516	37,379
Dues and memberships	87,376	6,577	93,953
Fees and permits	312,996	17,123	330,119
Insurance	284,209	25,376	309,585
Maintenance	505,250	138,110	643,360
Materials	485,136	17,608	502,744
Noncapital equipment	132,377	33,011	165,388
Office expense	38,367	2,838	41,205
Professional services	950,423	96,065	1,046,488
Training	32,822	7,485	40,307
Travel and conferences	49,922	5,268	55,190
Uncollectible accounts	3,703	315	4,018
Utilities	194,946	14,197	209,143
Vehicle expense	387,102	36,881	423,983
	<u>4,303,126</u>	<u>451,592</u>	<u>4,754,718</u>
Total Supplies and Services			
Depreciation	<u>6,314,950</u>	<u>1,442,189</u>	<u>7,757,139</u>
TOTAL OPERATING EXPENSES			
	<u>\$ 37,361,804</u>	<u>\$ 2,956,845</u>	<u>\$ 40,318,649</u>

YORBA LINDA WATER DISTRICT

SCHEDULE OF CAPITAL ASSETS

For the year ended June 30, 2020

	Water	Sewer	Total
Land, Mineral, and Water Rights:			
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>
Source of Supply:			
Wells	5,784,629	-	5,784,629
MWD connection	564,368	-	564,368
Total Source of Supply	<u>6,348,997</u>	<u>-</u>	<u>6,348,997</u>
Pumping Plant:			
Structures and improvements	15,733,048	-	15,733,048
Equipment	12,383,029	321,478	12,704,507
Total Pumping Plant	<u>28,116,077</u>	<u>321,478</u>	<u>28,437,555</u>
Water Treatment Plant:			
Structures and improvements	1,302,812	-	1,302,812
Equipment	2,204,857	-	2,204,857
Total Water Treatment Plant	<u>3,507,669</u>	<u>-</u>	<u>3,507,669</u>
Transmission and Distribution Plant:			
Mains	84,173,886	52,548,086	136,721,972
Reservoirs and tanks	61,843,958	-	61,843,958
Service and meter installation	7,342,416	3,512,983	10,855,399
Fire hydrants	7,755,290	-	7,755,290
Meters	10,478,413	-	10,478,413
Fire mains	745,360	-	745,360
Structures and improvements	4,938,691	-	4,938,691
Control system	5,578,968	33,485	5,612,453
Total Transmission and Distribution Plant	<u>182,856,982</u>	<u>56,094,554</u>	<u>238,951,536</u>
General Plant:			
Structures and improvements	13,414,159	-	13,414,159
Transportation equipment	2,550,386	1,700,445	4,250,831
Power operated equipment	601,673	-	601,673
Communication equipment	721,032	-	721,032
Computer equipment	2,475,971	238,071	2,714,042
Office furniture	1,126,266	-	1,126,266
Tools, shop, and garage equipment	113,744	-	113,744
Store equipment	60,241	-	60,241
Total General Plant	<u>21,063,472</u>	<u>1,938,516</u>	<u>23,001,988</u>
Construction in Progress	<u>3,276,154</u>	<u>92,912</u>	<u>3,369,066</u>
Accumulated Depreciation	<u>(96,604,474)</u>	<u>(19,985,713)</u>	<u>(116,590,187)</u>
Total Capital Assets	<u>\$ 148,793,770</u>	<u>\$ 38,520,273</u>	<u>\$ 187,314,043</u>

YORBA LINDA WATER DISTRICT
COMBINING SCHEDULE OF NET POSITION

June 30, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Water	Sewer	Total
CURRENT ASSETS:			
UNRESTRICTED ASSETS:			
Cash and cash equivalents	\$ 25,576,816	\$ 3,401,571	\$ 28,978,387
Investments	5,288,511	1,822,259	7,110,770
Accounts receivable - water and sewer services	3,553,539	283,669	3,837,208
Accounts receivable - property taxes	18,176	1,179	19,355
Accrued interest receivable	81,900	23,186	105,086
Prepaid expenses and deposits	288,064	-	288,064
Inventory	283,523	-	283,523
	35,090,529	5,531,864	40,622,393
RESTRICTED ASSETS:			
Cash and investments held by fiscal agent	252	-	252
Cash and investments - pension trust	1,233,092	138,552	1,371,644
Cash and investments - OPEB trust	529,415	59,486	588,901
	1,762,759	198,038	1,960,797
	36,853,288	5,729,902	42,583,190
NONCURRENT ASSETS:			
Capital assets:			
Not depreciable	2,577,455	153,294	2,730,749
Depreciable, net of accumulated depreciation	149,544,604	38,635,222	188,179,826
	152,122,059	38,788,516	190,910,575
	188,975,347	44,518,418	233,493,765
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred amounts from pension plans	2,067,304	268,024	2,335,328
Deferred amounts from OPEB	409,578	53,102	462,680
Deferred loss on refunding	350,727	-	350,727
	2,827,609	321,126	3,148,735

