

**MISSION SPRINGS WATER DISTRICT**  
**DESERT HOT SPRINGS, CALIFORNIA**

**INDEPENDENT AUDITORS' REPORT,**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS,**  
**FINANCIAL STATEMENTS, REQUIRED**  
**SUPPLEMENTARY INFORMATION AND**  
**SUPPLEMENTARY INFORMATION**

**JUNE 30, 2018**

# MISSION SPRINGS WATER DISTRICT

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# MISSION SPRINGS WATER DISTRICT

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LUND & GUTTRY LLP / CERTIFIED PUBLIC ACCOUNTANTS  
36917 COOK STREET • SUITE 102 • PALM DESERT, CA 92211  
Telephone (760) 568-2242 • Fax (760) 346-8891  
www.lundandguttery.com

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Mission Springs Water District  
Desert Hot Springs, California

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

We have audited the accompanying combined statement of net position, combined statement of revenues, expenses and changes in net position, and combined statement of cash flows of Mission Springs Water District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year summarized information has been derived from the District's 2017 financial statements and, in our report dated November 20, 2017 we expressed an unqualified opinion on those financial statements.

### **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 misstatement, whether due to fraud or error.

### **Auditor's 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion the financial statements referred to above present fairly, in all material respects, the respective combined statement of net position, combined statement of revenues, expenses and changes in net position, and combined statement of cash flows of Mission Springs Water District, as of June 30, 2018, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

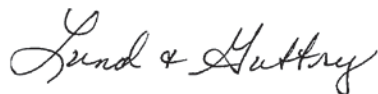
## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 - 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2018, on our consideration of the Mission Springs Water 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 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 Mission Springs Water District's internal control over financial reporting and compliance and should be read in conjunction with this report in considering the results of our audit.



October 11, 2018

**MANAGEMENT'S DISCUSSION**  
**AND ANALYSIS**

# MISSION SPRINGS WATER DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018 AND 2017

This section of the Mission Springs Water District's (MSWD) financial statements presents our analysis of the District's financial performance and activities for the fiscal year ended June 30, 2018. This information is presented in conjunction with the audited financial statements, which follow this section.

### ABOUT THE DISTRICT

MSWD, formerly called Desert Hot Springs County Water District, was formed in 1953 and operates under the authority of the California Water Code. MSWD is located in the Coachella Valley of Southern California, ten miles north of the City of Palm Springs. The boundaries encompass an area of 135 square miles, within which the district maintains and operates pipelines, 14 water wells, 24 reservoirs and 2 waste water treatment plants. The primary service area is the City of Desert Hot Springs.

Mission Springs Water District is comprised of the following:

Water District Fund – Activities associated with serving 13,161 water accounts, of which 95% are residential customers.

Sewer District Fund– Activities associated with providing sewage collection, treatment and disposal services to 9,127 customers, of which 97% are residential customers.

General District Fund–Activities associated with providing administrative support to operate the water and sewer districts. The operating expenses of the General District Fund are allocated to the Water District Fund and the Sewer District Fund monthly based on pro rata labor hours.

### OVERVIEW OF THE FINANCIAL STATEMENTS

Mission Springs Water District operates as a utility enterprise fund. The governing body intends to provide service to the general public on a continuing basis and to recover costs through a system of user fees. These activities are accounted for much like that of a private business and use the full accrual method of accounting for transactions.

The district maintains its financial records and prepares financial statements using the accrual basis of accounting and accounting principles appropriate for an enterprise fund. The financial statements conform to generally accepted accounting principles (GAAP) in the United States, and to the standards set by the Governmental Accounting Standards Board (GASB). Required financial statements included in this report are a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows. Additional statements and notes to the financial statements are provided to explain some of the information in the financial statements and provide more detailed data.

Property tax revenues are allocated to the district by Riverside County and are not restricted as to use.

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during fiscal year 2015. GASB 68 requires governmental agencies to record their net pension liability on their Statement of Net Position. The net pension liability as of June 30, 2018, was \$7,233,188. See Note 9 for further information.

# MISSION SPRINGS WATER DISTRICT

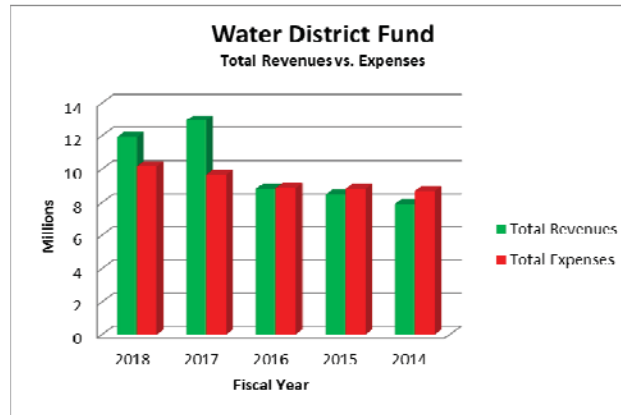
## MANAGEMENT'S DISCUSSION AND ANALYSIS

### JUNE 30, 2018 AND 2017

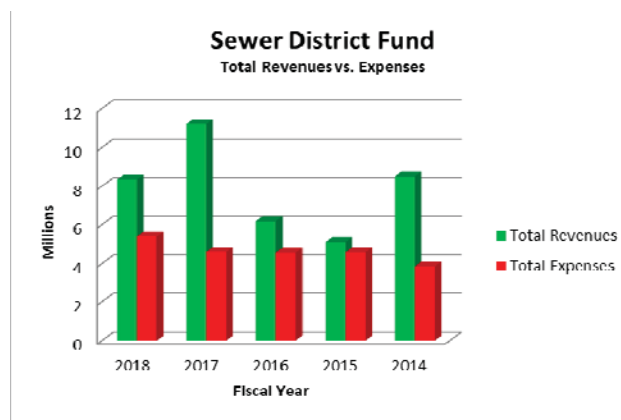
#### FINANCIAL HIGHLIGHTS

The following are highlights of the financial activities of the District during the fiscal year ended June 30, 2018.

**Water District Fund.** The Water District Fund total cash and investments (including restricted) increased slightly over \$4.9 million and net position increased slightly over \$1.7 million for fiscal 2018. Operating revenues increased approximately \$1.6 million mostly related to lifted State drought consumption restrictions and a rate increase that was effective January 1, 2018. Non-Operating revenues decreased approximately \$2.6 million due to a decrease in grant revenue and contributed infrastructure.



**Sewer District Fund.** The Sewer District Fund total cash and investments (including restricted) increased approximately \$3.5 million and net position increased slightly over \$2.9 million for fiscal 2018. Operating revenues increased slightly over \$1.0 million related to a rate increase that was effective January 1, 2018. Non-Operating revenues decreased slightly over \$3.8 million due to a decrease in grant revenue and backup and front footage fees from sewer collection system projects completed during fiscal 2017.



#### CONDENSED FINANCIAL INFORMATION

The following condensed financial information provides an overview of the District's financial activities for the fiscal year ended June 30, 2018.



**MISSION SPRINGS WATER DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2018 AND 2017**

**NET POSITION**

Net position, the difference between assets and liabilities, increased 2.7 percent, or \$3,751,797 to \$142,868,030 from June 30, 2017.

	<u>June 30,</u> <u>2018</u>	<u>June 30,</u> <u>2017</u>	<u>Change</u>
<b>Assets</b>			
Capital assets, net	\$ 122,174,220	\$ 122,748,943	(\$ 574,723)
Other assets	44,992,020	39,145,444	5,846,576
Total assets	<u>167,166,240</u>	<u>161,894,387</u>	<u>5,271,853</u>
<b>Liabilities</b>			
Long-term liabilities	9,638,029	10,205,287	(567,258)
Other liabilities	14,660,181	12,572,867	2,087,314
Total liabilities	<u>24,298,210</u>	<u>22,778,154</u>	<u>1,520,056</u>
<b>Net Position</b>			
Invested in capital assets, net of debt	108,801,854	108,859,676	( 57,822)
Restricted for:			
Debt service	864,070	863,637	433
Other purposes	36,837,909	34,781,995	2,055,914
Unrestricted (Deficit)	<u>(3,635,803)</u>	<u>(5,389,075)</u>	<u>1,753,272</u>
Total net position	<u>\$142,868,030</u>	<u>\$139,116,233</u>	<u>\$ 3,751,797</u>

**CAPITAL ASSETS, NET**

Decreased \$574,723, or 0.5 percent. The following list presents a summary of capital expenditures.

Water meters	\$ 459,357
Vehicles	309,681
Other acquisitions	622,649
Increase in construction in progress	2,031,587
Less depreciation	<u>( 3,997,997)</u>
Total, net	<u>(\$ 574,723)</u>

**MISSION SPRINGS WATER DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2018 AND 2017**

**CAPITAL ASSETS, NET** (continued)

**Schedule of Capital Assets (net of depreciation)**

	June 30, 2018	June 30, 2017	Change
Intangible plant	\$ 1,340,070	\$ 1,522,023	(\$ 181,953)
Land and land rights	1,375,510	1,375,539	(29)
Source of supply	4,680,325	4,871,430	(191,105)
Pumping plant	10,232,361	10,667,592	(435,231)
Transmission, distribution and storage	35,369,729	36,244,470	(874,741)
Buildings and grounds	596,928	574,688	22,240
Furniture and fixtures	426,684	470,063	(43,379)
Shop equipment	2,167	3,478	(1,311)
Autos, trucks and heavy equipment	486,060	229,695	256,365
Sewage collection facilities	47,453,700	48,576,298	(1,122,598)
Sewage treatment plants	8,970,192	9,095,625	(125,433)
Other plant in service	446,584	355,719	90,865
Construction in progress	10,793,910	8,762,323	2,031,587
Capital assets, net	<u>\$ 122,174,220</u>	<u>\$ 122,748,943</u>	<u>(\$ 574,723)</u>

**OTHER ASSETS**

Increased \$5,846,576, or 14.9 percent. The following list presents a summary of other assets and changes from June 30, 2017.

<u>Description</u>	June 30, 2018	June 30, 2017	Change	<u>Explanation</u>
Current assets – cash	\$ 4,019,191	\$ 4,903,262	(\$ 884,071)	
Restricted assets – cash	25,213,441	15,181,606	10,031,835	
Total cash	29,232,632	20,084,868	9,147,764	(1)
Assessments receivable	10,137,031	10,717,818	(580,787)	
Accounts receivable	2,848,298	5,349,887	(2,501,589)	(2)
All other	2,774,059	2,992,871	(218,812)	
Totals	<u>\$ 44,992,020</u>	<u>\$ 39,145,444</u>	<u>\$ 5,846,576</u>	

(1) Refer to pages 16-17, Combined Statement of Cash Flows.

(2) Collection of grant funds related to solar plant.

**LONG-TERM LIABILITIES**

Decreased \$567,258, or 5.6 percent. This decrease consisted of normal debt payments during the year.

**LIABILITIES OTHER THAN LONG-TERM DEBT**

Increased \$2,087,314 or 16.6 percent. Effective June 30, 2015 the District complied with GASB 68 reporting requirements by adequately presenting net pension liability on the combined statement of net position. Net pension liability and Deferred Inflows of Resources increased \$596,976 and \$461,747, respectively, from June 30, 2017 to \$7,233,188 and \$461,747, respectively, at June 30, 2018. Accrued Expenses increased \$729,648 from June 30, 2017 to \$1,708,660 at June 30, 2018 due primarily to an increase in the City Utility Tax of \$278,141 and a contract accrued expense of \$350,000.

**MISSION SPRINGS WATER DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2018 AND 2017**

**NET POSITION**

Invested In Capital Assets, Net Of Debt:

Decreased \$57,822 or 0.05 percent, from June 30, 2017.

Restricted “Net Position” increased \$2,056,347. The balances are reserved primarily for capital replacements and debt service.

Unrestricted Net Position increased \$1,753,272 or 32.5 percent, from the previous year. Unrestricted Net Position consists of net amounts that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.” However, certain of the unrestricted net position are authorized by the Board to be used for the CIP program.

**CHANGES IN NET POSITION**

The increase in net position for fiscal year 2018 was \$3,751,797. A comparative detailed analysis of all operating revenues, functional operating expenses and non-operating revenues and expense items are presented in the “COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY FUNCTION”, on page 45.

