Twentynine Palms Water District

Twentynine Palms, California

Annual Financial Report

For the Fiscal Year Ended June 30, 2019

TWENTYNINE PALMS WATER DISTRICT

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June 30, 2019

FINANCIAL SECTION

EADIE + PAYNE
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Celebrating a Century
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Certified Public Accountants & Business Advisors

Independent Auditor's Report

To the Board of Directors
Twentynine Palms Water District
Twentynine Palms, California

We have audited the accompanying financial statements of Twentynine Palms Water District (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof 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 on pages 4 through 10 and the schedules related to the District's pension and other post-employment benefit plans on pages 47 through 49, respectively, are 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 November 26, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eadie and Payne, LLP

November 26, 2019
Riverside, California

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Twentynine Palms Water District (District) introduces the financial statements of the District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position decreased 1.25%, or $345,123, from $27,547,603 to $27,202,480.

- Total revenues from all sources for the District increased by 2.88%, or $144,567, from $5,021,080 to $5,165,647 from the prior year.

- Total expenses for the District's operations increased by 4.52% or $238,562 from $5,272,208 to $5,510,770 from the prior year.

Using This Financial Report

These financial statements consist of several interrelated statements designed to provide the reader with relevant, understandable data about the District's financial condition and operating results.

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position provide information about the activities and performance of the District using accounting methods like those used by private sector companies. The Statements of Net Position includes all the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. The current year's revenue and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine the District's profitability and credit worthiness. The Statement of Cash Flows conveys to financial statement readers how the District managed cash resources during the year. This statement converts the Change in Net Position presented on the Statement of Revenues, Expenses and Changes in Net Position into actual cash provided by or used for operations. The Statement of Cash Flows also details how the District obtains cash through financing and investing activities and, conversely, how cash is spent for these purposes.

Fiduciary funds are used to account for assets held in trust by the government for the benefit of individuals or other entities. The District maintains the Private-Purpose Trust Fund to report the assets, liabilities, deferred inflows and deferred outflows of resources, and activities fire protection fund. Fiduciary funds are reflected separately because the resources of those funds are not available to support the programs of the District. The fiduciary fund financial statements include the Statement of Fiduciary Net Position, and the Statement of Changes in Fiduciary Net Position.

Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All the current year's revenues and expenses are considered regardless of when the cash is received or paid. These two statements report the District's net position and changes in them. Think of the District's net position- the difference between assets and liabilities- as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors; however, such as changes in the District's property tax base to assess the overall health of the District.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's pension and OPEB activities.

Statement of Net Position Proprietary Funds

Condensed Statement of Net Position

	June 30, 2019	June 30, 2018
Assets:		
Current assets	$ 9,136,148	$ 8,023,965
Capital assets, net	22,971,509	22,671,036
Total assets	32,107,657	30,695,001
Deferred Outflows of Resources	930,342	954,678
Liabilities		
Current liabilities	857,764	728,939
Long-term obligations	4,601,861	2,931,363
Total liabilities	5,459,625	3,660,302
Deferred Inflows of Resources	375,894	441,774
Net Position		
Investment in capital assets	22,971,509	22,671,036
Unrestricted Net Position	4,230,971	4,876,567
Total net position	$ 27,202,480	$ 27,547,603

As of June 30, 2019, the District reported a net position of $27,202,480. An amount of $4,230,971 constitutes the District's *unrestricted net position* balance which is available for future operations.

Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds

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

	June 30, 2019	June 30, 2018
Operating Revenue	$ 4,904,575	$ 4,762,405
Operating Expenses	(5,510,770)	(5,272,208)
Non-Operating Revenue, Net	261,072	258,675
Total Change in Net Position	(345,123)	(251,128)
Net Position		
Beginning of year, as previously reported	27,547,603	28,052,028
Less: Prior-period adjustment	-	(253,297)
Net Position, End of Year	$ 27,202,480	$ 27,547,603

The statement shows how the fund's net position changed during the fiscal year. In the case of the District, net position decreased by $345,123 during the fiscal year ended June 30, 2019.

Proprietary Funds Revenues

	Balance June 30, 2019	Balance June 30, 2018	Change
Revenues:			
Water consumption sales	$ 2,860,092	$ 2,813,193	$ 46,899
Water service charges	1,291,240	1,194,615	96,625
Water availability charge	608,934	620,558	(11,624)
Other service charges	144,309	134,039	10,270
Rental revenue	130,242	121,055	9,187
Investment earnings	152,753	72,263	80,490
Gain/(Loss) on sale of assets	(2,139)	10,401	(12,540)
Interest expense	(16,090)	-	(16,090)
Other non-operating revenue	36,306	94,956	(58,650)
Transfer out	(40,000)	(40,000)	-
Total revenues	$ 5,165,647	$ 5,021,080	$ 144,567

Revenues increased $144,567 for the fiscal year ended June 30, 2019. Notable increases include water consumption revenue of $46,899, water service charges of $96,625 and investment earnings of $80,490. These notable increases are offset by a decrease in other non-operating revenue of $58,650 in combination with minor decreases/increases all other categories.

Proprietary Funds Expenses

	Balance June 30, 2019	Balance June 30, 2018	Change
Expenses:			
Source of supply	$ 338,773	$ 305,440	$ 33,333
Pumping	252,510	210,914	41,596
Transmission and distribution	1,323,486	1,065,225	258,261
Customer accounts	304,577	257,463	47,114
General plant	670,459	682,359	(11,900)
General and administrative	1,230,357	1,363,875	(133,518)
Depreciation expense	1,390,608	1,386,932	3,676
Total expenses	$ 5,510,770	$ 5,272,208	$ 238,562

Expenses increased $238,562 for the fiscal year ended June 30, 2019. Many types of expenses experienced increases with the largest increase found in transmission and distribution. On the other hand, a notable decrease is seen in general and administrative expenses.