(Continued)

YORBA LINDA WATER DISTRICT

COMBINING SCHEDULE OF NET POSITION
(CONTINUED)

June 30, 2019

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	Water	Sewer	Total
CURRENT LIABILITIES			
PAYABLE FROM UNRESTRICTED CURRENT ASSETS			
Accounts payable	\$ 5,040,552	\$ 152,644	\$ 5,193,196
Accrued expenses	202,687	-	202,687
Compensated absences payable - current portion	390,465	-	390,465
Customer and construction deposits	477,649	105,965	583,614
Unearned revenue	224,267	-	224,267
Accrued interest payable	393,864	-	393,864
Certificates of Participation - current portion	1,175,000	-	1,175,000
TOTAL PAYABLE FROM UNRESTRICTED CURRENT ASSETS	7,904,484	258,609	8,163,093
TOTAL CURRENT LIABILITIES	7,904,484	258,609	8,163,093
LONG-TERM LIABILITIES (LESS CURRENT PORTION)			
Unearned annexation revenue	13,112,931	-	13,112,931
Compensated absences	1,171,396	-	1,171,396
Certificates of Participation	37,691,080	-	37,691,080
Net pension liability	7,479,406	969,708	8,449,114
Net OPEB liability	1,811,215	234,825	2,046,040
TOTAL LONG-TERM LIABILITIES (LESS CURRENT PORTION)	61,266,028	1,204,533	62,470,561
TOTAL LIABILITIES	69,170,512	1,463,142	70,633,654
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts from pension plans	381,096	49,411	430,507
Deferred amounts from OPEB	38,593	5,004	43,597
Deferred gain on refunding	98,076	-	98,076
TOTAL DEFERRED INFLOWS OF RESOURCES	517,765	54,415	572,180
NET POSITION			
Net investment in capital assets	113,508,882	38,788,516	152,297,398
Restricted:			
Water conservation	103,420	-	103,420
Pension benefits	1,233,092	138,552	1,371,644
Other post-employment benefits	529,415	59,486	588,901
Unrestricted	6,739,870	4,335,433	11,075,303
TOTAL NET POSITION	\$ 122,114,679	\$ 43,321,987	\$ 165,436,666

YORBA LINDA WATER DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

For the year ended June 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES:			
Water sales	\$ 29,819,532	\$ -	\$ 29,819,532
Sewer revenues	-	2,528,020	2,528,020
Other operating revenues	981,069	33,622	1,014,691
	<u>30,800,601</u>	<u>2,561,642</u>	<u>33,362,243</u>
OPERATING EXPENSES:			
Variable water costs	13,327,860	-	13,327,860
Personnel services	8,602,890	935,277	9,538,167
Supplies and services	4,068,320	524,201	4,592,521
Depreciation	5,947,042	1,375,711	7,322,753
	<u>31,946,112</u>	<u>2,835,189</u>	<u>34,781,301</u>
OPERATING LOSS	<u>(1,145,511)</u>	<u>(273,547)</u>	<u>(1,419,058)</u>
NONOPERATING REVENUES (EXPENSES):			
Property taxes	1,874,688	-	1,874,688
Investment income	687,320	132,202	819,522
Interest expense	(1,350,616)	-	(1,350,616)
Other nonoperating revenues	927,224	87,271	1,014,495
Other nonoperating expenses	(1,454,302)	(96,076)	(1,550,378)
	<u>684,314</u>	<u>123,397</u>	<u>807,711</u>
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	<u>(461,197)</u>	<u>(150,150)</u>	<u>(611,347)</u>
CAPITAL CONTRIBUTIONS	<u>75,845</u>	<u>95,299</u>	<u>171,144</u>
CHANGES IN NET POSITION	<u>(385,352)</u>	<u>(54,851)</u>	<u>(440,203)</u>
NET POSITION - BEGINNING OF YEAR	<u>122,500,031</u>	<u>43,376,838</u>	<u>165,876,869</u>
NET POSITION - END OF YEAR	<u>\$ 122,114,679</u>	<u>\$ 43,321,987</u>	<u>\$ 165,436,666</u>