	June 30, 2018	June 30, 2017	Change
Total operating revenues	\$ 16,291,697	\$ 13,622,125	\$ 2,669,572
Total operating expenses	(10,737,174)	(9,640,837)	(1,096,337)
Operating income before depreciation	5,554,523	3,981,288	1,573,235
Depreciation	(3,997,997)	(3,917,383)	(80,614)
Operating income (loss)	1,556,526	63,905	1,492,621
Non-operating revenues, net	2,195,271	9,841,544	(7,646,273)
Increase (decrease) in net position	3,751,797	9,905,449	(6,153,652)
Beginning net position	139,116,233	129,210,784	9,905,449
Ending net position	<u>\$142,868,030</u>	<u>\$ 139,116,233</u>	<u>\$ 3,751,797</u>

On December 21, 2015 the board approved a five year revision to the rates for both water and sewer services. The first rate increase of 11.25% was applied to water and 11% applied to sewer services on March 1, 2016. An additional increase of 11.25% and 9.5% was applied to water services on January 1, 2017 and 2018, respectively. An additional increase of 9.5% will be applied on January 1, 2019 and 2020, respectively. An additional increase of 11% and 5% was applied to sewer services on January 1, 2017 and 2018, respectively. An additional increase of 5% will be applied on January 1, 2019 and 2020, respectively.

Operating revenue analysis:

	June 30, 2018	June 30, 2017	Change
Water service charge	\$ 2,222,752	\$ 1,990,184	\$ 232,568
Water consumption charge	6,677,436	5,501,976	1,175,460
Water meter sales	60,790	50,235	10,555
Sewer service charges	6,128,862	5,116,304	1,012,558
Other	1,201,857	963,426	238,431
Total operating revenue	<u>\$ 16,291,697</u>	<u>\$ 13,622,125</u>	<u>\$ 2,669,572</u>

**MISSION SPRINGS WATER DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2018 AND 2017**

**CHANGES IN NET POSITION** (continued)

Operating expenses analysis:

	June 30, 2018	June 30, 2017	Change	Explanation
Salaries and benefits	\$ 5,499,075	\$ 5,061,711	\$ 437,364	(1)
Utilities	1,210,731	1,016,577	194,154	
Water replenishment fees	120,032	88,949	31,083	
Engineering	58,850	30,323	28,527	
Legal	425,116	369,436	55,680	
Interest	743,021	696,563	46,458	
Other	<u>2,680,349</u>	<u>2,377,278</u>	<u>303,071</u>	(2)
Total operating expenses before depreciation	<u>\$ 10,737,174</u>	<u>\$ 9,640,837</u>	<u>\$ 1,096,337</u>	
Depreciation expense	<u>\$ 3,997,997</u>	<u>\$ 3,917,383</u>	<u>\$ 80,614</u>	

Depreciation expense increased \$80,614 or 2.1 percent, due to additional capital assets placed into service at June 30, 2018 and 2017 with a cost basis of \$1,391,687 and \$7,630,900, respectively, and other assets becoming fully depreciated during 2017.

- (1) Addition of several new positions and replacement of vacant employees during the year.
- (2) Related to Pension inflows/outflows of resources See Note 9.

“Net non-operating revenues”, decreased \$7,646,273 or 77.7 percent.

	June 30, 2018	June 30, 2017	Change
Backup and front footage fees, water and sewer	\$ 814,690	\$ 3,365,298	(\$ 2,550,608)
Contributed infrastructure	246,110	1,186,612	(940,502)
Federal and State grants	960,281	4,227,717	(3,267,436)
Property taxes	1,777,903	1,671,275	106,628
Interest on investments	827,198	772,152	55,046
Interest expense	(743,021)	(696,563)	(46,458)
Deferred inflows/outflows of resources (GASB68)	(1,246,116)	(306,790)	(939,326)
Other	<u>(441,774)</u>	<u>(378,157)</u>	<u>(63,617)</u>
Total non-operating revenues, net	<u>\$ 2,195,271</u>	<u>\$ 9,841,544</u>	<u>(\$ 7,646,273)</u>

Decreases in backup and front footage fees, water and sewer and Federal and State grants are due to areas D2 and J1 of AD #12 being constructed during the year ended June 30, 2017. Decrease in deferred inflows/outflows of resources is due to a recalculated amount of the District's liability related to its retirement program. See Note 9.

**MISSION SPRINGS WATER DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2018 AND 2017**

**CHANGES IN NET POSITION** (continued)

Connection fees are charged when customers connect to the water and/or sewer systems. Single-family residences pay \$4,353 water connection fee and \$2,520 sewer connection fee.

Grants were received in fiscal year 2018 and 2017 to assist with the construction of water and sewer infrastructure. (See Note 18)

Property tax revenues are allocated to the district by Riverside County.

**ASSESSMENT DISTRICT #13**

Assessment District #13 was sponsored by Mission Springs Water District (MSWD). This A.D. was for Century Vintage Homes, Mountain View Estates sub-division in Desert Hot Springs. The project consisted of "on-site" water and sewer systems and water and sewer connection fees paid to MSWD for 439 single family residential units. Bonds in the amount of \$7,200,000 were issued on December 13, 2005. All financial activity is excluded from the financial statements and footnotes of this audit report. Following is an excerpt from the official statement prepared by the underwriters, Stone & Youngberg, LLC.

"The bonds are limited obligation improvement bonds and are secured solely by the assessments and the amounts pledged under the indenture. Neither the faith and credit nor the taxing power of the water district... is pledged to the payment of the bonds."

**FINANCIAL STATEMENTS**

**MISSION SPRINGS WATER DISTRICT**  
**COMBINED STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

**WITH COMPARATIVE TOTALS FOR JUNE 30, 2017**

	2018			2017
	Water District	Sewer District	General District	Total Combined
	\$	\$	\$	\$
<b>CURRENT ASSETS</b>				
Cash	1,287,383	1,359,798	1,372,010	4,019,191
Accounts receivable:				
Water and sewer	1,852,483	342,710	-	2,195,193
Other	653,105	-	-	653,105
Note receivable due in 12 months	14,885	-	-	14,885
Interest receivable	-	-	-	-
Prepaid expenses	-	-	148,003	148,003
Inventory	-	-	385,625	385,625
Total current assets	3,807,856	1,702,508	1,905,638	7,416,002
<b>OTHER ASSETS</b>				
Note receivable, long term	107,395	-	-	107,395
Deferred outflows of resources	-	-	2,047,296	2,047,296
Total other assets	107,395	-	2,047,296	2,154,691
<b>RESTRICTED ASSETS</b>				
Cash	9,113,977	7,938,315	8,161,149	25,213,441
Assessments receivable	-	10,137,031	-	10,137,031
Interest receivable	-	-	-	-
Taxes receivable	26,396	14,915	21,081	62,392
Issuance costs for long-term debt	8,463	-	-	8,463
Total restricted assets	9,148,836	18,090,261	8,182,230	35,421,327
<b>UTILITY PLANT</b>				
Utility plant	92,782,057	84,253,830	7,866,210	184,902,097
Less accumulated depreciation	(38,067,769)	(21,685,640)	(2,974,468)	(62,727,877)
Total utility plant	54,714,288	62,568,190	4,891,742	122,174,220
<b>TOTAL ASSETS</b>	\$ 67,778,375	\$ 82,360,959	\$ 17,026,906	\$ 167,166,240
				(Memorandum only) Combined
				4,903,262
				1,677,793
				3,672,094
				14,318
				13,180
				180,851
				352,618
				10,814,116
				91,370
				2,234,689
				2,326,059
				15,181,606
				10,717,818
				21,507
				65,418
				18,920
				26,005,269
				181,478,823
				(58,729,880)
				122,748,943
				\$ 161,894,387

(The accompanying notes are an integral part of these financial statements)

**MISSION SPRINGS WATER DISTRICT**  
**COMBINED STATEMENT OF NET POSITION - CONTINUED**  
**JUNE 30, 2018**

**WITH COMPARATIVE TOTALS FOR JUNE 30, 2017**

	2018			2017	
	Water District	Sewer District	General District	Total Combined	(Memorandum only) Combined
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ -	\$ 2,928	\$ 1,166,486	\$ 1,169,414	\$ 963,111
Accrued expenses	5,954	109,628	1,593,078	1,708,660	979,012
Customer deposits	314,695	-	-	314,695	258,124
Current portion of long-term debt	20,127	609,849	-	629,976	579,619
Total current liabilities	340,776	722,405	2,759,564	3,822,745	2,779,866
<b>LONG-TERM DEBT</b>					
Notes and contracts	269,117	9,619,387	-	9,888,504	10,384,805
Special assessment bonds	-	112,000	-	112,000	126,000
Certificates of participation, U.S.D.A	267,501	-	-	267,501	274,101
Total	536,618	9,731,387	-	10,268,005	10,784,906
Less current portion	(20,127)	(609,849)	-	(629,976)	(579,619)
Total long-term debt	516,491	9,121,538	-	9,638,029	10,205,287
<b>OTHER LIABILITIES</b>					
Net pension liability	-	-	7,233,188	7,233,188	6,636,212
Deferred inflows of resources	-	-	461,747	461,747	-
Funds held in trust	35,359	2,780	-	38,139	38,139
Advance construction deposits	41,500	3,062,862	-	3,104,362	3,118,650
Total other liabilities	76,859	3,065,642	7,694,935	10,837,436	9,793,001
<b>TOTAL LIABILITIES</b>	934,126	12,909,585	10,454,499	24,298,210	22,778,154
<b>NET POSITION</b>					
Invested in capital assets, net of debt	54,136,170	49,773,942	4,891,742	108,801,854	108,859,676
Restricted for:					
Debt service	82,994	781,076	-	864,070	863,637
Other purposes	18,569,479	15,831,625	2,436,805	36,837,909	34,781,995
Unrestricted	(5,944,394)	3,064,731	(756,140)	(3,635,803)	(5,389,075)
Total net position	66,844,249	69,451,374	6,572,407	142,868,030	139,116,233
<b>TOTAL LIABILITIES AND NET POSITION</b>	\$ 67,778,375	\$ 82,360,959	\$ 17,026,906	\$ 167,166,240	\$ 161,894,387

(The accompanying notes are an integral part of these financial statements)



**MISSION SPRINGS WATER DISTRICT**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017**

	2018				2017
	Water District	Sewer District	General District	Total Combined	(Memorandum only) Combined
<b>OPERATING REVENUES</b>					
Base service charge	\$ 2,222,752	\$ -	\$ -	\$ 2,222,752	\$ 1,990,184
Water consumption	6,677,436	-	-	6,677,436	5,501,976
Meter installations	60,790	-	-	60,790	50,235
Sewer service	-	6,128,862	-	6,128,862	5,116,304
Standby charges	228,449	12,142	-	240,591	242,938
Other	957,866	3,400	-	961,266	720,488
Total operating revenues	<u>10,147,293</u>	<u>6,144,404</u>	<u>-</u>	<u>16,291,697</u>	<u>13,622,125</u>
<b>OPERATING EXPENSES</b>					
Pumping	2,128,390	-	-	2,128,390	1,696,551
Transmission and distribution	1,305,307	-	-	1,305,307	1,339,396
Customer accounts	604,212	-	574,171	1,178,383	1,097,461
Sewage collection	-	173,698	-	173,698	134,877
Sewage treatment	-	1,349,474	-	1,349,474	1,178,790
Standby	81,951	42,740	-	124,691	122,112
Human Resources	-	-	177,171	177,171	113,642
Building and grounds maintenance	-	-	114,809	114,809	77,926
Vehicle maintenance	-	-	163,166	163,166	141,059
Operations support	-	-	676,033	676,033	670,206
Engineering	58,850	-	-	58,850	30,323
Insurance	-	-	113,271	113,271	109,303
Audit	-	-	27,000	27,000	21,000
Legal	-	-	425,116	425,116	369,436
Public affairs	-	-	210,048	210,048	194,182
Board of Directors	-	-	187,615	187,615	157,217
Administration	-	-	1,615,274	1,615,274	1,510,401
Accounting	-	-	854,029	854,029	791,898
Depreciation	2,255,149	1,553,321	189,527	3,997,997	3,917,383
Standby reports	11,486	3,431	-	14,917	23,649
Ground water management	-	-	21,000	21,000	25,000
General District allocation	3,692,373	1,474,789	(5,348,230)	(181,068)	(163,592)
Total operating expenses	<u>10,137,718</u>	<u>4,597,453</u>	<u>-</u>	<u>14,735,171</u>	<u>13,558,220</u>
Operating income	<u>9,575</u>	<u>1,546,951</u>	<u>-</u>	<u>1,556,526</u>	<u>63,905</u>
<b>NON-OPERATING REVENUES</b>					
Backup and front footage fees	581,900	232,790	-	814,690	3,365,298
Contributed infrastructure	228,867	17,243	-	246,110	1,186,612
Property taxes	719,058	428,763	630,082	1,777,903	1,671,275
Investment income (net)	20,727	783,321	23,150	827,198	772,152
Grants	226,026	734,255	-	960,281	4,227,717
Recovery of prior year expense	43,184	10,036	-	53,220	-
Gain (loss) from asset disposals - net	(43,110)	(384)	1,529	(41,965)	(21,291)
Total non-operating revenues	<u>1,776,652</u>	<u>2,206,024</u>	<u>654,761</u>	<u>4,637,437</u>	<u>11,201,763</u>