Statement of Fiduciary Net Position

Condensed Statements of Fiduciary Net Position

	June 30, 2019	June 30, 2018
Assets:		
Current assets	$ 66,789	$ 39,965
Restricted assets	1,491,541	1,331,803
Total assets	1,558,330	1,371,768
Deferred Outflows of Resources	269,236	402,869
Liabilities		
Current liabilities	8,565	20,683
Long-term obligations	321,995	320,883
Total liabilities	330,560	341,566
Deferred Inflows of Resources	240,175	293,402
Net Position		
Restricted	$ 1,256,831	$ 1,139,669

As of June 30, 2019, the District reported a total fiduciary net position of $1,256,831. This net position is restricted for future payments towards the District exiting its CalPERS Safety Pension Plan program.

Statement of Changes in Fiduciary Net Position

Condensed Statements of Changes Fiduciary in Net Position

	June 30, 2019	June 30, 2018
Additions	$ 242,755	$ 258,999
Deductions	(125,593)	(163,724)
Total Change in Net Position	117,162	95,275
Net Position, Beginning of Year	1,139,669	1,044,394
Net Position, End of Year	$ 1,256,831	$ 1,139,669

The statement shows how the fiduciary net position changed during the fiscal year. In the case of the District, net position decreased by $117,162 during the fiscal year ended June 30, 2019.

Fiduciary Funds Additions

	Balance June 30, 2019	Balance June 30, 2018	Change
Additions			
Property tax penalties	$ 33,873	$ 56,218	$ (22,345)
Other revenues	48,601	111,771	(63,170)
Intergovernmental	31,900	31,000	900
Investment earnings	88,381	20,010	68,371
Transfers in	40,000	40,000	-
Total additions	$ 242,755	$ 258,999	$ (16,244)

Additions decreased by $16,244 for the fiscal year ended June 30, 2019 primarily due to decreases in property tax penalties and other revenues that are offset by increased investment earnings.

Fiduciary Funds Deductions

	Balance June 30, 2019	Balance June 30, 2018	Change
Deductions:			
General and administrative	$ 89,186	$ 71,039	$ 18,147
Transfer to San Bernardino	36,407	92,685	(56,278)
Total deductions	$ 125,593	$ 163,724	$ (38,131)

Deductions decreased $38,131 for the fiscal year ended June 30, 2019 primarily due to less transfers out to San Bernardino. As the District collects property tax revenues they are remitted to San Bernardino. As a result, there will be a strong correlation between changes in property tax revenues and transfers to San Bernardino.

Capital Asset Administration

Changes in capital assets for the year were as follows:

	Balance June 30, 2019	Balance June 30, 2018
Non-depreciable capital assets	$ 2,153,746	$ 950,036
Depreciable capital assets	47,870,023	47,597,900
Total capital assets	50,023,769	48,547,936
Accumulated depreciation	(27,052,260)	(25,876,900)
Total capital assets, net	$ 22,971,509	$ 22,671,036

At June 30, 2019, the District's net investment in capital assets amounted to $22,971,509 (net of accumulated depreciation). This investment in capital assets includes structures and improvements, transmission and distribution system and water equipment and construction-in-process. Major capital asset additions during the year include various improvements and equipment purchases totaling $1,779,866. See Note 5 for further information on the District's capital assets.

Contacting the District's Financial Management Team

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District at the Twentynine Palms Water District, 72401 Hatch Road Twentynine Palms, California 92277 or (760) 367-7546.

BASIC FINANCIAL STATEMENTS

Twentynine Palms Water District

STATEMENT OF NET POSITION

June 30, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets:	
Cash and investments	$ 8,015,376
Accrued interest receivable	44,033
Accounts receivable – water sales and services, net	807,376
Special assessments receivable	9,846
Materials and supplies inventory	168,523
Prepaid items	90,994
Total current assets	9,136,148
Non-current assets:	
Capital assets – not being depreciated	2,153,746
Capital assets – being depreciated, net	20,817,763
Total non-current assets	22,971,509
Total assets	32,107,657
Deferred outflows of resources:	
Other post-employment benefits obligation related	226,208
Pension related	704,134
Total deferred outflows of resources	930,342
Total assets and deferred outflows of resources	$ 33,037,999
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
Current liabilities:	
Accounts payable and accrued expenses	$ 155,012
Accrued salaries and benefits	55,650
Unearned revenue and deposits	390,986
Long-term liabilities – due within one year:	
Current portion loan payable	187,908
Compensated absences	68,208
Total current liabilities	857,764
Non-current liabilities:	
Long-term liabilities – due in more than one year:	
Loan payable	1,812,092
Compensated absences	45,472
Net other post-employment benefits obligation	503,275
Net pension liability	2,241,022
Total non-current liabilities	4,601,861
Total liabilities	5,459,625
Deferred inflows of resources:	
Other post-employment benefits obligation related	158,418
Pension related	217,476
Total deferred inflows of resources	375,894
Net position:	
Investment in capital assets	22,971,509
Unrestricted	4,230,971
Total net position	27,202,480
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 33,037,999

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

Twentynine Palms Water District

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the year ended June 30, 2019