YORBA LINDA WATER DISTRICT
COMBINING SCHEDULE OF CASH FLOWS

For the year ended June 30, 2019

	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 31,129,214	\$ 2,524,819	\$ 33,654,033
Cash payments to employees for salaries and wages	(8,964,452)	(959,647)	(9,924,099)
Cash payments to suppliers of goods and services	(17,710,972)	(450,041)	(18,161,013)
Other revenues	95,549	66,691	162,240
Other expenses	(29,752)	(8,360)	(38,112)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,519,587	1,173,462	5,693,049
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from property taxes and assessments	1,873,286	-	1,873,286
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,873,286	-	1,873,286
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from annexation fees and capital contributions	(44,325)	4,056	(40,269)
Acquisition and construction of capital assets	(3,448,079)	(1,873,756)	(5,321,835)
Proceeds from sales of capital assets	4,454	-	4,454
Principal paid on long-term liabilities	(1,140,000)	-	(1,140,000)
Interest paid on long-term liabilities	(1,598,256)	-	(1,598,256)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(6,226,206)	(1,869,700)	(8,095,906)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments	15,840,720	(198,038)	15,642,682
Purchases of investments	(20,101,588)	(1,594,444)	(21,696,032)
Interest and investment earnings	644,113	121,362	765,475
NET CASH USED IN INVESTING ACTIVITIES	(3,616,755)	(1,671,120)	(5,287,875)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,450,088)	(2,367,358)	(5,817,446)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	29,026,904	5,768,929	34,795,833
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 25,576,816	\$ 3,401,571	\$ 28,978,387

(Continued)

YORBA LINDA WATER DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
(CONTINUED)

For the year ended June 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating loss	\$ (1,145,511)	\$ (273,547)	\$ (1,419,058)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	5,947,042	1,375,711	7,322,753
Other revenues	95,549	66,691	162,240
Other expenses	(29,752)	(8,360)	(38,112)
Changes in operating assets, deferred outflows of resources, operating liabilities, and deferred inflows of resources:			
(Increase) decrease in assets and deferred outflows: of resources:			
Accounts receivable - water and sewer services	331,340	(36,690)	294,650
Inventory	(35,034)	-	(35,034)
Prepaid expenses and deposits	(117,507)	-	(117,507)
Other post-employment benefits (OPEB) asset	366,925	47,573	414,498
Deferred outflows of resources from pension plans	(55,841)	(7,240)	(63,081)
Increase (decrease) in liabilities and deferred inflows of resources:			
Accounts payable	(187,050)	64,851	(122,199)
Accrued expenses	20,577	-	20,577
Accrued compensated absences	(193,401)	-	(193,401)
Customer and construction deposits	21,310	9,176	30,486
Net pension liability	(111,486)	(14,454)	(125,940)
Net OPEB liability	(201,279)	(26,096)	(227,375)
Deferred inflows of resources from pension plans	(185,083)	(23,996)	(209,079)
Deferred inflows of resources from OPEB	(1,212)	(157)	(1,369)
 Total adjustments	 <u>5,665,098</u>	 <u>1,447,009</u>	 <u>7,112,107</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 4,519,587</u>	 <u>\$ 1,173,462</u>	 <u>\$ 5,693,049</u>
 NONCASH INVESTING, CAPITAL, AND RELATED FINANCING ACTIVITIES:			
Amortization related to long-term debt	<u>\$ 236,240</u>	<u>\$ -</u>	<u>\$ 236,240</u>
 Capital contributions	 <u>\$ 75,845</u>	 <u>\$ 95,299</u>	 <u>\$ 171,144</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, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING EXPENSES:			
Variable Water Costs:			
Imported water	\$ 3,076,462	\$ -	\$ 3,076,462
OCWD replenishment assessment	6,553,998	-	6,553,998
Continuous use program	1,194,353	-	1,194,353
MWD connection charge	736,295	-	736,295
Fuel and power/pumping	1,766,752	-	1,766,752
	<u>13,327,860</u>	<u>-</u>	<u>13,327,860</u>
Total Variable Water Costs			
Personnel Services:			
Unit salaries	6,219,353	664,366	6,883,719
Fringe benefits	2,332,681	267,467	2,600,148
Director's fees	50,856	3,444	54,300
	<u>8,602,890</u>	<u>935,277</u>	<u>9,538,167</u>
Total Personnel Services			
Supplies and Services:			
Board election	52,742	3,970	56,712
Communications	151,127	8,582	159,709
Contractual services	390,442	23,794	414,236
Data processing	264,280	17,438	281,718
District activities	36,079	2,572	38,651
Dues and memberships	73,970	7,590	81,560
Fees and permits	269,225	10,477	279,702
Insurance	263,807	19,786	283,593
Maintenance	435,489	191,846	627,335
Materials	907,620	52,569	960,189
Noncapital equipment	133,959	27,462	161,421
Office expense	38,495	2,488	40,983
Professional services	466,033	76,433	542,466
Training	39,887	17,602	57,489
Travel and conferences	88,298	7,040	95,338
Uncollectible accounts	2,727	133	2,860
Utilities	172,299	13,247	185,546
Vehicle expense	281,841	41,172	323,013
	<u>4,068,320</u>	<u>524,201</u>	<u>4,592,521</u>
Total Supplies and Services			
Depreciation	<u>5,947,042</u>	<u>1,375,711</u>	<u>7,322,753</u>
TOTAL OPERATING EXPENSES			
	<u>\$ 31,946,112</u>	<u>\$ 2,835,189</u>	<u>\$ 34,781,301</u>