- CONTINUED -

(The accompanying notes are an integral part of these financial statements)

**MISSION SPRINGS WATER DISTRICT**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017**

- CONTINUED -

	2018				2017
	Water District	Sewer District	General District	Total Combined	(Memorandum only) Combined
<b>NON-OPERATING EXPENSES</b>					
Interest	25,332	717,689	-	743,021	696,563
Public Employees Retirement System - Prior year costs	-	-	359,953	359,953	342,759
Pension inflows/outflows of resources	-	-	1,246,116	1,246,116	306,790
Amortization and cost of debt issuance	1,440	75,226	-	76,666	-
Other	8,766	4,884	2,760	16,410	14,107
Total non-operating expenses	35,538	797,799	1,608,829	2,442,166	1,360,219
Net non-operating revenues	1,741,114	1,408,225	(954,068)	2,195,271	9,841,544
<b>CHANGE IN NET POSITION</b>	1,750,689	2,955,176	(954,068)	3,751,797	9,905,449
<b>NET POSITION, BEGINNING OF YEAR</b>	65,093,560	66,496,198	7,526,475	139,116,233	129,210,784
<b>NET POSITION, END OF YEAR</b>	\$ 66,844,249	\$ 69,451,374	\$ 6,572,407	\$ 142,868,030	\$ 139,116,233

(The accompanying notes are an integral part of these financial statements)

**MISSION SPRINGS WATER DISTRICT**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Water District			Variance with Final Budget Positive (Negative)
	Budget		Actual	
	Original	Final		
<b>OPERATING REVENUES</b>				
Base service charge	\$ 2,114,528	\$ 2,114,528	\$ 2,222,752	\$ 108,224
Water consumption	6,409,351	6,409,351	6,677,436	268,085
Meter installations	14,060	14,060	60,790	46,730
Sewer service	-	-	-	-
Standby charges	259,200	259,200	228,449	(30,751)
Other	494,149	494,149	957,866	463,717
Total operating revenues	<u>9,291,288</u>	<u>9,291,288</u>	<u>10,147,293</u>	<u>856,005</u>
<b>OPERATING EXPENSES</b>				
Pumping	1,829,021	2,072,441	2,128,390	(55,949)
Transmission and distribution	1,526,883	1,526,883	1,305,307	221,576
Customer accounts	656,164	656,164	604,212	51,952
Sewage collection	-	-	-	-
Sewage treatment	-	-	-	-
Standby	108,539	108,539	81,951	26,588
Human Resources	-	-	-	-
Building and grounds maintenance	-	-	-	-
Vehicle maintenance	-	-	-	-
Operations support	-	-	-	-
Engineering	42,000	62,000	58,850	3,150
Insurance	-	-	-	-
Audit	-	-	-	-
Legal	-	-	-	-
Public affairs	-	-	-	-
Board of Directors	-	-	-	-
Administration	-	-	-	-
Accounting	-	-	-	-
Depreciation	2,245,316	2,245,316	2,255,149	(9,833)
Standby reports	13,450	13,450	11,486	1,964
Other	-	-	-	-
General District allocation	3,313,763	3,455,607	3,692,373	(236,766)
Total operating expenses	<u>9,735,136</u>	<u>10,140,400</u>	<u>10,137,718</u>	<u>2,682</u>
Operating income (loss)	<u>(443,848)</u>	<u>(849,112)</u>	<u>9,575</u>	<u>858,687</u>
<b>NON-OPERATING REVENUES</b>				
Backup and front footage fees	161,061	161,061	581,900	420,839
Contributed infrastructure	-	-	228,867	228,867
Property taxes	576,210	576,210	719,058	142,848
Investment income (net)	33,504	33,504	20,727	(12,777)
Grant	85,000	85,000	226,026	141,026
Recovery of prior year expense	-	-	43,184	43,184
Gain (loss) from asset disposals - net	-	-	(43,110)	(43,110)
Total non-operating revenues	<u>855,775</u>	<u>855,775</u>	<u>1,776,652</u>	<u>920,877</u>

-CONTINUED-

(The accompanying notes are an integral part of these financial statements)

Sewer District

Budget		Actual	Variance with Final Budget Positive (Negative)
Original	Final		(Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
4,909,031	4,909,031	6,128,862	1,219,831
12,000	12,000	12,142	142
<u>3,780</u>	<u>3,780</u>	<u>3,400</u>	<u>(380)</u>
<u>4,924,811</u>	<u>4,924,811</u>	<u>6,144,404</u>	<u>1,219,593</u>
-	-	-	-
-	-	-	-
-	-	-	-
220,639	202,289	173,698	28,591
1,283,569	1,301,919	1,349,474	(47,555)
43,941	43,941	42,740	1,201
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,591,618	1,591,618	1,553,321	38,297
1,200	1,200	3,431	(2,231)
-	-	-	-
<u>1,233,241</u>	<u>1,286,030</u>	<u>1,474,789</u>	<u>(188,759)</u>
<u>4,374,208</u>	<u>4,426,997</u>	<u>4,597,453</u>	<u>(170,456)</u>
<u>550,603</u>	<u>497,814</u>	<u>1,546,951</u>	<u>1,049,137</u>
4,264,790	4,264,790	232,790	(4,032,000)
-	-	17,243	17,243
319,234	319,234	428,763	109,529
814,584	814,584	783,321	(31,263)
8,773,500	8,773,500	734,255	(8,039,245)
-	-	10,036	10,036
-	-	(384)	(384)
<u>14,172,108</u>	<u>14,172,108</u>	<u>2,206,024</u>	<u>(11,966,084)</u>

General District

Budget		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
655,584	630,584	574,171	56,413
-	-	-	-
-	-	-	-
-	-	-	-
117,845	158,845	177,171	(18,326)
145,520	157,020	114,809	42,211
239,152	252,952	163,166	89,786
667,104	663,354	676,033	(12,679)
-	-	-	-
117,804	117,804	113,271	4,533
26,000	27,500	27,000	500
250,000	430,000	425,116	4,884
325,906	335,906	210,048	125,858
232,243	239,343	187,615	51,728
1,445,036	1,415,586	1,615,274	(199,688)
840,261	859,061	854,029	5,032
184,703	184,703	189,527	(4,824)
-	-	-	-
21,000	21,000	21,000	-
(5,268,158)	(5,493,658)	(5,348,230)	(145,428)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
478,293	478,293	630,082	151,789
73,764	73,764	23,150	(50,614)
-	-	-	-
-	-	-	-
-	-	1,529	1,529
552,057	552,057	654,761	102,704

Combined Districts

Budget		Actual	Variance with Final Budget
Original	Final		Positive (Negative)
\$ 2,114,528	\$ 2,114,528	\$ 2,222,752	\$ 108,224
6,409,351	6,409,351	6,677,436	268,085
14,060	14,060	60,790	46,730
4,909,031	4,909,031	6,128,862	1,219,831
271,200	271,200	240,591	(30,609)
497,929	497,929	961,266	463,337
<u>14,216,099</u>	<u>14,216,099</u>	<u>16,291,697</u>	<u>2,075,598</u>
1,829,021	2,072,441	2,128,390	(55,949)
1,526,883	1,526,883	1,305,307	221,576
1,311,748	1,286,748	1,178,383	108,365
220,639	202,289	173,698	28,591
1,283,569	1,301,919	1,349,474	(47,555)
152,480	152,480	124,691	27,789
117,845	158,845	177,171	(18,326)
145,520	157,020	114,809	42,211
239,152	252,952	163,166	89,786
667,104	663,354	676,033	(12,679)
42,000	62,000	58,850	3,150
117,804	117,804	113,271	4,533
26,000	27,500	27,000	500
250,000	430,000	425,116	4,884
325,906	335,906	210,048	125,858
232,243	239,343	187,615	51,728
1,445,036	1,415,586	1,615,274	(199,688)
840,261	859,061	854,029	5,032
4,021,637	4,021,637	3,997,997	23,640
14,650	14,650	14,917	(267)
21,000	21,000	21,000	-
<u>(721,154)</u>	<u>(752,021)</u>	<u>(181,068)</u>	<u>(570,953)</u>
<u>14,109,344</u>	<u>14,567,397</u>	<u>14,735,171</u>	<u>(167,774)</u>
<u>106,755</u>	<u>(351,298)</u>	<u>1,556,526</u>	<u>1,907,824</u>
4,425,851	4,425,851	814,690	(3,611,161)
-	-	246,110	246,110
1,373,737	1,373,737	1,777,903	404,166
921,852	921,852	827,198	(94,654)
8,858,500	8,858,500	960,281	(7,898,219)
-	-	53,220	53,220
-	-	(41,965)	(41,965)
<u>15,579,940</u>	<u>15,579,940</u>	<u>4,637,437</u>	<u>(10,942,503)</u>

**MISSION SPRINGS WATER DISTRICT**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

-CONTINUED-

	Water District			Variance with Final Budget Positive (Negative)
	Budget		Actual	
	Original	Final		
<b>NON-OPERATING EXPENSES</b>				
Interest	23,974	23,974	25,332	(1,358)
Public Employees Retirement System - Prior year costs	-	-	-	-
Pension inflows/outflows of resources	-	-	-	-
Amortization and cost of debt issuance	-	-	1,440	(1,440)
Other	3,380	3,380	8,766	(5,386)
Total non-operating expenses	27,354	27,354	35,538	(8,184)
Net non-operating revenues	828,421	828,421	1,741,114	912,693
<b>CHANGE IN NET POSITION</b>	<b>\$ 384,573</b>	<b>\$ (20,691)</b>	1,750,689	<b>\$ 1,771,380</b>
<b>NET POSITION, BEGINNING OF YEAR</b>			65,093,560	
<b>NET POSITION, END OF YEAR</b>			<b>\$ 66,844,249</b>	

(The accompanying notes are an integral part of these financial statements)

Sewer District

Budget		Actual	Variance with Final Budget Positive (Negative)
Original	Final		(Negative)
734,365	734,365	717,689	16,676
-	-	-	-
-	-	-	-
-	-	75,226	(75,226)
<u>1,656</u>	<u>1,656</u>	<u>4,884</u>	<u>(3,228)</u>
<u>736,021</u>	<u>736,021</u>	<u>797,799</u>	<u>(61,778)</u>
<u>13,436,087</u>	<u>13,436,087</u>	<u>1,408,225</u>	<u>(12,027,862)</u>
<u>\$ 13,986,690</u>	<u>\$ 13,933,901</u>	2,955,176	<u>\$ (10,978,725)</u>
		<u>66,496,198</u>	
		<u>\$ 69,451,374</u>	



General District

Budget		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
-	-	-	-
312,336	312,336	359,953	(47,617)
320,000	320,000	1,246,116	(926,116)
-	-	-	-
-	-	2,760	(2,760)
<u>632,336</u>	<u>632,336</u>	<u>1,608,829</u>	<u>(976,493)</u>
<u>(80,279)</u>	<u>(80,279)</u>	<u>(954,068)</u>	<u>(873,789)</u>
<u>\$ (80,279)</u>	<u>\$ (80,279)</u>	(954,068)	<u>\$ (873,789)</u>
		<u>7,526,475</u>	
		<u>\$ 6,572,407</u>	

Combined Districts

Budget		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
758,339	758,339	743,021	15,318
312,336	312,336	359,953	(47,617)
320,000	320,000	1,246,116	(926,116)
-	-	76,666	(76,666)
<u>5,036</u>	<u>5,036</u>	<u>16,410</u>	<u>(11,374)</u>
<u>1,395,711</u>	<u>1,395,711</u>	<u>2,442,166</u>	<u>(1,046,455)</u>
<u>14,184,229</u>	<u>14,184,229</u>	<u>2,195,271</u>	<u>(11,988,958)</u>
<u>\$ 14,290,984</u>	<u>\$ 13,832,931</u>	3,751,797	<u>\$ (10,081,134)</u>
		<u>139,116,233</u>	
		<u>\$ 142,868,030</u>	