Operating Revenue	
Water consumption sales	$ 2,860,092
Water service charges	1,291,240
Water availability charge	608,934
Other service charges	144,309
Total operating revenue	4,904,575
Operating Expenses	
Source of supply	338,773
Pumping	252,510
Transmission and distribution	1,323,486
Customer accounts	304,577
General Plant	670,459
General and administrative	1,230,357
Total operating expenses	4,120,162
Operating income before depreciation	784,413
Depreciation expense	(1,390,608)
Operating Loss	(606,195)
Non-Operating Revenues (Expenses)	
Rental revenue	130,242
Investment earnings	152,753
Loss on sale of assets	(2,139)
Interest expense	(16,090)
Other non-operating revenue	36,306
Transfers out	(40,000)
Total non-operating revenues, net	261,072
Change in Net Position	(345,123)
Net Position, Beginning of Year	27,547,603
Net Position, End of Year	$ 27,202,480

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

Twentynine Palms Water District

STATEMENT OF CASH FLOWS

For the year ended June 30, 2019

Cash flows from operating activities:		
Cash receipts from customers and others	$	5,078,835
Cash paid to employees for salaries and wages		(4,310,640)
Cash paid to vendors and suppliers for materials and services		(92,169)
Net cash provided by operating activities		676,026
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets		(1,693,220)
Proceeds from issuance of long-term debt		2,000,000
Transfers out		(40,000)
Net cash (used in) capital and related financing activities		266,780
Cash flows from investing activities:		
Proceeds from investment earnings		128,843
Net cash provided by investing activities		128,843
Net increase in cash and investments		1,071,649
Cash and investments:		
Beginning of year		6,943,727
End of year	$	8,015,376

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

Twentynine Palms Water District
STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended June 30, 2019

Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$	(606,195)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Deprecation expense		1,390,608
Interest expense		(16,090)
Rental revenue		130,242
Other non-operating revenue		36,306
Changes in assets – (increase) decrease:		
Accounts receivable-water sales and services, net		(9,893)
Special assessments receivable		3,151
Materials and supplies inventory		3,357
Prepaid items		(13,239)
Change in deferred outflows of resources – (increase) decrease:		
Pension related deferred outflows of resources		24,336
Changes in liabilities – increase (decrease):		
Accounts payable and accrued expenses		(99,379)
Accrued salaries and related payables		13,743
Unearned revenue and deposits		7,210
Compensated absences		32,238
Net other post-employment benefits obligation		(98,151)
Net pension liability		(56,338)
Change in deferred inflows of resources – increase (decrease):		
Pension related deferred inflows of resources		(65,880)
Total adjustments		1,282,221
Net cash provided by operating activities	$	676,026

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

FIDUCIARY FUND FINANCIAL STATEMENTS

Twentynine Palms Water District

STATEMENT OF FIDUCIARY NET POSITION

PRIVATE-PURPOSE TRUST FUND

June 30, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets:		
Cash and investments	$	57,131
Special assessments receivable		9,658
Total current assets		66,789
Non-current assets:		
Restricted – cash and investments		1,491,541
Total assets		1,558,330
Deferred Outflows of Resources		
Pension related		269,236
Total Assets and Deferred Outflows of Resources		1,827,566
LIABILITIES, DEFERRED INFLOWS OR RESOURCES AND NET POSITION		
Current liabilities:		
Accounts payable and accrued expenses		8,565
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Net pension liability		321,995
Total liabilities		330,560
Deferred Inflows of Resources		
Pension related		240,175
Total Liabilities and Deferred Inflows of Resources		570,735
Fiduciary Net Position		
Restricted for pension liability	$	1,256,831

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

Twentynine Palms Water District

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

PRIVATE-PURPOSE TRUST FUND

For the year ended June 30, 2019

Additions	
Property tax penalties	$ 33,873
Intergovernmental	31,900
Investment earnings	88,381
Other revenue	48,601
Transfers from the district	40,000
Total Additions	242,755
Deductions	
General and administrative	89,186
Transfer of fire revenues to San Bernardino County Fire District	36,407
Total Deductions	125,593
Change in Fiduciary Net Position	117,162
Fiduciary Net Position, Beginning of Year	1,139,669
Fiduciary Net Position, End of Year	$ 1,256,831

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

The Twentynine Palms Water District (District) was formed in 1954 under the County Water District Law, Division 12 of the Water Code of the State of California, for the purpose of supplying potable water and for other statutory purposes, including fire protection. The District is governed by a five-member Board of Directors whose members are elected by the registered voters in the District to staggered four-year terms.

On July 1, 2016, the District reorganized its fire protection services to the San Bernardino County Fire Protection District per the San Bernardino County LAFCO decision on February 17, 2016.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of U.S. GAAP. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable for a component that has substantively the same governing body as the District's governing body, and additionally (I) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit.

The Twentynine Palms Water District Financing Corporation (Corporation) has a financial and operational relationship which meets the reporting entity definition criteria under U.S. GAAP, for inclusion of the Corporation as a component unit of the District. The Corporation is governed by a five-member board appointed by the District board. Although it is legally separated from the District, the Corporation is reported as a blended component unit of the primary government because its sole purpose is to provide financing assistance to the District for construction and acquisition of major capital facilities.

Basis of Accounting and Measurement Focus

The District's financial statements are prepared in conformity with U.S. GAAP. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

The District reports its activities as a proprietary fund (enterprise fund). Proprietary funds are accounted for using the *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncement

The District early implemented GASB Statement No. 84, Fiduciary Activities for the fiscal year ended June 30, 2019. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The provisions of this Statement are effective for fiscal years beginning after December 15, 2018.

The District has determined that the remaining activities in the Fire Protection Fund after the transfer of services to the San Bernardino County Fire District are fiduciary in nature under the provisions of GASB Statement No. 84. As a result of implementing this standard, the District no longer has any governmental funds or governmental activities.

Fiduciary Fund

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. The accounting used for fiduciary funds is much like that used for proprietary funds.