YORBA LINDA WATER DISTRICT

SCHEDULE OF CAPITAL ASSETS

For the year ended June 30, 2019

	Water	Sewer	Total
Land, Mineral, and Water Rights:			
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>
Source of Supply:			
Wells	5,784,629	-	5,784,629
MWD connection	564,368	-	564,368
Total Source of Supply	<u>6,348,997</u>	<u>-</u>	<u>6,348,997</u>
Pumping Plant:			
Structures and improvements	15,723,458	-	15,723,458
Equipment	12,383,029	321,478	12,704,507
Total Pumping Plant	<u>28,106,487</u>	<u>321,478</u>	<u>28,427,965</u>
Water Treatment Plant:			
Structures and improvements	1,302,812	-	1,302,812
Equipment	2,204,857	-	2,204,857
Total Water Treatment Plant	<u>3,507,669</u>	<u>-</u>	<u>3,507,669</u>
Transmission and Distribution Plant:			
Mains	83,781,303	51,728,451	135,509,754
Reservoirs and tanks	61,742,318	-	61,742,318
Service and meter installation	7,217,806	3,456,011	10,673,817
Fire hydrants	7,690,162	-	7,690,162
Meters	9,892,383	-	9,892,383
Fire mains	745,360	-	745,360
Structures and improvements	4,640,751	-	4,640,751
Control system	5,547,563	33,485	5,581,048
Total Transmission and Distribution Plant	<u>181,257,646</u>	<u>55,217,947</u>	<u>236,475,593</u>
General Plant:			
Structures and improvements	13,278,291	-	13,278,291
Transportation equipment	2,363,745	1,401,250	3,764,995
Power operated equipment	601,673	-	601,673
Communication equipment	721,032	-	721,032
Computer equipment	2,387,854	238,071	2,625,925
Office furniture	1,098,711	-	1,098,711
Tools, shops, and garage equipment	101,782	-	101,782
Store equipment	60,241	-	60,241
Total General Plant	<u>20,613,329</u>	<u>1,639,321</u>	<u>22,252,650</u>
Construction in Progress	<u>2,348,562</u>	<u>94,768</u>	<u>2,443,330</u>
Accumulated Depreciation	<u>(90,289,524)</u>	<u>(18,543,524)</u>	<u>(108,833,048)</u>
Total Capital Assets	<u>\$ 152,122,059</u>	<u>\$ 38,788,516</u>	<u>\$ 190,910,575</u>

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STATISTICAL SECTION

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YORBA LINDA WATER DISTRICT
Description of Statistical Section Contents
June 30, 2020

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.	86
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the District’s most significant local revenue source, water sales.	88
<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.	90
<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.	92
<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.	94

