WEAVERVILLE COMMUNITY SERVICES DISTRICT

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2019

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Donald R. Reynolds
Certified Public Accountant

INDEPENDENT AUDITORS' REPORT

Board of Directors
Weaverville Community Services District
Weaverville, California

Report On the Financial Statements

I have audited the accompanying consolidated financial statements of Weaverville Community Services District (District), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and changes in Net Position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of District's as of June 30, 2019, and the changes in their net position and their 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 on pages 3 through 8, and The Schedule of Proportionate Share of the Net Pension Liability and Pension Contributions - CalPERS on page 35 and Schedule of Changes in the Net OPEB Liability and related Ratios, and Schedule of OPEB Plan Contributions on page 36 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required By Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report, dated February 11, 2020, on my consideration of the Commission's internal control over financial reporting and on my 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 my 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 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 Commission's internal control over financial reporting and compliance.

Donald R Reynolds

Donald R. Reynolds, CPA
Redding, California
February 11, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of the financial statements and notes to the financial statements. The District's Basic Financial Statements are designed to provide readers with a broad overview of the finances of Weaverville Community Services District's fiscal year ending June 30, 2019.

FINANCIAL STATEMENTS

This discussion and analysis provides an introduction and brief description of the District's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. The District's financial statements include five components:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements
- Required Supplementary Information

The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the net difference reported as net position. Net position may be displayed in three categories:

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The statement of net position provides the basis of computing rate of return, evaluating the capital structure of the District, and assessing its liquidity and financial flexibility.

The statement of revenues, expenses, and changes in net position presents information which shows how the District's net position changed during the year. The financial statements, except for the cash flow statement, are prepared using the accrual basis of accounting, which means that revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of cash receipts or payments. The statement of revenues, expenses and changes in net position measures the success of the District's operations over the past year and determines whether the District has recovered its costs through user fees and other charges.

The statement of cash flows provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating
- Noncapital financing
- Capital and related financing
- Investing

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

In addition to the financial statements and accompanying notes, the Basic Financial Statements also present certain required supplementary information, which follows the notes to the financial statements. This other information includes retirement and OPEB funding schedules.

FINANCIAL HIGHLIGHTS

- The District's net position decreased by $2,516, or a 0.06% decrease compared to a year ago from current year operations.

- During the year, operating revenues of $937,448 were $11,936 less than operating expenses of $949,384. Last year, operating expenses exceeded operating revenues by $53,644. Total operating revenues increased by $23,370 when compared to the prior year, and operating expenses decreased by $18,338. The increase in operating revenue is due to several water service installs last year and an increase in interest income due to transferring funds from our money market account to LAIF which is a higher interest bearing account. The decrease in operating expenses was largely due, again, to not having any unexpected repairs on the distribution system and by changing to Quickbooks which allowed us to track expenses more efficiently.

- Non-operating expenses were $55,199, which represents primarily, the interest on the long-term debt. This was less than non-operating revenues of $64,619 resulting in a net non-operating income of $9,420. This compares to last year when non-operating expenses exceeded non-operating revenues resulting in a non-operating loss of $9,120.

- The District's 10 Year Master Plan recommends various main replacements be made to the water system each year. Effective February 22, 2016, the capacity charge for new customer connection to the water system was increased from $4,734 per household equivalent (the amount of water used daily by a single family resident) to $4,781. Various other water service charges were also established or amended, and these charges are typically reviewed annually

CONDENSED FINANCIAL INFORMATION

The difference between assets and liabilities is one way to measure the District's financial health. Over time, increases or decreases in net position are indicative of whether its financial health is improving or deteriorating.

The analysis below focuses on the net position (Table 1) and changes in net position (Table 2). The 2017 column of this table does not include the prior period adjustment made to reflect the net OPEB liability adjustment required by the adoption of GASB 75.

The District's net position decreased to $4,536,295 this year; comprised of a decrease of $62,764 from current year operations and the prior year restated balance of $4,599,059. In contrast, net position decreased by $122,192 in the prior year.

TABLE 1
NET POSITION
(in Dollars)

	2019	2018
Assets:		
Current and other assets	$ 994,324	$ 1,196,092
Capital assets	6,730.084	6,576.211
Total assets	7,657.131	7,772.303
Deferred Outflows of Resources:		
Pension related	212,098	187,047
Total assets, deferred outflows of resources and net position	$ 7,869,229	$ 7,959,350
Liabilities:		
Current and other liabilities	$ 1,685,533	$ 1,656,104
Long-term debt	1,606,598	1,727,251
Total liabilities	3,292,131	3,383,355
Deferred Inflows of Resources:		
Pension related	43,319	39,700
Net Position:		
Net investment in capital assets	5,092,049	4,718,073
Restricted and designated	(17,630)	(17,630)
Unrestricted	(541,000)	(164,148)
Total net position	4,533,779	4,536,295
Total liabilities, deferred inflows of resources and net position	$ 7.869,229	$ 7.959,350

Net position of the District's activities decreased by 0.056% ($4,533,779 compared to $4,536,295). Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by bond covenants, other legal requirements, or District restrictions, changed from a $1 64,148 deficit at June 30, 2018, to a $541,000 deficit at the end of the current year due to the increase in capital assets versus outstanding debt.