The District utilizes the Fire Protection Fund to account for resources held in trust for retirees and beneficiaries covered by the Public Safety Employees' Pension Plan.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Investments

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

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the balance sheet, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

> Level 1 inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.
>
> Level 2 inputs, other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.
>
> Level 3 unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Accounts Receivable and Allowance for Doubtful Accounts

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. Uncollectable accounts are based on prior experience and management's assessment of the collectability of existing accounts.

Special Assessments Receivable

The District contracts with the County of San Bernardino Tax Collector to collect the District's special assessments on the annual tax-roll billings. The County of San Bernardino Tax Collector remits the receipts from these collections to the District throughout the year.

Materials and Supplies Inventory

Inventories consist of expendable supplies and are valued at the lower of cost or market using first-in first-out basis.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid items.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at $5,000. Donated assets are recorded at estimated acquisition value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Asset Class Useful Lives	Asset Class Useful Lives
Buildings and structures	20 - 50 years
Improvements	20 - 70 years
Pumping and treatment equipment	10 - 25 years
Office equipment	3 - 10 years
Other equipment	3 - 20 years
Vehicles	5 years

Construction in progress includes all capitalized costs for expenditures directly incurred to bring a capital asset to a useable condition. These capitalized costs will be recorded to capital assets when the asset is operational. At that time, the costs will be depreciated or amortized over the respective capital asset's useful life.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred inflows of resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, will not be recognized as a revenue until that time.

Compensated Absences

Employees are entitled to accumulate vacation leave. The total accumulated vacation time shall not exceed that amount earned by the employee in two years, not to exceed a maximum of 24 days per year, 48 days in a two year period. The employee will be required to accept compensation in lieu of vacation for the vacation time accrued in excess of the maximum in January of each year. Upon termination of employment for any reason, the District shall compensate the employee for his/her accumulated vacation time at his/her straight time rate of pay at the time of termination. In accordance with generally accepted accounting principles, the liability is reflected on the balance sheet and the current year allocation has been expensed.

Sick leave with pay will be granted to each employee at the rate of one day per month. Accumulated sick leave will not be paid to employees upon termination of employment. In December of each year, as long as a water department employee has accrued in excess of 5 days sick leave, he/she may choose to either be paid for any sick leave in excess of the 5 days or leave it to accumulate. Employees who do not utilize unused sick leave accrued in excess of 5 days between December 1st and November 30th each year, may be reimbursed at the rate of 100 percent if they have been employed during the entire period.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Postemployment benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalPERS plan governed by the Public Employees' Medical & Hospital Care Act (PEMHCA) and additions to/deductions from PEMHCA's fiduciary net position have been determined on the same basis as they are reported by PEMHCA. For this purpose, PEMHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 8). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

CalPERS	June 30, 2019
Valuation date	June 30, 2017
Measurement date	June 30, 2018
Measurement period	July 1, 2017 to June 30, 2018

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Net Position

In the statement of net position, net position is categorized as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net amount of assets that are not included in the determination of *restricted* or *net investment in capital assets.*

Note 2 – Cash and Investments

Cash and investments as of June 30, 2019, were classified in the accompanying financial statements as follows:

Description	Balance
Cash and investments	$ 8,072,507
Restricted – cash and investments	1,491,541
Total cash and investments	$ 9,564,048

Description	Balance
Proprietary fund	$ 8,015,376
Fiduciary fund	1,548,672
Total cash and investments	$ 9,564,048

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

Description	Balance
Cash on hand	$ 1,350
Demand deposits with financial institutions	1,058,242
Investments	8,504,456
Total cash and investments	$ 9,564,048

Note 2 – Cash and Investments (Continued)

Demand Deposits

At June 30, 2019, the carrying amount of the District's demand deposits was $1,058,242 and the financial institution balance was $1,118,523. The $60,281 net difference as of June 30, 2019, represents outstanding checks, deposits-in transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to $250,000 by the FDIC.

The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery versus- payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2019, none of the District's deposits and investments was exposed to disclosable custodial credit risk.

Note 2 – Cash and Investments (Continued)

Investments

Investments as of June 30, 2019, consisted of the following:

Investments	Measurement Input	Credit Rating	Fair Value June 30, 2019	Maturity 12 Months or Less
External Investment Pools:				
California Local Agency Investment Fund (LAIF)	Level 2	n/a	$ 7,012,915	$ 7,012,915
Held with Fiscal Agent:				
PARS Pension Trust	Level 2	n/a	1,491,541	1,491,541
Total investments			$ 8,504,456	$ 8,504,456

Authorized Investments and Investment Policy

The District has adopted an investment policy directing the Fiscal Officer to deposit funds in financial institutions.

Investments are to be made in the following areas:

External Investment Pools:
California Local Agency Investment Fund (LAIF)
Non-negotiable certificates-of-deposit
Governmental agency securities

Held with Fiscal Agent:
PARS Pension Trust

Investment in California- Local Agency Investment Fund (LAIF)

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the entity's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Further information about LAIF is available on the California State Controller's website: www.treasurer.ca.gov/pmia-laif/

The District's investment with LAIF at June 30, 2019, included a portion of the pool funds invested in structured notes and asset-backed securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Note 2 – Cash and Investments (Continued)

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

LAIF has indicated to the District that as of June 30, 2019, the value of LAIF's portfolio approximated $24.585 billion. As of June 30, 2019, the District had $7,012,915 invested in LAIF, which had invested 1.77% of the pool's investment funds in structured notes and medium-term asset-backed securities.