**MISSION SPRINGS WATER DISTRICT**  
**COMBINED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017**

	Water District	Sewer District
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from water and sewer sales and services	\$ 9,332,357	\$ 6,140,559
Cash received from standby charges	230,857	12,346
Cash received from water meter installations	60,790	-
Cash received (paid) for operating and maintenance expenses	(5,033,970)	(2,004,314)
Cash paid to employees	(1,925,479)	(882,009)
Cash paid for electricity	(869,655)	(172,023)
Cash paid to employees included in - Additions to utility plant	32,333	30,715
Net cash provided by operating activities	1,827,233	3,125,274
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Backup and front footage fees	565,308	232,790
Property taxes	720,639	429,261
Grants	2,612,061	1,329,327
Unfunded retirement liability reduction	-	-
Other	34,418	5,152
Net cash provided by noncapital financing activities	3,932,426	1,996,530
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Bond assessments collected	-	580,787
Long-term debt retired	(19,313)	(2,892,601)
Long-term debt additions	-	2,395,013
Interest paid	(25,511)	(713,557)
Net cash provided (used) by financing activities	(44,824)	(630,358)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash paid acquiring utility plant	(788,548)	(1,811,402)
Cash refunded for construction deposits	-	-
Interest earned	31,217	790,227
Net cash used by investing activities	(757,331)	(1,021,175)
<b>INCREASE IN CASH</b>	4,957,504	3,470,271
<b>BALANCE OF CASH AT BEGINNING OF YEAR</b>	5,443,856	5,827,842
<b>BALANCE OF CASH AT END OF YEAR</b>	\$ 10,401,360	\$ 9,298,113

-CONTINUED-

(The accompanying notes are an integral part of these financial statements)

2018		2017	
General District	Total Combined	(Memorandum only) Combined	
\$ -	\$ 15,472,916	\$ 13,451,808	
-	243,203	245,923	
-	60,790	50,235	
3,824,314	(3,213,970)	(3,584,394)	
(2,689,836)	(5,497,324)	(5,036,650)	
(32,474)	(1,074,152)	(1,030,474)	
5,073	68,121	75,073	
<u>1,107,077</u>	<u>6,059,584</u>	<u>4,171,521</u>	
-	798,098	609,235	
631,029	1,780,929	1,691,802	
-	3,941,388	2,400,438	
(359,953)	(359,953)	(342,759)	
(2,760)	36,810	(11,743)	
<u>268,316</u>	<u>6,197,272</u>	<u>4,346,973</u>	
-	580,787	734,889	
-	(2,911,914)	(558,048)	
-	2,395,013	-	
13,180	(725,888)	(704,254)	
<u>13,180</u>	<u>(662,002)</u>	<u>(527,413)</u>	
(695,845)	(3,295,795)	(7,626,425)	
-	-	97	
27,261	848,705	763,833	
<u>(668,584)</u>	<u>(2,447,090)</u>	<u>(6,862,495)</u>	
719,989	9,147,764	1,128,586	
<u>8,813,170</u>	<u>20,084,868</u>	<u>18,956,282</u>	
<u>\$ 9,533,159</u>	<u>\$ 29,232,632</u>	<u>\$ 20,084,868</u>	

**MISSION SPRINGS WATER DISTRICT**  
**COMBINED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017**

-CONTINUED-

	Water District	Sewer District
<b>RECONCILIATION OF OPERATING INCOME</b>		
<b>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Net operating income	\$ 9,575	\$ 1,546,951
Add (deduct) items not affecting cash in the year:		
Depreciation	2,255,149	1,553,321
(Increase) decrease in accounts receivable	(494,062)	25,001
Increase in inventory	-	-
(Increase) decrease in prepaid expenses	-	-
Increase (decrease) in customer deposits	56,571	-
Increase (decrease) in accounts payable	-	1
Increase in accrued liabilities	-	-
Net cash provided by operating activities	\$ 1,827,233	\$ 3,125,274

(The accompanying notes are an integral part of these financial statements)

2018		2017
General District	Total Combined	(Memorandum only) Combined
\$ -	\$ 1,556,526	\$ 63,905
189,527	3,997,997	3,917,383
-	(469,061)	188,143
(33,007)	(33,007)	(25,569)
32,848	32,848	(42,671)
(14,288)	42,283	(7,781)
206,302	206,303	(16,704)
<u>725,695</u>	<u>725,695</u>	<u>94,815</u>
<u>\$ 1,107,077</u>	<u>\$ 6,059,584</u>	<u>\$ 4,171,521</u>

**MISSION SPRINGS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District maintains and prepares its financial statements using the accrual basis of accounting as prescribed by reporting standards applicable to California governmental agencies.

Inventory is carried at the lower of cost or market using the first-in, first-out method.

The utility plant is carried at cost or contributed fair market value, less accumulated depreciation and amortization computed on the straight-line method using the following approximate lives:

Intangible plant	5 - 25 years
Source of supply	10 - 50 years
Pumping plant	7 - 60 years
Treatment plant	5 - 60 years
Transmission, distribution and storage	10 - 75 years
Buildings and grounds	5 - 40 years
Furniture and fixtures	5 - 20 years
Radio equipment	5 - 15 years
Shop equipment	5 - 15 years
Autos, trucks and heavy equipment	5 - 25 years
Sewage collection facilities	40 - 75 years
Data processing equipment	7 - 10 years
Other assets	5 - 10 years

Fully depreciated utility plant of \$13,112,405 was still in service at June 30, 2018 and is reported in these financial statements.

Delinquent accounts receivable are reported to the County of Riverside for collection with property taxes.

The District increased its capitalization policy from \$1,000 to \$10,000 beginning July 1, 2016.

Delinquent accounts receivable are reported to the County of Riverside for Collection with property taxes.

The District makes an allocation of all general and administrative costs to the water district, sewer district and to capital improvements based on a percentage of labor hours. The allocations are made on a monthly basis.

The District accrued property taxes receivable of \$62,392 at June 30, 2018. The accrual is equivalent to the actual tax revenue received from Riverside County plus \$21,347 estimated for the "Teeter" plan payout.

The District maintains four debt service funds to account for the collection and payment of principal and interest on debt incurred to acquire sewer facilities. These debt service funds are reported in the sewer district for financial statement presentation.

Advance deposits are required when a constructed asset has specific benefit to one or more identifiable customers. A portion of these advances are generally reimbursable to developers within a ten-year period if others connect. After ten years the district keeps any unreimbursed amount and amortizes it over the remaining useful life of the asset.

"Net" interest costs related to funds borrowed for capital expenditures are capitalized into construction in progress during the construction period. Subsequently, "Net" interest costs are reclassified into capital projects.

The District accrues vacation and sick leave pay in the period the employees earn the benefits.

**MISSION SPRINGS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The Board of Directors approves an annual budget on or before June 30 for the ensuing fiscal year. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various departments. The budget for 2017-2018 was prepared by department supervisors and administrative staff using the zero-base method.

The Board of Directors may approve supplemental budget requests. The General Manager may transfer funds between general ledger accounts within the operating budgets as long as the total budget is not affected.

All operating budget appropriations lapse at the end of the fiscal year and are rebudgeted for the ensuing year. Uncompleted capital budget projects are carried over into the subsequent fiscal year.

Budget information is presented for all District activity, whether operating or capital in nature. Budgeted revenue and expenditure amounts in the financial statements represent the original budget and final budget modified by Board authorized adjustments during the year.

The District utilizes a purchase order system as a technique to assist in controlling expenditures. Department heads request expenditures which must be approved by the General Manager who reviews the general ledger accounts and ascertains that the actual expenditures have not exceeded the budgeted amounts.

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

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

Under Governmental Accounting Standards Board Statement #34 (GASB 34), enterprise funds, such as the District, have the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. The District has elected not to follow FASB standards issued after that date unless such standards are specifically adopted by GASB.

**2. PRINCIPLES OF COMBINATION**

The combined financial statements reflect the combination of all districts which comprise the Mission Springs Water District and the Mission Springs Water District Improvement Corporation including the assessment districts, with the exception of Assessment District #13.

The combined columns on the financial statements are captioned "Memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in cash flows in conformity with generally accepted accounting principles.



**MISSION SPRINGS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**3. CASH AND INVESTMENTS**

Cash and investments at June 30, 2018 consisted of the following:

Pooled Cash	<u>\$ 29,232,632</u>
Total Cash and Investments	<u>\$ 29,232,632</u>

Cash and investments are presented in the Combined Statement of Net Position as follows:

Restricted Assets:	
Cash	\$ 25,213,441
Unrestricted Assets:	
Cash	<u>4,019,191</u>
	<u>\$ 29,232,632</u>

Restricted cash of \$25,213,441 consists of customer deposits, reserves required by bond agreements, escrowed cash held for retention payments, cash held by assessment districts, debt service funds, reserves for self-insurance and reserves for capital replacements. Cash reported with current assets is cash for operations.

Interest income earned on pooled cash and investments is allocated monthly to the various funds based on the average month-end cash balances. Interest income from cash and investments with fiscal agent is credited directly to the related fund.

**Pooled Cash**

All pooled cash is entirely insured or collateralized. The California Government Code requires California banks and savings and loan associations to secure a district's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a district's deposits. California law also allows financial institutions to secure a district's deposits by pledging first trust deed mortgage notes having a value of 150% of a district's total deposits.

**Authorized Investments**

In accordance with Section 53601 of the California Government Code, the District may invest in various prescribed investments. The District's policy is to hold only those investments as set forth in Section 53601 of the California Government Code.

**Credit Risk, Carrying Amount, and Fair Value**

Investments are recorded at cost which approximates fair value.

Cash and investments of the District are summarized below and are represented by specific identifiable investment securities that are classified as to credit risk by three categories as follows: Category 1 includes deposits and investments that are insured or registered or for which securities are held by the District or its agent in the District's name; Category 2 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but in the District's name; Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the District's name.

**MISSION SPRINGS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**3. CASH AND INVESTMENTS** (continued)

	<u>Category</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Demand Deposits	<u>\$4,126,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,126,362</u>	<u>\$ 4,126,362</u>
CalTRUST a public agency				<u>25,106,270</u>	<u>25,091,804</u>
Total Investments				<u>25,106,270</u>	<u>25,091,804</u>
Total Cash and Investments				<u>\$29,232,632</u>	<u>\$29,218,166</u>

Cash and Investments with Fiscal Agent

During the year the District had monies held by trustees or fiscal agents pledged to the payment of construction of specifically identifiable capital projects. The California Government Code provides these monies, in the absence of specific statutory provisions governing the issuance of bonds or certificates; may be invested in accordance with the ordinance, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the District's general investment policy. In no instance have additional types of investments, not permitted by the District's general investment policy, been authorized. These monies were invested in a U.S. Treasury Obligation funds or U.S. Government money market funds and therefore presented no credit risk to the District.

At June 30, 2018 there were no funds for which the District was at risk, held by trustees or fiscal agents.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the District defines cash and cash equivalents as demand account balances, cash on hand and short-term investments purchased with original maturities of less than 90 days. In accordance with GASB 34, the District has utilized the direct method to present cash flows from operating activities.

Concentration of Credit Risk

The District maintains checking accounts at local financial institutions. The District at June 30, 2018 has maintained balances in the accounts in excess of federally insured limits. The District has not experienced any losses in its cash equivalents.

**MISSION SPRINGS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**4. UTILITY PLANT IN SERVICE**

Utility plant in service consisted of the following:

	Cost			Accumulated Depreciation			
	Balance 06-30-17	Additions	Deletions	Balance 06-30-18	Additions	Deletions	Balance 06-30-18
Intangible plant	\$ 2,702,358	\$ 30,622	\$ -	\$ 2,732,980	\$ 212,575	\$ -	\$ 1,392,910
Land and land rights	1,376,497	-	-	1,376,497	29	-	987
Source of supply	8,717,192	-	-	3,845,762	191,105	-	4,036,867
Pumping plant	18,164,052	37,000	-	7,496,460	472,231	-	7,968,691
Transmission, distribution, and storage	58,698,262	459,357	-	22,453,792	1,334,098	-	23,787,890
Buildings and grounds	1,742,587	71,478	-	1,167,899	49,238	-	1,217,137
Furniture and fixtures	1,675,945	81,187	-	1,205,882	124,566	-	1,330,448
Radio equipment	19,670	-	-	19,670	-	-	19,670
Shop equipment	156,433	-	-	152,955	1,311	-	154,266
Autos trucks and heavy equipment	1,781,420	309,681	-	2,091,101	53,316	-	1,605,041
Sewage collection facilities	62,309,328	65,860	-	13,733,030	1,188,458	-	14,921,488
Sewage treatment plants	14,686,180	199,687	-	5,590,555	325,120	-	5,915,675
Other plant in service	686,576	136,815	-	330,857	45,950	-	376,807
Construction in progress	8,762,323	3,177,164	1,145,577	-	-	-	-
<b>Total</b>	<b>\$ 181,478,823</b>	<b>\$ 4,568,851</b>	<b>\$ 1,145,577</b>	<b>\$ 184,902,097</b>	<b>\$ 3,997,997</b>	<b>\$ -</b>	<b>\$ 62,727,877</b>

**MISSION SPRINGS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**5. LONG-TERM DEBT**

Long-term debt consisted of the following:

	Balance at 6/30/17	New Debt	Principal Repayments	Balance at 6/30/18
Assessment District #4, Special Assessment Bond – Series R-1, Date of issue February 15, 1983, original issue amount \$88,200, 11.375% coupon rate, secured by cash and assessments receivable, interest payable semiannually, principal payable in annual installments through July 2, 2022.	\$ 24,000	-	\$ 4,000	\$ 20,000
Assessment District #7, Special Assessment Bonds - Date of issue February 28, 1985, original amount \$222,000, 7.25% coupon rate, secured by cash and assessments receivable, interest due semiannually, principal due annually through July 2, 2024.	102,000	-	10,000	92,000
Installment Sale Agreement, Note payable to La Salle National Bank, dated June 26, 2006, original amount \$2,200,000 with interest rate of 5.340%, principal and interest payments are due each June 26 and December 26. This loan was paid off on December 22, 2017.	1,275,434	-	1,275,434	-
Installment Sale Agreement, Note Payable to La Salle National Bank, dated September 21, 2007, original amount \$1,600,000 with interest rate of 5.020%, principal and interest payments are due each March 21 and September 21. This loan was paid off on December 22, 2017.	1,032,292	-	1,032,292	-
Installment Sale Agreement, Note Payable to City National Bank, dated December 22, 2017, original amount \$2,395,012 with interest rate of 2.90%, principal and interest payments are due each March 21 and September 21, final payment due September 21, 2027.	-	2,395,013	214,982	2,180,031
Certificates of Participation - (U.S. Dept. of Agriculture) Date of issue July 3, 2001, original amount \$348,000, Interest rate is 4.5%, interest payments due February 1 and August 1, with principal payments due each February 1, the final principal payment is due February 1, 2041.	274,101	-	6,600	267,501

**MISSION SPRINGS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**5. LONG-TERM DEBT** (continued)

	Balance at 6/30/17	New Debt	Principal Repayments	Balance at 6/30/18
Installment Purchase Agreement, Note payable to Holman Capital Corporation, dated June 21, 2013, original amount \$328,000, interest rate is 4.19%, principal and interest payments due each June 7 and December 7, the final payment due June 7, 2033.	\$ 281,830	-	\$ 12,713	\$ 269,117
State Revolving Fund Loan – (CA State Water Resources Control Board), dated August 21, 2012 as amended on January 24, 2013, total agreement amount of up to \$9,957,921 of which 50% qualifies for principal forgiveness, interest rate is 2.2%, principal and interest payments due annually on January 31 beginning in 2015, final payment due January 31, 2034.	4,252,023	-	208,965	4,043,058
Installment purchase agreement, Note payable to City National Bank, dated December 19, 2013, original amount \$1,215,000, interest rate is 4.10%, principal and interest payments due each March 2 and September 2, the final payment due September 2, 2033.	1,093,447	-	47,496	1,045,951
Installment purchase agreement, Note payable to BBVA Compass Bank, dated November 1, 2014, original amount \$2,700,000, interest rate is 3.95%, principal and interest payments due each March 2 and September 2, the final payment due September 2, 2029.	2,449,779	-	99,432	2,350,347
	10,784,906	2,395,013	2,911,914	10,268,005
	(579,619)			(629,976)
	\$ 10,209,287		\$ 9,638,029	

**MISSION SPRINGS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**5. LONG-TERM DEBT** (continued)

Minimum annual debt service requirements to maturity for long-term debt outstanding at June 30, 2018 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 629,976	\$ 316,245	\$ 946,221
2020	648,378	296,580	944,958
2021	668,354	276,291	944,645
2022	689,019	255,327	944,346
2023	710,196	233,660	943,856
2024 – 2028	3,389,758	836,915	4,226,673
2029 – 2033	3,066,725	292,201	3,358,926
2034 – 2038	413,698	29,211	442,909
2039 – 2041	51,901	4,744	56,645
	<u>\$ 10,268,005</u>	<u>\$ 2,541,174</u>	<u>\$ 12,809,179</u>

**6. CERTIFICATES OF PARTICIPATION (C.O.P.'s)**

**U.S. Dept. Of Agriculture (U.S.D.A.)**

On July 3, 2001, the District entered into a loan agreement with the U.S.D.A. and a C.O.P. was issued in the amount of \$348,000. The proceeds were used to improve waterlines in Improvement District "E". There are unamortized debt issuance costs of \$5,558 at June 30, 2018.

**7. INSTALLMENT SALE AGREEMENTS**

**Assessment District #12, Phase I**

On June 26, 2006, the District entered into an installment sale agreement with La Salle National Bank in the amount of \$2,200,000. The proceeds from this contract were used to purchase Assessment District #12 bonds totaling \$1,630,024. The bond proceeds were used for Assessment District #12, phase I, costs and supplemented the District's share of costs with the remaining \$569,976. On December 22, 2017 the District entered into a loan agreement with City National Bank to combine the two La Salle National Bank loans and lower the interest rate from 5.34% to 2.90%. Unamortized debt issuance costs were \$0 at June 30, 2018.

**Assessment District #12, Phase II**

On September 21, 2007, the District entered into an installment sale agreement with La Salle National Bank in the amount of \$1,600,000. The proceeds from this contract were used to purchase Assessment District #12 bonds totaling \$1,329,530. The bond proceeds were used for Assessment District #12, phase II, costs and supplemented the District's share of costs with the remaining \$270,470. On December 22, 2017 the District entered into a loan agreement with City National Bank to combine the two La Salle National Bank loans and lower the interest rate from 5.02% to 2.90%. Unamortized debt issuance costs were \$0 at June 30, 2018.

**Assessment District #12, Phase I and II Refinance**

On December 22, 2017 the District entered into a loan agreement with City National Bank in the amount of \$2,395,013. The proceeds from this contract were used to pay off the two La Salle National Bank loans in the amount of \$1,309,488 and \$1,019,315, respectively. The payoff amount included the last scheduled interest payments for each loan in the amount of \$34,054 and \$24,958, respectively. Debt issuance costs amounted to \$66,210 and were reflected in the statement of revenues, expenses and changes in net position at June 30, 2018.

**MISSION SPRINGS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

7. **INSTALLMENT SALE AGREEMENTS** (continued)

**Water Improvements**

On June 21, 2013, the District entered into an installment purchase agreement with Holman Capital Corporation in the amount of \$328,000. The proceeds were used to purchase 80 acres of land for future water system improvements. Unamortized debt issuance costs were \$2,905 at June 30, 2018.

**Assessment District #12, Phase V**

On December 19, 2013, the District entered into an installment sale agreement with City National Bank in the amount of \$1,215,000. The proceeds from this contract were used to purchase Assessment District #12 Bonds totaling \$1,096,329. The bond proceeds were used for Assessment District #12, Phase V costs and supplemented the District's share of costs with the remaining \$118,671. Debt issuance costs amounted to \$64,000 and were reflected in the statement of revenues, expenses and changes in net position at June 30, 2014.

**Assessment District #12, Phase VI**

On November 1, 2014, the District entered into an installment sale agreement with BBVA Compass Bank in the amount of \$2,700,000. The proceeds from this contract were used to purchase Assessment District #12 Bonds totaling \$2,582,000. The bond proceeds were used for Assessment District #12, Phase VI. Debt issuance costs amounted to \$118,000 and were reflected in the statement of revenues, expenses and changes in net position at June 30, 2015.

In accordance with provisions of the installment sale agreements, the District has complied with minimum net revenues required for the fiscal year ended June 30, 2018.

8. **CALIFORNIA STATE REVOLVING FUND LOAN**

On August 21, 2012, the District entered into a financing agreement with the California State Water Resources Control Board in the amount of \$9,957,921. This program is a loan from the Clean Water State Revolving Fund ("SRF") of which 50% of the principal amount will be forgiven. This is made possible through Federal Environmental Protection Agency funds granted to the SRF. The proceeds of this agreement were used for Assessment District #12, Phase III costs.

9. **PENSION PLANS**

On September 13, 2001, the Directors of the Mission Springs Water District adopted Resolution No. 2001-29 authorizing a contract with the California Public Employees' Retirement System (CalPERS). On September 17, 2001, a contract was executed with CalPERS. An amendment to the contract to increase the benefit calculation from 2.5% at 55 years of age to 2.7% at 55 years of age was authorized by the board of directors. This amendment became effective on July 1, 2005. On December 17, 2012, the Directors of the Mission Springs Water District adopted Resolution No. 2012-19 amending the contribution schedules of the plan in accordance with the California Public Employee Pension Reform Act of 2013 (PEPRA). Employees hired after January 1, 2013 and meeting the definition of a "new member" under PEPRA, shall begin at a benefit of 1% after age 52 with an annual increment of 0.025% for every quarter year thereafter with a maximum retirement benefit of 2.0% at age 62 with early retirement available at age 52. Under PEPRA, the District and the new member will share equally the normal contributions to the new member's retirement on a pre-tax basis.

**MISSION SPRINGS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**9. PENSION PLANS** (continued)

Employees who elected to participate in CalPERS received years of service credit from their hire date to September 17, 2001, the contract date. Partial funding for the prior years of service credit was accomplished by a transfer of plan assets from a defined contribution plan, previously sponsored by the District, to CalPERS. This transfer of plan assets occurred on October 30, 2001. An unfunded pension liability resulted from the above transaction in the amount of \$1,346,655. An additional \$517,000 was added to the unfunded liability resulting from the contract amendment that was effective July 1, 2005.

This unfunded liability is being amortized over the period ending 2020, with contributions by the employer of 8.227% being applied to qualified payroll, after July 1, 2011. The “Funded Status of the Plan” is presented at the end of this discussion.

**Plan Description**

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

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 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 the plan are applied as specified by the Public Employees’ Retirement Law.

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

	<u>Prior to</u> <u>January 1, 2013</u>	<u>On of after</u> <u>January 1, 2013</u>
Hire date		
Benefit formula	2.7% @ 55	2.5% @ 67
Benefit vesting schedule	5 year service	5 year service
Benefit payments	monthly for life	monthly for life
Retirement age	50 – 55	52 – 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates	11.049%	6.533%

**Contributions**

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



**MISSION SPRINGS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

9. **PENSION PLANS** (continued)

Contributions (continued)

For the year ended June 30, 2018, the contributions recognized as part of pension expense were as follows:

	<u>June 30, 2017</u>	<u>Contributions Subsequent to Measurement Date through June 30, 2018</u>
Contributions – employer	\$ 405,409	\$ 409,938
Contributions – employee (paid by employer)	<u>125,618</u>	<u>141,369</u>
Total employer contributions	<u>\$ 531,027</u>	<u>\$ 551,307</u>

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources

As of June 30, 2018, the District's proportionate share of the net pension liability amounted to \$7,233,188.

The District's net pension liability is measured as the proportionate share of the net pension liability. The District's June 30, 2018 net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2016 and 2017 was as follows:

Proportion – June 30, 2016	0.13984%
Proportion – June 30, 2017	0.13788%
Change – Increase (Decrease)	(0.00196)%

For the year ended June 30, 2017, the District recognized pension expense of \$1,384,187. At June 30, 2018, 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>
Changes of Assumptions	\$ 921,501	\$ 70,265
Differences between Expected and Actual Experience	7,427	106,404
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	208,406	-
Differences between Employer's Contributions and		
Proportionate Share of Contributions	70,235	184,548
Change in Employer's Proportion	<u>429,789</u>	<u>100,530</u>
Total	<u>\$ 1,637,358</u>	<u>\$ 461,747</u>
Pension Contributions Made Subsequent to		
Measurement Date	<u>409,938</u>	<u>-</u>
Total Deferred Outflows/Inflows of Resources		
On the Combined Statement of Net Position	<u>\$ 2,047,296</u>	<u>\$ 461,747</u>

**MISSION SPRINGS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

9. **PENSION PLANS** (continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources (continued)

\$1,175,611 reported as deferred inflows of resources related to pensions, other than the employer-specific item, will be recognized in future pension expense as follows:

<u>Year Ended</u> <u>June 30</u>	
2019	\$ 452,084
2020	499,297
2021	347,965
2022	( 123,735)
2023	-
Thereafter	-
	<u>\$ 1,175,611</u>

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	June 30, 2016 – June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.50%
Mortality	Derived using CalPERS Membership data for all Funds

Discount Rate

In Fiscal year 2016-17, the financial reporting discount rate was lowered from 7.65 percent to 7.15 percent. In December 2016, the CalPERS Board approved lowering the funding discount rate from 7.50 percent to 7.00 percent, which is to be phased-in over a three-year period (7.50 percent to 7.375 percent, 7.375 percent to 7.25 percent, and 7.25 percent to 7.00 percent) beginning with the June 30, 2016, valuation reports.