TABLE 2
CHANGES IN NET POSITION
(in Dollars)

	2019	2018
Total operating revenues	$ 937,448	$ 914,078
Total operating expenses	949,384	967,722
Net operating income (loss)	(11,936)	(53,644)
Total non-operating revenue (expense)	9,420	(9,120)
Increase (decrease) in net position	$ (2,516)	$ (62.764)

Compared to a year ago, total operating revenues increased from $914,078 to $937,448, or approximately 2.49%. Operating expenses decreased by $18,338, or approximately 1.89%. The increase in operating revenue is due largely to the increase in capacity charges and new service connections as well as additional water sales. The decrease in operating expenses was due primarily to a reduction in unexpected repairs on the distribution system.

BUDGETARY HIGHLIGHTS

The District's 2018-2019 Operating Budget was discussed and approved at the Board of Directors' Regular Meeting on July 26, 2017.

Comparing actual revenues and expenses with budgeted revenues and expenses shows a net unfavorable variance in net position of $13,397 as shown in Table 3.

TABLE 3
ACTUAL COMPARED TO BUDGET
(in Dollars)

	2019	**Budget**	**Favorable (Unfavorable) Variance**
Total operating revenues	$ 937,448	$ 882,763	$ 54,685
Total operating expenses	949,384	1,003,147	53,763
Net operating income	(11,936)	(120,384)	108,448
Total non-operating revenues (expenses)	9,420	78,341	(68,951)
Increase (decrease) in net position	$ (2,516)	$ (42,043)	$ (39,527)

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of June 30, 2019, the District had $6,661,809 invested in capital assets. This amount represents a net decrease (including additions, deductions, and depreciation) of $266,234 from the prior year. Table 4 represents capital assets at year-end.

TABLE 4
CAPITAL ASSETS AT YEAR-END
(Net of Depreciation, in Dollars)

	2019	2018
Intangible and general plant	$ 321,696	$ 327,239
Land and improvements	491,332	491,332
Water treatment plant, transmission and distribution system	5,687,601	5,593,523
Construction in progress and preliminary survey	161,180	164,117
Total	$ 6,661,809	$ 6,576,211

DEBT

At year-end, the District had $1,727,251 in bonds, loans, and certificates of participation outstanding. This debt was a consolidation and refinance in December of 2016 for a lower interest rate of three previous long-term debts. The new refinanced loan is allocated between Series A and B. Series A will conclude in 2033 and Series B will conclude in 2020. More detailed information about long-term liabilities is presented in Note 13 - Long-Term Debt (pages 33-35) in the notes to these financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following factors were considered in the preparation of the fiscal year 2018-2019 budget:

- Expenses are typically budgeted based upon the prior year's amounts spent as well as anticipated improvements.
- Anticipated revenues are typically based upon prior year's sales. Due to the relaxation of the drought conditions and statewide declaration, staff believes that consumption has normalized and anticipate revenues to remain consistent.

CONTACTING THE DISTRICT

This financial report is designed to provide the public with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's office at 716 Main Street, P.O. Box 1510, Weaverville, California, 96093 or by phone at (530) 623-5051.

WEAVERVILLE COMMUNITY SERVICES DISTRICT
Statement of Net Position
June 30, 2019

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 753,616
Bonds of Weaverville Community Services District held in treasury, restricted	1,400
Receivables:	
Special assessment taxes receivable, current	1,288
Customer accounts	91,707
Other	4,599
Inventories and prepaid costs	74,437
TOTAL CURRENT ASSETS	927,047
NON-CURRENT ASSETS	
Cash and cash equivalents, restricted	-
Bonds of Weaverville Community Services District held in treasury, restricted	36,200
Special assessment taxes receivable, non-current	31,077
Capital assets not subject to depreciation	491,332
Capital assets, net	6,171,475
TOTAL NON-CURRENT ASSETS	6,730,084
TOTAL ASSETS	7,657,131
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	212,098
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 7,869,229