Public Agency Retirement Services (PARS) Pension Trust

The District established an IRS Section 115 pension irrevocable trust account with the Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the District's CalPERS Defined Benefit Safety Employees' Pension Plan. The PARS Trust's specific cash and investments are managed by a third party portfolio manager and invested under a pool arrangement using certain investment guidelines offered by PARS.

Fair Value Measurement Input

The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the table above.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2019, the District's investment in the LAIF is noted in the table above.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments except for those in LAIF.

Note 3 – Accounts Receivable, Net

The accounts receivable, net balance as of June 30, 2019, consisted of the following:

Description	Balance
Accounts receivable – water sales and services	$ 1,119,596
Allowance for doubtful accounts	(312,220)
Total accounts receivable, net	$ 807,376

Note 4 – Special Assessments Receivable

The Water Operations Fund receives water availability charge assessments of $30 for each parcel that is one acre or less, whether serviced or un-serviced. These amounts are increased by amounts ranging from $7.50 to $8.00 per acre for incremental acreage. For the year ended June 30, 2019, the District recorded revenue from this special assessment of $608,934 as water availability charges. At June 30, 2019, the outstanding balance of the special assessment receivable was $9,846.

Note 5 – Capital Assets

Changes in capital assets for the year were as follows:

	Balance July 1, 2018	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2019
Non-depreciable capital assets:				
Land	$ 174,626	$ -	$ -	$ 174,626
Construction-in-process	775,410	1,290,356	(86,646)	1,979,120
Total non-depreciable capital assets	950,036	1,290,356	(86,646)	2,153,746
Depreciable capital assets:				
Source of supply plant	13,752,584	113,558	(34,577)	13,831,565
Pumping plant	434,992	-	-	434,992
Transmission and distribution plant	28,358,977	17,178	-	28,376,155
Buildings and structures	2,227,210	27,459	-	2,254,669
Office equipment	511,488	14,399	(62,200)	463,687
Transportation/heavy equipment	1,411,653	246,295	(110,778)	1,547,170
Radio and communication equipment	141,653	6,963	-	148,616
Field equipment and tolls	759,343	63,658	(9,832)	813,169
Total depreciable capital assets	47,597,900	489,510	(217,387)	47,870,023
Less accumulated depreciation	(25,876,900)	(1,390,608)	215,248	(27,052,260)
Total depreciable capital assets, net	21,721,000	(901,098)	(2,139)	20,817,763
Total capital assets, net	$ 22,671,036	$ 389,258	$ (88,785)	$ 22,971,509

Note 5 – Capital Assets (Continued)

Construction in progress consist of several capital projects in which the District has expended $1,979,120 as of June 30, 2019. The District estimates that the projects are approximately 60% completed and will need to expend an additional $2,230,000 to bring the projects to completion.

Note 6 – Compensated Absences

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. The District's liability for compensated absences is determined annually.

Changes in compensated absences balances for the year were as follows:

Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Current	Non-current
$ 81,442	$ 168,909	$ (136,671)	$ 113,680	$ 68,208	$ 45,472

Note 7 – Net Other Post-Employment Benefits Obligation

Plan Description -Eligibility and Benefits

The District's defined benefit postemployment healthcare plan, Twentynine Palms Water District Post-Retirement Medical Benefits Program (TPWDPRMBP), provides medical benefits to eligible District employees and spouses. TPWDPRMBP is a single employer defined benefit healthcare plan administered by the District. A menu of benefit provisions are established through the District's group health insurance plan, which covers both the active and retired members. The TPWDPRMBP does not issue a publicly available financial report.

At June 30, 2019, the following employees were covered by the benefit terms:

	Number of Covered Employees
Active plan members	19
Inactive plan members or beneficiaries currently receiving benefit payments	2
Inactive plan members entitled to but not yet receiving benefit payments	-
Total Participants	21

Note 7 – Net Other Post-Employment Benefits Obligation (Continued)

Plan Description -Eligibility and Benefits (Continued)

Contribution requirements of the District are established by Ordinance and may be amended through board action to update the original Ordinance. For the year ended June 30, 2019, the District's average contribution rate was 20.02% of covered-employee payroll. Employees are not required to contribute to the plan.

Net OPEB Liability

The Agency's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

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

Discount Rate	5.50% per annum				
Inflation	2.75% per annum				
Salary Increases	3.00% per annum, in aggregate				
Investment Rate of Return	6.00%				
Mortality Rate	CalPERS Membership Data				
Pre-Retirement Turnover	CalPERS Membership Data				
Healthcare Cost Trend Rates	HMO	6.0%	decreasing to	4.5%	over future periods
	PPO	6.5%	decreasing to	4.5%	over future periods

Mortality rates were based on the CalPERS experience study, with adjustments for mortality improvements projected fully generational with Scale MP-17.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of a CalPERS actuarial experience study for the period 1997-2015.

Note 7 – Net Other Post-Employment Benefits Payable (Continued)

Net OPEB Liability (Continued)

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return[1] [2]
Global Equity	24.0%	5.25%
Global Fixed Income	39.0%	2.25%
Inflation Assets	26.0%	1.25%
Commodities	3.0%	1.25%
REITs	8.0%	4.50%
Total	100.0%	

[1] Assumed long-term rate of inflation is 2.75%.
[2] Long-term expected rate of return is 6.00%
* CERBT asset allocation Strategy 3.