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

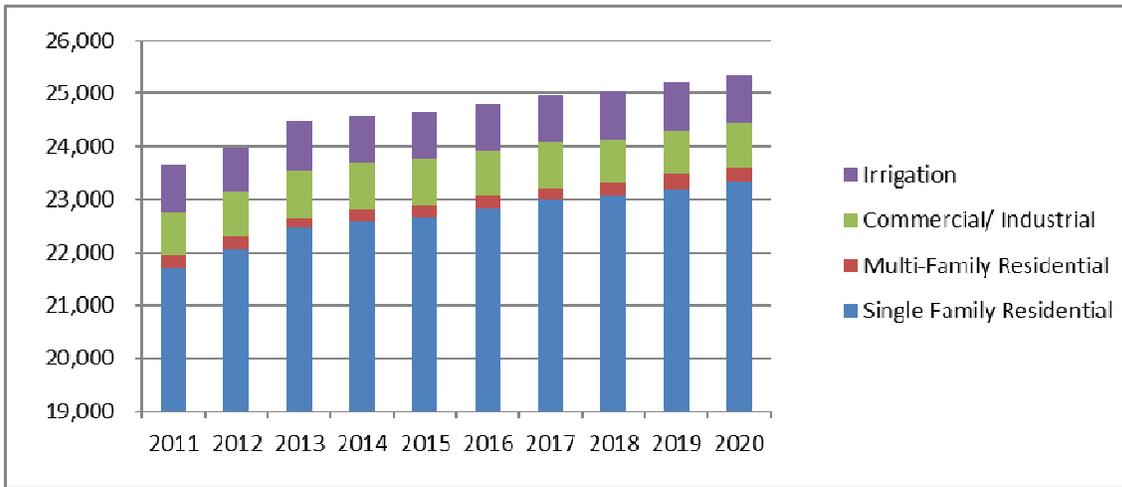
Changes in Net Position:	Fiscal Year			
	2020	2019	2018	2017
Operating Revenues				
Water Sales	\$ 32,192,312	\$ 29,819,532	\$ 32,082,152	\$ 29,326,565
Sewer Revenues	2,731,285	2,528,020	2,330,809	2,099,947
Other Operating Revenues	896,107	1,014,691	831,733	1,033,608
Operating Expenses				
Variable Water Costs	16,916,388	13,327,860	15,028,131	12,710,857
Personnel Services	10,890,404	9,538,167	9,874,212	8,913,639
Supplies and Services	4,754,718	4,592,521	4,298,863	4,504,054
Depreciation	7,757,139	7,322,753	7,465,977	7,147,369
Operating Income/(Loss)	(4,498,945)	(1,419,058)	(1,422,489)	(815,799)
Nonoperating Revenues (Expenses)				
Property Taxes	1,961,002	1,874,688	1,749,957	1,687,384
Investment Income	694,705	819,522	518,600	377,205
Interest Expense	(1,309,883)	(1,350,616)	(1,106,515)	(1,552,896)
Bond Issuance Costs	-	-	-	-
Other Nonoperating Revenues	1,104,622	1,014,495	413,465	645,562
Other Nonoperating Expenses	(137,569)	(1,550,378)	(89,021)	(403,597)
Total Nonoperating Revenues (Expenses)	2,312,877	807,711	1,486,486	753,658
Net Income (Loss) Before Capital Contributions Extraordinary Items	(2,186,068)	(611,347)	63,997	(62,141)
Capital Contributions	1,030,017	171,144	3,554,123	2,665,462
Special Items	-	-	(2,205,847)	-
Extraordinary Items	-	-	-	-
Changes in Net Position	\$ (1,156,051)	\$ (440,203)	\$ 1,412,273	\$ 2,603,321
Net Position by Component:				
Net investment in Capital Assets	148,668,148	152,297,398	154,271,627	\$ 154,273,025
Restricted	2,131,773	2,063,965	352,063	1,222,452
Unrestricted	13,480,694	11,075,303	11,253,179	8,969,119
Total Net Assets	\$ 164,280,615	\$ 165,436,666	\$ 165,876,869	\$ 164,464,596

Fiscal Year

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 27,820,638	\$ 26,446,618	\$ 28,376,082	\$ 26,369,940	\$ 24,998,673	\$ 22,686,251
1,849,114	1,775,676	1,762,816	1,762,039	1,785,804	1,274,579
2,665,835	1,461,106	1,047,625	723,577	848,238	1,035,545
10,470,181	12,733,762	14,673,144	13,509,336	12,275,853	11,268,306
8,096,853	7,778,763	7,529,481	7,225,729	6,979,088	6,902,995
4,355,033	3,806,900	3,849,183	4,222,398	3,811,125	3,686,333
7,546,407	7,432,586	7,315,084	6,884,213	6,595,720	5,279,860
<u>1,867,113</u>	<u>(2,068,611)</u>	<u>(2,180,369)</u>	<u>(2,986,120)</u>	<u>(2,029,071)</u>	<u>(2,141,119)</u>
1,615,454	1,496,489	1,394,722	1,340,916	1,273,855	1,258,769
288,817	187,316	145,048	137,569	277,137	274,152
(1,671,539)	(1,683,039)	(1,715,429)	(1,781,416)	(1,626,190)	(1,172,503)
-	-	-	(192,410)	-	-
872,420	744,572	1,325,685	588,854	805,654	739,062
(7,273)	(116,528)	(47,948)	(35,954)	(108,984)	(406,575)
<u>1,097,879</u>	<u>628,810</u>	<u>1,102,078</u>	<u>57,559</u>	<u>621,472</u>	<u>692,905</u>
2,964,992	(1,439,801)	(1,078,291)	(2,928,561)	(1,407,599)	(1,448,214)
788,445	705,848	2,128,579	1,174,673	17,214,138	706,319
-	-	-	-	-	-
-	-	5,000,000	-	(5,000,000)	-
<u>\$ 3,753,437</u>	<u>\$ (733,953)</u>	<u>\$ 6,050,288</u>	<u>\$ (1,753,888)</u>	<u>\$ 10,806,539</u>	<u>\$ (741,895)</u>
\$ 153,776,247	\$ 157,092,210	\$ 161,159,541	\$ 161,494,158	\$ 161,672,565	\$ 146,235,362
1,572,527	189,314	-	-	9,598,420	12,620,256
9,027,328	3,341,141	6,617,328	232,423	(6,228,771)	(4,619,943)
<u>\$ 164,376,102</u>	<u>\$ 160,622,665</u>	<u>\$ 167,776,869</u>	<u>\$ 161,726,581</u>	<u>\$ 165,042,214</u>	<u>\$ 154,235,675</u>