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

**MISSION SPRINGS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

9. **PENSION PLANS** (continued)

**Discount Rate (continued)**

According to Paragraph 30 of Statement 68, the long term discount rate should be determined without reduction for pension plan administrative expense. The 7.15 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.00 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the differences in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2019. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2018-19 fiscal year. CalPERS will continue to check the materiality of the differences in calculation until such time as we have changed our methodology.

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

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

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

<u>Asset Class</u>	<u>New Strategic Plan</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40%)	(0.90%)
Total	<u>100.0%</u>		

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

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

**MISSION SPRINGS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**9. PENSION PLANS** (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 calculated using the discount rate as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.15%
Net Pension Liability	\$ 10,270,721
Current Discount Rate	7.15%
Net Pension Liability	\$ 7,233,188
1% Increase	8.15%
Net Pension Liability	\$ 4,717,449

**Pension Fiduciary Net Position**

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

**Payable to the Pension Plan**

At June 30, 2018, the District reported a payable of \$22,007 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

On July 16, 2012 the District Board adopted Resolution 2012-13 providing a designated period for two years additional service credit for eligible District members of CalPERS. This early retirement program offered eligible employees two years of additional service credit toward their PERS retirement calculations as well as 18 months of COBRA insurance premiums paid by the District, following their retirement date, at the coverage level as of their retirement date. Six eligible employees accepted the early retirement agreement. The COBRA premiums paid by the District were paid during the 18 months following each member's retirement date through July 31, 2014. The additional costs related to PERS will be amortized over twenty years and included in the actuarially determined annual employer contribution rate.

**10. DEFERRED COMPENSATION PLAN**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Retirement law allows "rollovers" of 457 plan assets into other qualified retirement plans. Participants are fully vested at all times and the District or creditors of the District have no claim against the plan. All funds are held by an outside trustee and excluded from the combined statement of net position in conformity with Government Auditing Standards.

**11. REFUNDING AGREEMENTS**

Refunding agreements are amounts due to developers for water and sewer systems donated to the District. Refunds are based on new connections to each system. The District is not liable for amounts not refunded at the expiration of an agreement. Refer to Note 12 for refunding agreements on front footage charges.

**MISSION SPRINGS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**12. COMMITMENTS AND CONTINGENCIES**

The District has entered into agreements to partially reimburse developers for payments made to construct water and/or sewer lines donated to the District. Reimbursement is to be made from the front footage charges collected by the District when new connections are made to the lines.

**13. SELF INSURANCE**

The Board of Directors established a reserve for self insurance in the amount of \$150,000. The reserve is intended to fund the purchase of liability and property coverage and to assure that cash is available for deductibles and self-insurance purposes.

**14. CASH FLOW INFORMATION**

Interest paid during the year amounted to \$725,888. The following schedule represents a reconciliation of combined cash as shown on the Combined Statement of Net Position and the Combined Statement of Cash Flows:

Combined Statement of Net Position - Cash	
Cash - Restricted	\$ 25,213,441
Cash - Current Assets	<u>4,019,191</u>
Combined Statement of Net Position - Cash	<u>\$ 29,232,632</u>
Combined Statement of Cash Flows - Cash	<u><u>\$ 29,232,632</u></u>

**15. PROPERTY TAX CALENDAR**

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

Lien Date	March 1
Levy Date	July 1 through June 30
Due Dates	November 1 <sup>st</sup> – 1 <sup>st</sup> Installment March 1 <sup>st</sup> – 2 <sup>nd</sup> Installment
Delinquent Dates	December 10 <sup>th</sup> – 1 <sup>st</sup> Installment April 10 <sup>th</sup> – 2 <sup>nd</sup> Installment

**16. CONTINGENCIES**

The District is involved from time to time in claims arising in the ordinary course of its business. While the ultimate liability, if any, arising from these claims cannot be predicted with certainty, the District believes that the resolution of these matters will not likely have a material effect on the District's financial statements.

**17. SUBSEQUENT EVENTS**

The District evaluated all potential subsequent events as of October 11, 2018 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2018 or as of October 11, 2018 that require disclosure to the financial statements.

**MISSION SPRINGS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**18. GRANT AWARDS**

Summarized below are grants included in the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position. Reimbursable costs are included in "Grants Receivable" on the Statement of Net Position. Revenue from the grants is presented in the Statement of Revenue, Expenses and Changes in Net Position under "Non-Operating Revenues".

Grantor	Purpose	Fiscal Year Ending June 30, 2018									
		Grant Amount	Grants Receivable (Reimbursable Costs)		Water District		Sewer District		Grant Income		Unexpended Portion of Grant
			Water District	Sewer District	Prior	Current	Prior	Current	Prior	Current	
California South Coast Air Quality Management District	Solar Photovoltaic Ground Mounted System	\$ 3,330,546	\$ 501,186	\$ -	\$ 2,866,017	\$ 145,048	\$ -	\$ -	\$ -	\$ -	\$ 319,481
California Department of Water Resources (Prop #84)	Regional Water Conservation Program	169,558	16,770	-	169,558	-	-	-	-	-	-
California Department of Water Resources (Prop #84)	Regional Water Conservation Drought Grant	365,113	136,543	-	300,395	64,718	-	-	-	-	-
California Department of Water Resources (Prop #84)	Regional Water Conservation Water Supply Reliability Program	919,196	9,412	-	3,335	6,077	-	-	-	-	909,784
California Department of Water Resources (Prop #84)	Regional Water Conservation Recycled Water Program	245,000	10,183	-	-	10,183	-	-	-	-	234,817
Coachella Valley Mountains Conservancy (Prop #1)	Installation of Groundwater Monitoring Wells	115,550	-	-	-	-	-	-	-	-	115,550
California Department of Water Resources (Prop #1)	Groundwater Protection Program Sewer Project H & I	372,677	-	-	-	-	-	-	-	-	372,677
United States Department of the Army - Army Corps of Engineers	Assessment District #15 Sewer Project J2	1,000,000	-	-	-	-	-	-	-	734,255	265,745
<b>Totals</b>		<b>\$ 6,517,640</b>	<b>\$ 674,094</b>	<b>\$ -</b>	<b>\$ 3,339,305</b>	<b>\$ 226,026</b>	<b>\$ -</b>	<b>\$ 734,255</b>	<b>\$ -</b>	<b>\$ 2,218,054</b>	

**REQUIRED SUPPLEMENTARY INFORMATION**

**MISSION SPRINGS WATER DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30, 2018**

	2018
Proportion of the net pension liability	0.18349%
Proportionate share of the net pension liability	\$ 7,233,188
Covered - employee payroll	\$ 2,923,408
Proportionate Share of the net pension liability as percentage of covered-employee payroll	247.42%
Plan fiduciary net position	\$ 14,850,427
Plan fiduciary net position as a percentage of the total pension liability	205.31%

**Notes to Schedule:**

**Benefit changes:** Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis.

A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

**Changes in assumptions:** In Fiscal Year 2016-17, the financial reporting discount rate was lowered from 7.65 percent to 7.15 percent. In December 2016, the CalPERS Board approved lowering the funding discount rate from 7.50 percent to 7.00 percent, which is to be phased-in over a three-year period (7.50 percent to 7.375 percent, 7.375 percent to 7.25 percent, and 7.25 percent to 7.00 percent) beginning with the June 30, 2016 valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In Fiscal Year 2014-15, the financial reporting discount rate was increased from 7.50 percent to 7.65 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50 percent during this period, and remained adjusted for administrative expenses.



**MISSION SPRINGS WATER DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS**  
**JUNE 30, 2018**

	2018
Contractually required contribution (actuarially determined)	\$ 531,027
Contributions in relation to the actuarially determined contributions	531,027
Contribution deficiency (excess)	\$ -
 Covered-employee payroll	 \$2,923,408
 Contributions as a percentage of covered-employee payroll	 18.16%

**Notes to Schedule of Plan Contributions:**

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability determined in the June 30, 2016 actuarial accounting valuation. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on CalPERS' website.

**SUPPLEMENTARY INFORMATION**

**MISSION SPRINGS WATER DISTRICT**

**SCHEDULE OF PRINCIPAL AND INTEREST REPAYMENTS**  
**ASSESSMENT DISTRICT #4 SPECIAL ASSESSMENT BONDS, SERIES R-1**

<u>Date</u>	<u>Interest Due</u>	<u>Coupon Rate</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
6/30/2018	\$ -	-	\$ -	\$ -	\$ 20,000
7/2/18	1,138	11.375	4,000	5,138	16,000
1/2/19	910	11.375	-	910	16,000
7/2/19	910	11.375	4,000	4,910	12,000
1/2/20	683	11.375	-	683	12,000
7/2/20	683	11.375	4,000	4,683	8,000
1/2/21	455	11.375	-	455	8,000
7/2/21	455	11.375	4,000	4,455	4,000
1/2/22	228	11.375	-	228	4,000
7/2/22	<u>228</u>	11.375	<u>4,000</u>	<u>4,228</u>	-
	<u>\$ 5,690</u>		<u>\$ 20,000</u>	<u>\$ 25,690</u>	

**MISSION SPRINGS WATER DISTRICT**

**SCHEDULE OF PRINCIPAL AND INTEREST REPAYMENTS**  
**ASSESSMENT DISTRICT #7 SPECIAL ASSESSMENT BONDS**

<u>Date</u>	<u>Interest Due</u>	<u>Coupon Rate</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
6/30/2018	\$ -	-	\$ -	\$ -	\$ 92,000
7/2/18	3,335	7.250	11,000	14,335	81,000
1/2/19	2,936	7.250	-	2,936	81,000
7/2/19	2,936	7.250	11,000	13,936	70,000
1/2/20	2,537	7.250	-	2,537	70,000
7/2/20	2,537	7.250	12,000	14,537	58,000
1/2/21	2,102	7.250	-	2,102	58,000
7/2/21	2,102	7.250	13,000	15,102	45,000
1/2/22	1,631	7.250	-	1,631	45,000
7/2/22	1,631	7.250	14,000	15,631	31,000
1/2/23	1,123	7.250	-	1,123	31,000
7/2/23	1,123	7.250	15,000	16,123	16,000
1/2/24	580	7.250	-	580	16,000
7/2/24	580	7.250	16,000	16,580	-
	<u>\$ 25,153</u>		<u>\$ 92,000</u>	<u>\$ 117,153</u>	

**MISSION SPRINGS WATER DISTRICT**

**SCHEDULE OF PRINCIPAL AND INTEREST REPAYMENTS**

**CERTIFICATES OF PARTICIPATION**

**UNITED STATES DEPARTMENT OF AGRICULTURE**

<u>Date</u>	<u>Interest Due</u>	<u>Coupon Rate</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
6/30/2018	\$ -	-	\$ -	\$ -	\$ 267,501
8/1/18	6,019	4.500	-	6,019	267,501
2/1/19	6,019	4.500	6,900	12,919	260,601
8/1/19	5,864	4.500	-	5,864	260,601
2/1/20	5,864	4.500	7,200	13,064	253,401
8/1/20	5,702	4.500	-	5,702	253,401
2/1/21	5,702	4.500	7,500	13,202	245,901
8/1/21	5,533	4.500	-	5,533	245,901
2/1/22	5,533	4.500	7,900	13,433	238,001
8/1/22	5,355	4.500	-	5,355	238,001
2/1/23	5,355	4.500	8,200	13,555	229,801
8/1/23	5,171	4.500	-	5,171	229,801
2/1/24	5,171	4.500	8,600	13,771	221,201
8/1/24	4,977	4.500	-	4,977	221,201
2/1/25	4,977	4.500	8,900	13,877	212,301
8/1/25	4,777	4.500	-	4,777	212,301
2/1/26	4,777	4.500	9,400	14,177	202,901
8/1/26	4,565	4.500	-	4,565	202,901
2/1/27	4,565	4.500	9,800	14,365	193,101
8/1/27	4,345	4.500	-	4,345	193,101
2/1/28	4,345	4.500	10,200	14,545	182,901
8/1/28	4,115	4.500	-	4,115	182,901
2/1/29	4,115	4.500	10,700	14,815	172,201
8/1/29	3,875	4.500	-	3,875	172,201
2/1/30	3,875	4.500	11,100	14,975	161,101
8/1/30	3,625	4.500	-	3,625	161,101
2/1/31	3,625	4.500	11,600	15,225	149,501
8/1/31	3,364	4.500	-	3,364	149,501
2/1/32	3,364	4.500	12,200	15,564	137,301
8/1/32	3,089	4.500	-	3,089	137,301
2/1/33	3,089	4.500	12,700	15,789	124,601
8/1/33	2,804	4.500	-	2,804	124,601
2/1/34	2,804	4.500	13,300	16,104	111,301
8/1/34	2,504	4.500	-	2,504	111,301
2/1/35	2,504	4.500	13,900	16,404	97,401
8/1/35	2,192	4.500	-	2,192	97,401
2/1/36	2,192	4.500	14,500	16,692	82,901
8/1/36	1,865	4.500	-	1,865	82,901
2/1/37	1,865	4.500	15,200	17,065	67,701