Discount rate: The discount rate used to measure the total OPEB liability was 5.50 percent. The projection of cash flows used to determine the discount rate assumed that Plan Assets will always exceed benefit payments. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 7 – Net Other Post-Employment Benefits Payable (Continued)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	NET OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2018	$ 930,372	$ 328,946	$ 601,426
Changes for the year:			
Service cost	39,339	-	39,339
Interest	49,121	-	49,121
Changes of assumptions	(22,970)	-	(22,970)
Contributions - employer	-	148,908	(148,908)
Net investment income	-	15,342	(15,342)
Benefit payments	(46,508)	(46,508)	-
Administrative expense	-	(609)	609
Net changes	18,982	117,133	(98,151)
Balance at June 30, 2019	$ 949,354	$ 446,079	$ 503,275

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates:
The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage-point lower or 1.00 percentage-point higher than the current discount rate:

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Net OPEB liability	$ 579,584	$ 503,275	$ 433,263

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates:
The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.00 percentage point lower or 1.00 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
	(5.00% HMO and 5.50% PPO decreasing to 4.00% HMO and 4.00% PPO)	(6.00% HMO and 6.50% PPO decreasing to 5.00% HMO and 5.00% PPO)	(7.00% HMO and 7.50% PPO decreasing to 6.00% HMO and 6.00% PPO)
Net OPEB liability	$ 409,580	$ 503,275	$ 610,951

Note 7 – Net Other Post-Employment Benefits Payable (Continued)

Changes in the Net OPEB Liability (Continued)

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2019, the District recognized OPEB expense of $36,057. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	$ (153,276)
Net difference between projected and actual earnings on OPEB plan investments	5,958	(5,142)
Employer contributions made subsequent to the measurement date	220,250	-
Total	$ 226,208	$ (158,418)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2020	$ (30,222)
2021	(30,222)
2022	(30,222)
2023	(28,510)
2024	(30,000)
Thereafter	(3,284)

Note 8 – Net Pension Liability and Defined Benefit Pension Plan

General Information about the Pension Plans

The Plans' Description Schedule

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

Miscellaneous Plans

	Miscellaneous Plans	
	Classic Tier 1	**PEPRA Tier 2**
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% at 60	2.0% at 62
Benefit vesting schedule	5 years of service	5 years of servce
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a percentage of eligible compensation	2.0% to 3.0%	1.0% to 2.5%
Required member contribution rates	8.000%	6.750%
Required employer contribution rates	12.036%	6.533%

Safety Plan

	Safety Plan
	Classic Tier 1
Hire date	Prior to January 1, 2013
Benefit formula	3.0% at 55
Benefit vesting schedule	5 years of service
Benefits payments	monthly for life
Retirement age	50 - 67 & up
Monthly benefits, as a percentage of eligible compensation	2.4% to 3.0%
Required member contribution rates	0.000%
Required employer contribution rates	16.842%

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2017 Annual Actuarial Valuation Report. This report and CalPERS' audited financial ***statements*** are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Members Covered by Benefit Terms

At June 30, 2017 (Valuation Date), the following members were covered by the benefit terms:

	Miscellaneous Plans		
Plan Members	Classic Tier 1	PEPRA Tier 2	Total
Active Members	13	5	18
Transferred and terminated members	21	1	22
Retired members and beneficiaries	19	-	19
Total plan members	53	6	59

	Safety Plan
Plan Members	Classic Tier 1
Active members	-
Transferred and terminated members	12
Retired members and beneficiaries	6
Total plan members	18

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous and Safety members are calculated as a percentage of their plan based the average final 36 months compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months compensation.

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit.

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.65 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of $500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ended June 30, 2018 (Measurement Date), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRA Miscellaneous Plan are based above in the Plans Description schedule.

For the year ended June 30, 2019, the contributions made to the Plan were as follows:

	Miscellaneous Plans		
Contribution Type	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Contributions – employer	$ 241,460	$ 23,344	$ 264,804
Contributions – members	76,735	21,124	97,859
Total contributions	$ 318,195	$ 44,468	$ 362,663

	Safety Plan
Contribution Type	**Classic Tier 1**
Contributions – employer	$ 7,668
Contributions – members	-
Total contributions	$ 7,668

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement period ended June 30, 2018 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. 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 requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50% per annum
Salary Increases	Varies by entry age and service
Mortality Rate	Derived using CalPERS' Membership Data
Post-Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies; 2.50% thereafter

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

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.*

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Discount Rate (Continued)

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

Investment Type[1]	New Strategic Allocation	Real Return Years 1-10[2]	Real Return Years 11+[3]
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	-	(0.92%)
	100.00%		

[1] In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in short-term investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

[2] An expected inflation rate of return of 2.00% is used for this period.

[3] An expected inflation rate of return of 2.92% is used for this period.

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, 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 1.00 percentage-point lower or 1.00 percentage-point higher than the current rate:

	Plan's Net Pension Liability		
Plan Type	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
CalPERS – Miscellaneous Plan	$ 3,638,687	$ 2,241,022	$ 1,087,272

	Plan's Net Pension Liability		
Plan Type	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
CalPERS – Safety Plan	$ 828,500	$ 321,995	$ (92,995)

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plans proportionate share of the risk pool collective net pension liability over the measurement period for the CalPERS Miscellaneous and Safety Plans as follows:

Plan Type and Balance Descriptions	Plan Total Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2017 (Measurement Date)	$ 9,736,459	$ 7,439,099	$ 2,297,360
Balance as of June 30, 2018 (Measurement Date)	10,332,318	8,091,296	2,241,022
Change in Plan Net Pension liability	$ 595,859	$ 652,197	$ (56,338)

Plan Type and Balance Descriptions	Plan Total Pension	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Safety Plan:			
Balance as of June 30, 2017 (Measurement Date)	$ 3,486,778	$ 3,165,895	$ 320,883
Balance as of June 30, 2018 (Measurement Date)	3,674,147	3,352,152	321,995
Change in Plan Net Pension Liability	$ 187,369	$ 186,257	$ 1,112

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool:

1. In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2017). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.

2. Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2018). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2017 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2017-18 fiscal year).