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

Fiscal Year	Single Family Residential	Multi-Family Residential	Commercial/ Industrial	Irrigation	Direct Rate (Billing Unit)	
2011	21,701	231	833	879	2.52	
2012	22,064	240	829	846	2.52	
2013	22,480	158	908	933	2.52	
2014	22,586	230	892	876	2.64	
2015	22,649	230	898	876	2.70	
2016	22,845	229	842	884	2.70	
2017	22,991	232	845	902	2.70	
2018	23,055	256	821	908	2.70	
2019	23,207	256	829	914	2.80	<u>Total</u>
2020	23,340	258	831	921	2.80	25,350
					SFR %	92.07%



Source: YLWD Billing System

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

FY 2019

	<u>Customer Name</u>	<u>Business Type</u>	<u>Annual Revenues #</u>	<u>% of Total Revenues *</u>
1	City of Yorba Linda	Government	\$ 2,149,102	6.21%
2	Placentia Yorba Linda USD	Government	326,046	0.94%
3	The Hills at Yorba Linda	Homeowner's Assoc.	161,908	0.47%
4	RRE Yorba Linda Holdings, LLC	Manufacturer	137,246	0.40%
5	Fairmont Hill Community Assoc	Homeowner's Assoc.	133,165	0.38%
6	Yorba Linda Villages	Homeowner's Assoc.	130,733	0.38%
7	Lake Park Mobile Home Community	Homeowner's Assoc.	104,509	0.30%
8	Aseptic Tech LLC	Manufacturer	92,624	0.27%
9	Amalfi Hills Community Assoc	Homeowner's Assoc.	85,031	0.25%
10	Woodgate Condominium	Homeowner's Assoc.	70,473	0.20%
			<u>\$ 3,390,837</u>	<u>9.80%</u>

FY 2016

	<u>Customer Name</u>	<u>Business Type</u>	<u>Annual Revenues #</u>	<u>% of Total Revenues</u>
1	City of Yorba Linda	Government	\$ 1,949,735	6.57%
2	Placentia-Yorba Linda USD	Government	249,396	0.84%
3	Aspetic Tech	Manufacturer	108,087	0.36%
4	RRE Yorba Linda Holdings	Manufacturer	134,905	0.45%
5	Yorba Linda Villages	Homeowners' Assoc.	117,461	0.40%
7	The Hills at Yorba Linda	Homeowners' Assoc.	146,595	0.49%
6	Fairmont Hill Community Assoc	Homeowners' Assoc.	85,340	0.29%
8	Cartel Electronics	Manufacturer	64,384	0.22%
9	Lake Park Mobile Home Community	Homeowners' Assoc.	74,579	0.25%
10	Cal Water	Manufacturer	60,935	0.21%
			<u>\$ 2,991,416</u>	<u>10.09%</u>

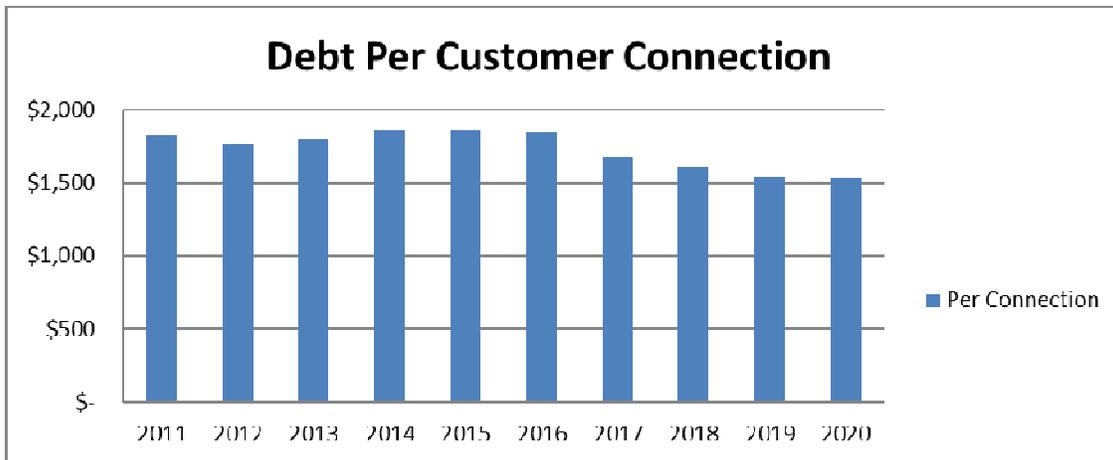
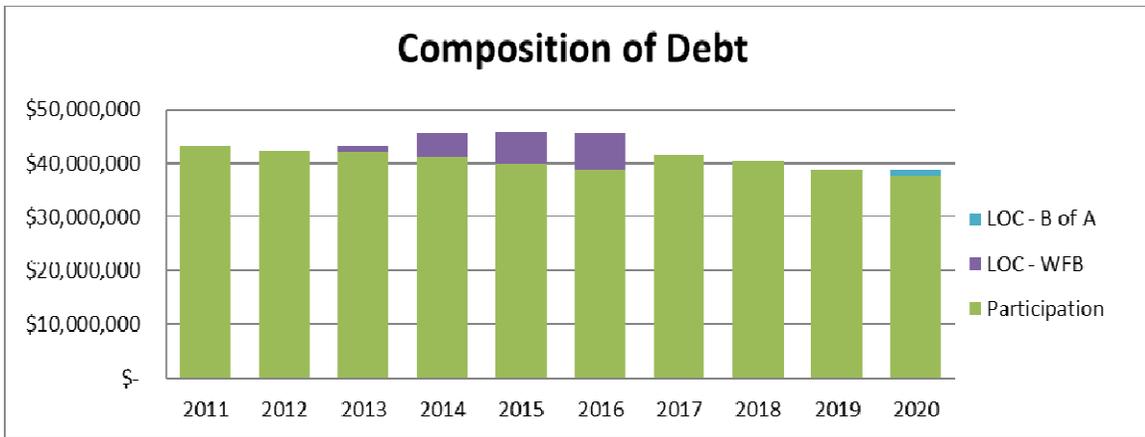
NOTES:

* Total "actual revenues" represents revenue generated from customer billings (water and sewer related)

Annual Revenues represents the listed customer's annual total billing for water and sewer services (including Base Service Charges)

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

Fiscal Year	Bank of America Line of Credit LOC - B of A	Wells Fargo Bank Line of Credit	Certificates of Participation	Total			As a Share of Personal Income
				Debt	Per Connection	Per Capita	
2011	\$ -	\$ -	\$43,189,117	\$43,189,117	\$ 1,827	\$ 588	1.44%
2012	-	-	42,278,129	42,278,129	1,764	565	1.32%
2013	-	1,171,131	42,009,722	43,180,853	1,802	584	1.28%
2014	-	4,642,656	40,970,599	45,613,255	1,858	610	1.32%
2015	-	5,994,099	39,886,475	45,880,574	1,861	584	1.33%
2016	-	6,883,720	38,767,354	45,651,074	1,841	577	1.26%
2017	-	-	41,758,033	41,758,033	1,672	525	1.14%
2018	-	-	40,262,056	40,262,056	1,612	499	1.10%
2019	-	-	38,866,080	38,866,080	1,542	482	1.07%
2020	1,443,517	-	37,435,103	38,878,620	1,534	485	0.99%



Source: YLWD Audited Financial Statements

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

Fiscal Year	Revenues	Operating & Maint. Costs	Net Revenues	Debt Service			Coverage Ratio
				Principal	Interest	Total	
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	21,092	17,322	3,770	925	1,985	2,910	1.82
2014	31,118	24,901	6,217	965	1,813	2,778	2.29
2015	29,685	23,219	6,466	1,010	1,714	2,724	2.36
2016	32,557	21,603	10,954	1,045	1,777	2,822	4.02
2017	32,734	25,112	7,622	1,080	1,768	2,848	2.81
2018	35,022	27,844	7,178	1,240	1,509	2,749	2.61
2019	34,301	26,037	8,264	1,140	1,598	2,738	3.02
2020	36,605	31,167	5,438	1,175	1,552	2,727	1.99

NOTE: O & M Costs exclude depreciation and debt service expenses.

**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>
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
2016	78,539	67,637	3,624,303,533	46,147
2017	79,170	67,890	3,654,487,200	46,160
2018	79,565	68,229	3,672,735,413	46,160
2019	80,606	69,121	3,633,462,895	45,077
2020	80,122	68,706	3,929,220,520	49,041

County of Orange

<u>Year</u>	<u>Population</u>	<u>Unemployment Rate</u>	<u>Personal Income</u>	<u>Personal Income per Capita</u>
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
2016	3,132,681	4.6%	169,792,810	54,200
2017	3,194,024	3.7%	172,509,495	54,010
2018	3,221,103	3.3%	174,062,080	54,038
2019	3,222,498	2.2%	175,628,639	54,501
2020	3,228,519	3.0%	177,209,297	54,889

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 ^	2020*		2011+	
	Employees	% of Total Labor Force	Employees	% of Total Labor Force
Placentia Linda Hospital	435	0.025 %	441	0.023 %
Vyaire Medical, Inc. (CareFusion)	344	0.020 %	389	0.020 %
Nobel Biocare USA, Inc.	329	0.019 %	328	0.017 %
Costco Wholesale Corp.	308	0.018 %	276	0.014 %
City of Yorba Linda	235	0.013 %	194	0.010 %
Emeritus/Brookdale at Yorba Linda	175	0.010 %	126	0.006 %
Office Solution	167	0.010 %	92	0.005 %
Sprouts Farmers Market	163	0.009 %	110	0.006 %
Tokyo Central	115	0.007 %	-	0.000 %
Von's	106	0.006 %	165	0.009 %
Kohl's	92	0.005 %	158	0.008 %
Total	2,469	0.141 %	2,279	0.118 %