-CONTINUED-

MISSION SPRINGS WATER DISTRICT

SCHEDULE OF PRINCIPAL AND INTEREST REPAYMENTS  
CERTIFICATES OF PARTICIPATION  
UNITED STATES DEPARTMENT OF AGRICULTURE

-CONTINUED-

<u>Date</u>	<u>Interest Due</u>	<u>Coupon Rate</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
8/1/37	1,523	4.500	-	1,523	67,701
2/1/38	1,523	4.500	15,800	17,323	51,901
8/1/38	1,168	4.500	-	1,168	51,901
2/1/39	1,168	4.500	16,500	17,668	35,401
8/1/39	797	4.500	-	797	35,401
2/1/40	797	4.500	17,300	18,097	18,101
8/1/40	407	4.500	-	407	18,101
2/1/41	<u>407</u>	4.500	<u>18,101</u>	<u>18,508</u>	-
	<u>\$ 167,272</u>		<u>\$ 267,501</u>	<u>\$ 434,773</u>	

**MISSION SPRINGS WATER DISTRICT**

**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS**  
**INSTALLMENT SALE AGREEMENT**  
**ASSESSMENT DISTRICT #12, PHASE I AND PHASE II - REFINANCE**

<u>Date</u>	<u>Interest Due</u>	<u>Coupon Rate</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
6/30/2018	\$ -	-	\$ -	\$ -	\$ 2,180,031
9/21/18	31,610	2.90	113,390	145,000	2,066,641
3/21/19	29,966	2.90	115,034	145,000	1,951,607
9/21/19	28,298	2.90	116,702	145,000	1,834,905
3/21/20	26,606	2.90	118,394	145,000	1,716,511
9/21/20	24,889	2.90	120,111	145,000	1,596,400
3/21/21	23,148	2.90	121,852	145,000	1,474,548
9/21/21	21,381	2.90	123,619	145,000	1,350,929
3/21/22	19,588	2.90	125,412	145,000	1,225,517
9/21/22	17,770	2.90	127,230	145,000	1,098,287
3/21/23	15,925	2.90	129,075	145,000	969,212
9/21/23	14,054	2.90	130,946	145,000	838,266
3/21/24	12,155	2.90	132,845	145,000	705,421
9/21/24	10,229	2.90	134,771	145,000	570,650
3/21/25	8,274	2.90	136,726	145,000	433,924
9/21/25	6,292	2.90	138,708	145,000	295,216
3/21/26	4,281	2.90	140,719	145,000	154,497
9/21/26	2,240	2.90	50,760	53,000	103,737
3/21/27	1,504	2.90	51,496	53,000	52,241
9/21/27	759	2.90	52,241	53,000	-
	<u>\$ 298,969</u>		<u>\$ 2,180,031</u>	<u>\$ 2,479,000</u>	

MISSION SPRINGS WATER DISTRICT

SCHEDULE OF PRINCIPAL AND INTEREST REPAYMENTS

INSTALLMENT SALE AGREEMENT

MISSION CREEK - 80 ACRES

<u>Date</u>	<u>Interest Due</u>	<u>Interest Rate</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
6/30/2018	\$ -	-	\$ -	\$ -	\$ 269,117
12/7/18	5,646	4.190	6,545	12,191	262,572
6/7/19	5,509	4.190	6,682	12,191	255,890
12/7/19	5,369	4.190	6,822	12,191	249,068
6/7/20	5,226	4.190	6,965	12,191	242,103
12/7/20	5,080	4.190	7,111	12,191	234,992
6/7/21	4,931	4.190	7,260	12,191	227,732
12/7/21	4,779	4.190	7,412	12,191	220,320
6/7/22	4,624	4.190	7,567	12,191	212,753
12/7/22	4,465	4.190	7,726	12,191	205,027
6/7/23	4,303	4.190	7,888	12,191	197,139
12/7/23	4,138	4.190	8,053	12,191	189,086
6/7/24	3,969	4.190	8,222	12,191	180,864
12/7/24	3,797	4.190	8,394	12,191	172,470
6/7/25	3,621	4.190	8,570	12,191	163,900
12/7/25	3,442	4.190	8,749	12,191	155,151
6/7/26	3,259	4.190	8,932	12,191	146,219
12/7/26	3,071	4.190	9,120	12,191	137,099
6/7/27	2,880	4.190	9,311	12,191	127,788
12/7/27	2,685	4.190	9,506	12,191	118,282
6/7/28	2,486	4.190	9,705	12,191	108,577
12/7/28	2,283	4.190	9,908	12,191	98,669
6/7/29	2,075	4.190	10,116	12,191	88,553
12/7/29	1,863	4.190	10,328	12,191	78,225
6/7/30	1,647	4.190	10,544	12,191	67,681
12/7/30	1,426	4.190	10,765	12,191	56,916
6/7/31	1,201	4.190	10,990	12,191	45,926
12/7/31	1,078	4.190	11,113	12,191	34,813
6/7/32	710	4.190	11,481	12,191	23,332
12/7/32	568	4.190	11,623	12,191	11,709
6/7/33	482	4.190	11,709	12,191	-
	<u>\$ 96,613</u>		<u>\$ 269,117</u>	<u>\$ 365,730</u>	



**MISSION SPRINGS WATER DISTRICT**

**SCHEDULE OF PRINCIPAL AND INTEREST REPAYMENTS**  
**STATE REVOLVING FUND ASSESSMENT DISTRICT #12, PHASE IV**

<u>Date</u>	<u>Interest Due</u>	<u>Interest Rate</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
6/30/2018	\$ -	-	\$ -	\$ -	\$ 4,043,058
1/31/19	88,947	2.200	213,563	302,510	3,829,495
1/31/20	84,249	2.200	218,261	302,510	3,611,234
1/31/21	79,447	2.200	223,063	302,510	3,388,171
1/31/22	74,540	2.200	227,970	302,510	3,160,201
1/31/23	69,525	2.200	232,985	302,510	2,927,216
1/31/24	64,399	2.200	238,111	302,510	2,689,105
1/31/25	59,160	2.200	243,350	302,510	2,445,755
1/31/26	53,807	2.200	248,703	302,510	2,197,052
1/31/27	48,335	2.200	254,175	302,510	1,942,877
1/31/28	42,743	2.200	259,767	302,510	1,683,110
1/31/29	37,029	2.200	265,481	302,510	1,417,629
1/31/30	31,188	2.200	271,322	302,510	1,146,307
1/31/31	25,219	2.200	277,291	302,510	869,016
1/31/32	19,118	2.200	283,392	302,510	585,624
1/31/33	12,884	2.200	289,626	302,510	295,998
1/31/34	<u>6,512</u>	2.200	<u>295,998</u>	<u>302,510</u>	-
	<u>\$ 797,102</u>		<u>\$ 4,043,058</u>	<u>\$ 4,840,160</u>	

**MISSION SPRINGS WATER DISTRICT**

**SCHEDULE OF PRINCIPAL AND INTEREST REPAYMENTS**

**INSTALLMENT SALE AGREEMENT**

**ASSESSMENT DISTRICT #12, PHASE V**

<u>Date</u>	<u>Interest Due</u>	<u>Interest Rate</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
6/30/2018	\$ -	-	\$ -	\$ -	\$ 1,045,951
9/2/18	21,442	4.100	24,481	45,923	1,021,470
3/2/19	20,940	4.100	24,983	45,923	996,487
9/2/19	20,429	4.100	25,494	45,923	970,993
3/2/20	19,906	4.100	26,017	45,923	944,976
9/2/20	19,372	4.100	26,551	45,923	918,425
3/2/21	18,828	4.100	27,095	45,923	891,330
9/2/21	18,272	4.100	27,651	45,923	863,679
3/2/22	17,706	4.100	28,217	45,923	835,462
9/2/22	17,127	4.100	28,796	45,923	806,666
3/2/23	16,537	4.100	29,386	45,923	777,280
9/2/23	15,935	4.100	29,988	45,923	747,292
3/2/24	15,320	4.100	30,603	45,923	716,689
9/2/24	14,692	4.100	31,231	45,923	685,458
3/2/25	14,052	4.100	31,871	45,923	653,587
9/2/25	13,399	4.100	32,524	45,923	621,063
3/2/26	12,732	4.100	33,191	45,923	587,872
9/2/26	12,051	4.100	33,872	45,923	554,000
3/2/27	11,358	4.100	34,565	45,923	519,435
9/2/27	10,648	4.100	35,275	45,923	484,160
3/2/28	9,926	4.100	35,997	45,923	448,163
9/2/28	9,188	4.100	36,735	45,923	411,428
3/2/29	8,434	4.100	37,489	45,923	373,939
9/2/29	7,666	4.100	38,257	45,923	335,682
3/2/30	6,882	4.100	39,041	45,923	296,641
9/2/30	6,081	4.100	39,842	45,923	256,799
3/2/31	5,265	4.100	40,658	45,923	216,141
9/2/31	4,431	4.100	41,492	45,923	174,649
3/2/32	3,581	4.100	42,342	45,923	132,307
9/2/32	2,712	4.100	43,211	45,923	89,096
3/2/33	1,827	4.100	44,096	45,923	45,000
9/2/33	923	4.100	45,000	45,923	-
	<u>\$ 377,662</u>		<u>\$ 1,045,951</u>	<u>\$ 1,423,613</u>	

**MISSION SPRINGS WATER DISTRICT**

**SCHEDULE OF PRINCIPAL AND INTEREST REPAYMENTS**

**INSTALLMENT SALE AGREEMENT**

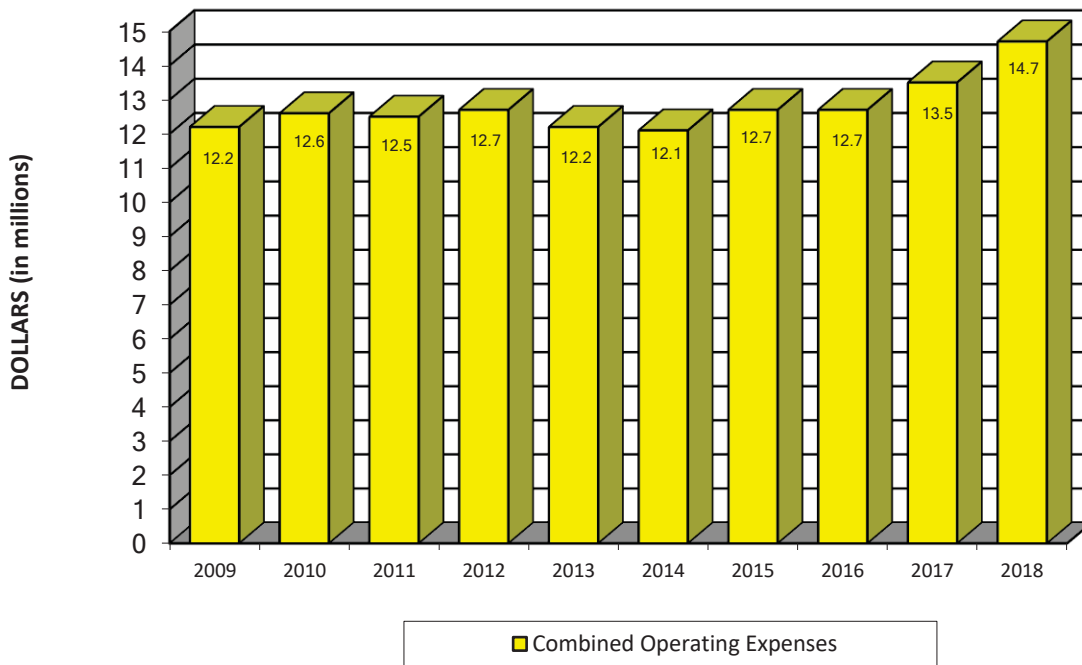
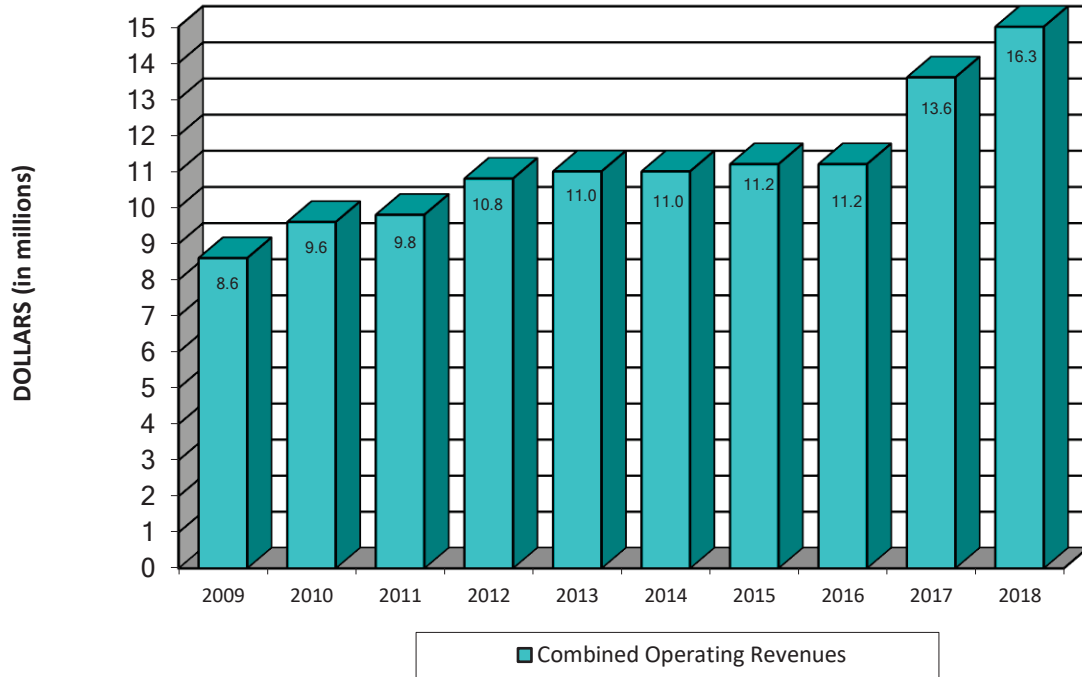
**ASSESSMENT DISTRICT #12, PHASE VI**