3. The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

4. Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

5. The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

6. The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

The District's proportionate share of the net pension liability was as follows:

	Percentage Share of Risk Pool		
CalPERS – Miscellaneous Plan	**Fiscal Year Ending June 30, 2019**	**Fiscal Year Ending June 30, 2018**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2018	June 30, 2017	
Percentage of Risk Pool Net Pension liability	0.059460%	0.058278%	0.001182%
Percentage of Plan (PERF C) Net Pension Liability	0.023260%	0.023165%	0.000095%

	Percentage Share of Risk Pool		
CalPERS – Safety Plan	**Fiscal Year Ending June 30, 2019**	**Fiscal Year Ending June 30, 2018**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2018	June 30, 2017	
Percentage of Risk Pool Net Pension Liability	0.005490%	0.005370%	0.000120%
Percentage of Plan (PERF C) Net Pension liability	0.003340%	0.003236%	0.000104%

For the year ended June 30, 2019, the District recognized pension expense in the amount of $252,974 and $89,186 for the CalPERS Miscellaneous and Safety Plans, respectively.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (EARSL) for PERF C for the measurement date ending June 30, 2018 is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous		Safety	
Account Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Pension contributions made after the measurement date	$ 264,815	$ -	$ 7,669	$ -
Difference between actual and proportionate share of employer contributions	-	(125,602)	79,871	(153,176)
Adjustment due to difference in proportions	86,773		141,004	(82,710)
Differences between expected and actual experience	85,984	(29,260)	6,919	(26)
Differences between projected and actual earnings on pension plan investments	11,079	-	2,180	-
Changes in assumptions	255,483	(62,614)	31,593	(4,263)
Total Deferred Outflows/(Inflows) of Resources	$ 704,134	$ (217,476)	$ 269,236	$ (240,175)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year.

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

Amortization Period	**Deferred Outflows/(Inflows) of Resources**	
June 30	**Miscellaneous**	**Safety**
2020	$ 210,275	$ 14,260
2021	104,788	9,655
2022	(73,062)	(292)
2023	(20,157)	(2,230)
2024	-	-
Thereafter	-	-
Total	$ 221,844	$ 21,393

Note 9 – Long-Term Debt

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

	Balance at July 1, 2018	Increases	Decreases	Balance at June 30, 2019	Due Within One Year
Note from direct borrowings	$ -	$ 2,000,000	$ -	$ 2,000,000	$ 187,908

In 2019, the District entered into agreement to finance the purchase of water meters. The District's outstanding note from direct borrowings of $2,000,000 is secured by collateral of the water meters purchased under the agreement. The outstanding note from direct borrowings contains a provision that in an event of default, the equipment purchased under agreement may be repossessed by the lender.

Debt service requirements on long-term debt at June 30, 2019, are as follows:

	Lease Financing	
Year Ending June 30,	Principal	Interest
2020	$ 187,908	$ 60,577
2021	189,889	53,843
2022	195,725	48,007
2023	201,741	41,993
2024	207,941	35,793
2024-2029	1,016,796	79,092
Total	$ 2,000,000	$ 319,305

Note 10 – Transfers In/(Out)

The District has an agreement with the City of Twentynine Palms where the District will transfer $40,000 per year from its Water Operations Fund annual cell tower site-lease revenues to the City until fiscal year 2019. In 2019, the City directed the District to deposit the $40,000 into the PARS Pension Trust.

Note 11 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As of June 30, 2019, there were no claims liabilities to be reported. During the year ended June 30, 2019, the District participated in the following public entity risk pools:

Association of California Water Agencies Joint Powers Insurance Authority

The District is a participant in the Association of California Water Agencies Joint Powers Insurance Authority (JPIA), which was organized for the purpose of providing liability insurance for the member agencies. The JPIA is a risk-pooling self-insurance authority created under the provisions of California Government Code Section 6500. The JPIA is governed by a board consisting of a representative from each member agency. The board controls the operations of the JPIA, including selections of management and approval of operating budgets. The purpose of the JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

Note 11 – Risk Management (Continued)

At June 30, 2019, the District's participation in the self-insurance programs of the JPIA was as follows:

Property loss is insured up to replacement value with deductibles starting from $1,000: the JPIA is self-insured up to $100,000 and has purchased excess insurance coverage. General liability is insured up to $60,000,000 with no deductible: the JPIA is self-insured up to $2,000,000 and has purchased excess insurance coverage. Auto liability is insured up to $60,000,000 with no deductible: the JPIA is self-insured up to $2,000,000 with $1,000 deductible for property damage and has purchased excess insurance coverage.

Worker's compensation insurance coverage consists of statutory limits per occurrence for workers compensation and $5,000,000 for employers' liability coverage, subject to various terms and conditions.

Condensed audited financial information of the Association of California Water Agencies Joint Powers Insurance Authority for the years ended September 30, 2018 is as follows:

	2018
Total assets	$ 188,344,217
Deferred outflows of resources	1,098,315
Total assets and deferred outflows of resources	$ 189,442,532
Total liabilities	$ 100,820,701
Deferred inflows of resources	2,156,227
Net position	86,465,604
Total liabilities, deferred inflows, and net position	$ 189,442,532
Total revenues	$ 176,044,304
Total expenses	(165,196,299)
Total other income	294,925
Change in net position	$ 11,142,930

Note 12 – Commitments and Contingencies

Grants

The District, from time to time, participates in various federal, state and local grant programs, the principal of which are subject to various program compliance audits. Accordingly, the District's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District anticipates such amounts, if any, will be will not be significant.