NOTES: * Most current available data

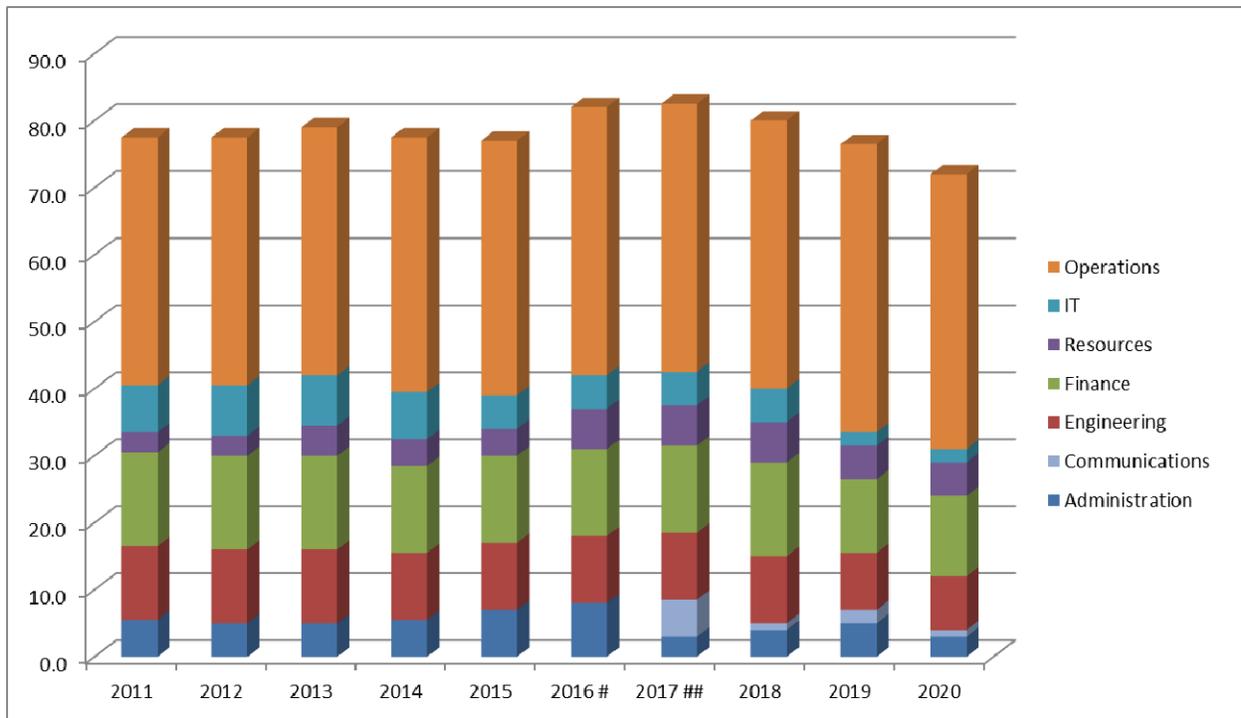
+ Oldest available data

^ 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	Communications	Engineering	Finance	Human Resources	IT	Operations	
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
2016 [#]	8.0		10.0	13.0	6.0	5.0	40.0	82.0
2017 ^{##}	3.0	5.5	10.0	13.0	6.0	5.0	40.0	82.5
2018	4.0	1.0	10.0	14.0	6.0	5.0	40.0	80.0
2019	5.0	2.0	8.5	11.0	5.0	2.0	43.0	76.5
2020	3.0	1.0	8.0	12.0	5.0	2.0	41.0	72.0



NOTE: * Number of employees in each department are authorized and funded positions.
[#] Includes 3FTE temporary positions in relation to the SWRCB Emergency Mandate
^{##} Includes 2 Limited-term FT and 1 Limited-term PT positions in relation to the SWRCB Emergency Mandate

**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>
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
2016	2.86	4,408	12.1	1,873
2017	1.15	5,827	16.0	1,782
2018	1.50	6,643	18.2	1,681
2019	0.97	6,433	16.4	1,651
2020	0.42	6281	17.2	1,693

<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>
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
2016	12	52,025	14	57
2017	12	52,025	14	57
2018	12	52,025	14	57
2019	12	56,125	14	57
2020	12	56,125	14	57

MG - Millions of Gallons

MGD - Millions of Gallons per Day

GPM - Gallon per Minute

NOTE: * Miles of Water Main estimated