<u>Date</u>	<u>Interest Due</u>	<u>Interest Rate</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
6/30/2018	\$ -	-	\$ -	\$ -	\$ 2,350,347
9/2/18	46,420	3.950	51,193	97,613	2,299,154
3/2/19	45,408	3.950	52,205	97,613	2,246,949
9/2/19	44,377	3.950	53,236	97,613	2,193,713
3/2/20	43,326	3.950	54,287	97,613	2,139,426
9/2/20	42,254	3.950	55,359	97,613	2,084,067
3/2/21	41,161	3.950	56,452	97,613	2,027,615
9/2/21	40,046	3.950	57,567	97,613	1,970,048
3/2/22	38,909	3.950	58,704	97,613	1,911,344
9/2/22	37,749	3.950	59,864	97,613	1,851,480
3/2/23	36,567	3.950	61,046	97,613	1,790,434
9/2/23	35,361	3.950	62,252	97,613	1,728,182
3/2/24	34,132	3.950	63,481	97,613	1,664,701
9/2/24	32,878	3.950	64,735	97,613	1,599,966
3/2/25	31,600	3.950	66,013	97,613	1,533,953
9/2/25	30,296	3.950	67,317	97,613	1,466,636
3/2/26	28,966	3.950	68,647	97,613	1,397,989
9/2/26	27,610	3.950	70,003	97,613	1,327,986
3/2/27	26,228	3.950	71,385	97,613	1,256,601
9/2/27	24,818	3.950	72,795	97,613	1,183,806
3/2/28	23,380	3.950	74,233	97,613	1,109,573
9/2/28	21,914	3.950	75,699	97,613	1,033,874
3/2/29	20,419	3.950	77,194	97,613	956,680
9/2/29	<u>18,894</u>	3.950	<u>956,680</u>	<u>975,574</u>	-
	<u>\$ 772,713</u>		<u>\$ 2,350,347</u>	<u>\$ 3,123,060</u>	

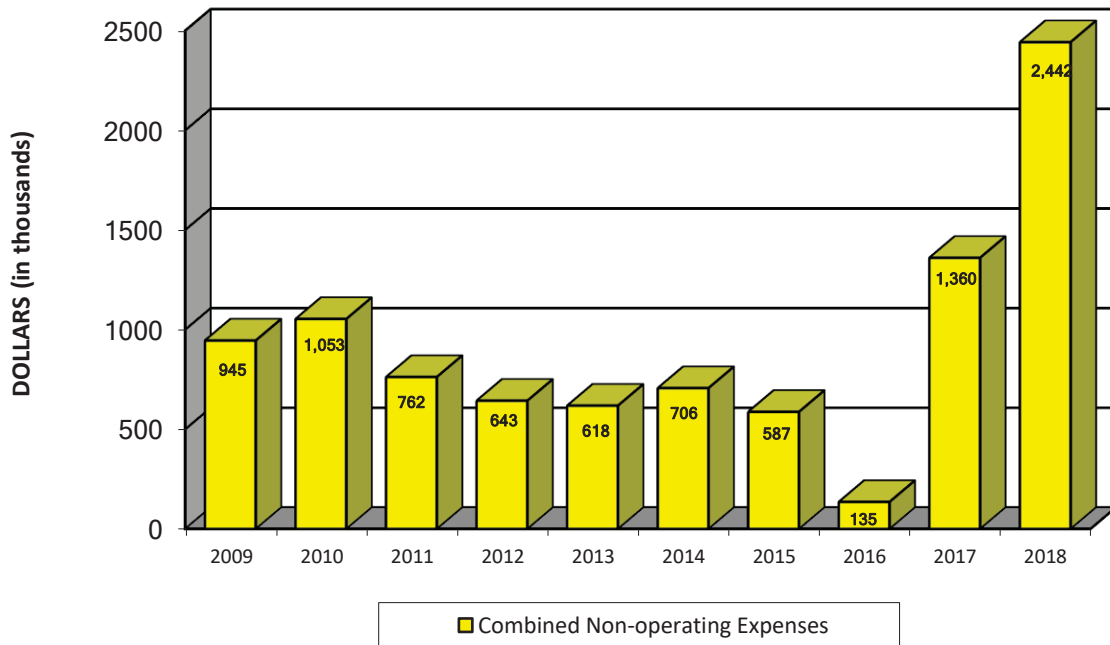
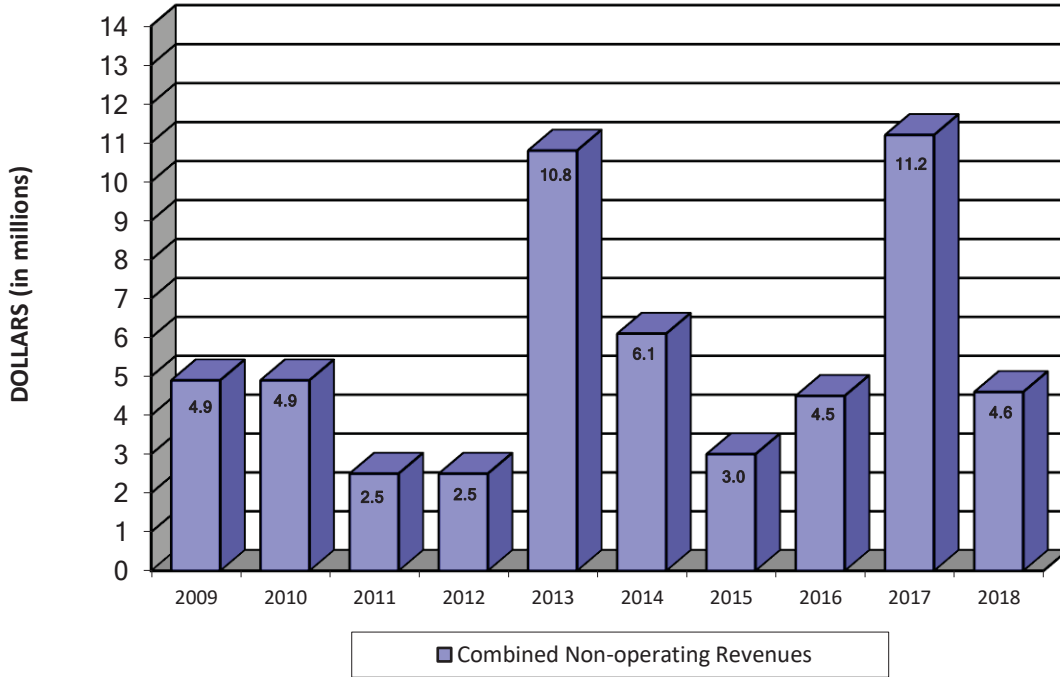
**MISSION SPRINGS WATER DISTRICT**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION BY FUNCTION**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2017**

	2018			2017	
	Water District	Sewer District	General District	(Memorandum only) Combined	(Memorandum only) Combined
<b>REVENUES</b>					
Base service charge	2,222,752	\$ -	\$ -	2,222,752	\$ 1,990,184
Water consumption	6,677,436	-	-	6,677,436	5,501,976
Meter installations	60,790	-	-	60,790	50,235
Sewer service	-	6,128,862	-	6,128,862	5,116,304
Other operating revenue	957,866	-	-	957,866	717,063
Backup and front footage fees	581,900	232,790	-	814,690	3,365,298
Contributed infrastructure	228,867	17,243	-	246,110	1,186,612
Property taxes	719,058	428,763	630,082	1,777,903	1,671,275
Standby charges	228,449	12,142	-	240,591	242,938
Fats, oils & grease fees	-	3,400	-	3,400	3,425
Investment income (net)	20,727	783,321	23,150	827,198	772,152
Grants	226,026	734,255	-	960,281	4,227,717
Recovery of prior year expense	43,184	10,036	-	53,220	-
Amortization of deposit for maintenance	-	-	-	-	97
Gain (loss) from asset disposals	(43,110)	(384)	1,529	(41,965)	(21,291)
Total revenues	<u>11,923,945</u>	<u>8,350,428</u>	<u>654,761</u>	<u>20,929,134</u>	<u>24,823,985</u>
<b>EXPENSES</b>					
Salaries and wages	1,187,784	536,287	1,694,441	3,418,512	3,200,439
Employee benefits	705,362	315,007	1,060,194	2,080,563	1,861,272
Pension inflows/outflows of resources	-	-	1,246,116	1,246,116	306,790
Public Employees Retirement -Prior year costs	-	-	359,953	359,953	342,759
Materials and supplies	768,762	95,280	303,794	1,167,836	795,455
Outside services	325,481	436,979	1,291,932	2,054,392	2,100,930
Ground water replenishment fees	120,032	-	-	120,032	88,949
Utilities	1,004,798	175,938	29,995	1,210,731	1,016,577
Directors' fees	-	-	40,600	40,600	31,800
Engineering	58,850	-	-	58,850	30,323
Insurance	-	-	113,271	113,271	109,303
Legal	-	-	425,116	425,116	369,436
Audit	-	-	27,000	27,000	21,000
Depreciation	2,255,149	1,553,321	189,527	3,997,997	3,917,383
Interest	25,332	717,689	-	743,021	696,563
Standby reports	11,486	3,431	-	14,917	23,649
Dues and subscriptions	-	1,252	44,838	46,090	42,019
Training and conferences	7,641	5,169	106,522	119,332	88,374
Amortization and cost of debt issuance	1,440	75,226	-	76,666	2,364
Ground water management	-	-	21,000	21,000	25,000
Other expenses	8,766	4,884	2,760	16,410	11,743
Subtotal	<u>6,480,883</u>	<u>3,920,463</u>	<u>6,957,059</u>	<u>17,358,405</u>	<u>15,082,128</u>
General District Allocation	3,692,373	1,474,789	(5,348,230)	(181,068)	(163,592)
Total expenses	<u>10,173,256</u>	<u>5,395,252</u>	<u>1,608,829</u>	<u>17,177,337</u>	<u>14,918,536</u>
<b>CHANGE IN NET POSITION</b>	1,750,689	2,955,176	(954,068)	3,751,797	9,905,449
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>65,093,560</u>	<u>66,496,198</u>	<u>7,526,475</u>	<u>139,116,233</u>	<u>129,210,784</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 66,844,249</u>	<u>\$ 69,451,374</u>	<u>\$ 6,572,407</u>	<u>\$ 142,868,030</u>	<u>\$ 139,116,233</u>

**MISSION SPRINGS WATER DISTRICT**  
**COMBINED OPERATING REVENUES AND OPERATING EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2009-2018**



**MISSION SPRINGS WATER DISTRICT**  
**COMBINED NON-OPERATING REVENUES AND NON-OPERATING EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2009-2018**



**MISSION SPRINGS WATER DISTRICT**  
**OPERATING INCOME/(LOSS) AND CHANGE IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2009-2018**