Note 13 – Transfer of Fire Operation to San Bernardino County Fire Protection District

On July 1, 2016, the District reorganized its fire protection services to the San Bernardino County Fire District per the San Bernardino County LAFCO decision on February 17, 2016. According to the executed Assignment and Assumption Agreement between the City of Twentynine Palms (City) and the District, the District closed its CalPERS Defined Benefit Safety Employees' Pension Plan (Plan) to new members as of June 30, 2016. The District will continue to adjust its net pension liability for the Plan as the net pension obligation changes annually with changes in the CalPERS annual actuarial valuation. In an effort to facilitate the annexation, the City has agreed to pay all future Plan obligation payments regardless of whether the Safety Employees PARS 115 Trust Fund has sufficient funds to make any and all future CalPERS obligation payments. The City has also agreed to pay the Plan's withdrawal liability, as required, directed, or permitted by CalPERS, and the City has the discretion to choose and direct the Water District on when that liability will be paid. Any further fire revenues received by the District are split 50/50 and submitted to the City of Twentynine Palms and the County of San Bernardino Fire Protection District, respectively.

Note 14 – Subsequent Events

In the preparation of these financial statements, the Agency considered subsequent events through November 26, 2019, which is the date these financial statements were issued. No events occurred through this date requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Twentynine Palms Water District

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE PLAN'S NET PENSION LIABILITY

For the Year Ended June 30, 2019

Last Ten Fiscal Years
California Public Employees' Retirement System (CalPERS)

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date	June 30, 2018	June 30, 2017	6/30/2016*	6/30/2015*	6/30/2014*
Employer's Proportion of the Net Pension Liability	0.023256%	0.023165%	0.025285%	0.028234%	0.028313%
Employer's Proportionate Share of the Net Pension Liability	$ 2,241,022	$ 2,297,360	$ 2,187,905	$ 1,937,958	$ 1,761,770
Employer's Covered Payroll	$ 1,084,161	$ 1,051,407	$ 1,381,292	$ 1,341,060	$ 1,302,000
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	206.71%	218.50%	158.40%	144.51%	135.31%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.26%	73.31%	74.06%	78.40%	83.02%

* Includes safety plan

California Public Employees' Retirement System (CalPERS) Safety Plan

Measurement Date	June 30, 2018	June 30, 2017
Employer's Proportion of the Net Pension Liability	0.003341%	0.003236%
Employer's Proportionate Share of the Net Pension Liability	$ 321,995	$ 320,883
Employer's Covered Payroll	$ 2,064	$ -
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	15600.53%	-
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.26%	73.31%

Twentynine Palms Water District

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TO THE PENSION PLAN

For the Year Ended June 30, 2019

Last Ten Fiscal Years
California Public Employees' Retirement System (CalPERS)

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	2018-19	2017-18	2016-17*	2015-16*	2014-15*	2013-14*
Actuarially Determined Contribution	$ 264,804	$ 214,598	$ 197,902	$ 245,003	$ 234,149	$ 225,220
Contribution in Relation to the Actuarially Determined Contribution	(264,804)	(214,598)	(197,902)	(682,065)	(234,149)	(481,274)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ (437,062)	$ -	$ (256,054)
Covered Payroll	$ 1,264,383	$ 1,084,161	$ 1,051,407	$ 1,381,292	$ 1,341,060	$ 1,302,000
Contributions as a Percentage of Covered Payroll	20.94%	19.79%	18.82%	49.38%	17.46%	36.96%

* Includes safety plan

California Public Employees' Retirement System (CalPERS) Safety Plan

Fiscal Year	2018-19	2017-18
Actuarially Determined Contribution	$ 7,668	$ 2,064
Contribution in Relation to the Actuarially Determined Contribution	(7,668)	(2,064)
Contribution Deficiency (Excess)	$ -	$ -
Covered Payroll	$ -	$ -
Contributions as a Percentage of Covered Payroll	-	-

[1] Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

[2] Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

[3] Covered Payroll represented above is based on payroll on which contributions to a pension plan are based per GASBS No. 82.

Notes to the Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Twentynine Palms Water District

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS

For the Year Ended June 30, 2019

Last Ten Fiscal Years**

	2019	2018
Fiscal Year Ended	2019	2018
Measurement Period	2017/2018	2016/2017
Changes in total OPEB liability:		
Service cost	$ 39,339	$ 60,309
Interest	49,121	31,862
Difference between expected and actual experience	-	-
Changes of benefit terms	-	(187,021)
Changes in assumptions	(22,970)	-
Benefit payments including refunds*	(46,508)	(64,899)
Net changes	18,982	(159,749)
Total OPEB liability (beginning)	930,372	1,090,121
Total OPEB liability (ending)	$ 949,354	$ 930,372
Changes in plan fiduciary net position:		
Contributions – employer*	$ 148,908	$ 376,043
Contributions – employee	-	-
Net investment income	15,342	17,901
Benefit payments including refunds*	(46,508)	(64,899)
Administrative expense	(174)	(99)
Other expense	(435)	-
Net changes	117,133	328,946
Plan fiduciary net position (beginning)	328,946	-
Plan fiduciary net position (ending)	$ 446,079	$ 328,946
Net OPEB liability (ending)	$ 503,275	$ 601,426
Plan fiduciary net position as a percentage of the total OPEB liability	47.0%	35.4%
Covered employee payroll	$ 1,100,000	$ 1,100,000
Net OPEB liability as a percentage of covered payroll	45.8%	54.7%

* Includes $19,965 implied subsidy benefit payments for the 12-month period ending on June 30, 2018 (measurement date)

** Historical information is required only for measurement periods for which GASB 75 is applicable. Additional years will be added as they become available in the future.