The notes to the financial statements are an integral part of this statement

WEAVERVILLE COMMUNITY SERVICES DISTRICT
Statement of Net Position
June 30, 2019

LIABILITIES

CURRENT LIABILITIES	
Accounts payable	$ 9,537
Lease payable	-
Accrued liabilities	8,335
Payable from restricted assets:	
Accrued interest payable	19,666
Current portion of long-term debt	119,253
Current portion of long-term debt held in treasury	1,400
Customer deposits	27,454
Compensated absences payable	13,907
TOTAL CURRENT LIABILITIES	199,552
NON-CURRENT LIABILITIES	
Other post-employment benefits liability	821,638
Net pension liability	609,510
Lease payable	54,833
Long-term debt:	
Outstanding	1,570,398
Held in treasury	36,200
TOTAL NON-CURRENT LIABILITIES	3,092,579
TOTAL LIABILITIES	3,292,131
DEFERRED INFLOWS OF RESOURCES	
Pension related	43,319
NET POSITION	
Net investment in capital assets	5,092,409
Restricted for:	
Debt service	(17,630)
Unrestricted	(164,148)
TOTAL NET POSITION	4,533,779
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 7,869,229

The notes to the financial statements are an integral part of this statement.

WEAVERVILLE COMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenses,
and Changes in Net Position
For the Year Ended June 30, 2019

OPERATING REVENUES	
Water sales	$ 857,085
Late charges and other operating revenue	8,027
Capacity charges	43,482
Meter and service connection charges	28,854
TOTAL OPERATING REVENUES	937,448
OPERATING AND MAINTENANCE EXPENSES	
Sources of supply	1,793
Pumping	6,709
Water treatment	48,951
Transmission and distribution	85,713
Customer accounts	11,759
General and administrative	528,225
Other	-
TOTAL OPERATING AND MAINTENANCE EXPENSES	683,150
OPERATING INCOME BEFORE DEPRECIATION	254,298
Depreciation	266,234
NET OPERATING LOSS	(11,936)
NON-OPERATING REVENUES (EXPENSES)	
Interest revenue	17,047
Property tax revenue	5,311
Rent revenue	23,130
Other non-operating revenue	19,131
Other non-operating expense	(2,485)
Interest expense	(52,714)
TOTAL NET NON-OPERATING REVENUES (EXPENSES)	9,420
CHANGE IN NET POSITION	(2,516)
TOTAL NET POSITION, JULY 1, 2018	4,536,295
PRIOR PERIOD RESTATEMENT	-
TOTAL NET POSITION, JULY 1, 2018, AS RESTATED	4,536,295
TOTAL NET POSITION, JUNE 30, 2019	$ 4,533,779

The notes to the financial statements are an integral part of this statement.

WEAVERVILLE COMMUNITY SERVICES DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 1,012,392
Cash payments to suppliers for goods and services	(147,081)
Cash payments to employees for services	(474,880)
Cash payments to board of directors	(5,900)
NET CASH PROVIDED BY OPERATING ACTIVITIES	384,531
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received for rent	23,130
Other tax receipts	5,311
Other noncapital financing receipts	19,131
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	47,572
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Special assessment tax received	1,201
Payments on capital lease obligations	(17,105)
Principal paid on long-term debt	(169,041)
Interest and fiscal charges paid	(50,883)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(235,828)
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of capital assets	(353,096)
Interest on investments	17,047
NET CASH USED BY INVESTING ACTIVITIES	(336,049)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(139,774)
CASH AND CASH EQUIVALENTS, JULY 1, 2018	893,390
CASH AND CASH EQUIVALENTS, JUNE 30, 2019	$ 753,616
CLASSIFIED AS:	
Current assets	$ 753,616
Non-current assets, restricted	-
TOTAL	$ 753,616

The notes to the financial statements are an integral part of this statement.

WEAVERVILLE COMMUNITY SERVICES DISTRICT

Statement of Cash Flows
For the Year Ended June 30, 2019

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

Net operating loss	$	(11,936)
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation and amortization		266,234
Loss on Disposal of Assets		5,778
Decrease (Increase) in assets:		
Accounts receivable		58,008
Inventories and prepaid costs		(1,385)
Deferred outflows-pension related		(25,051)
Increase (Decrease) in liabilities:		
Accounts payable		(3,814)
Compensated absences payable		5,727
Customer deposits		6,232
Deferred inflows-pension related		3,619
Net pension liability		(8,908)
Other post-employment benefits liability		90,027
TOTAL ADJUSTMENTS		396,467
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	384,531

The notes to the financial statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements of Weaverville Community Services District (the District) were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities (GAAP). The following summary of the more significant accounting policies of the District is presented to assist the reader in interpreting these financial statements, and should be viewed as an integral part of this report.

Reporting Entity

Entity status for financial reporting purposes is governed by GASB Statement No. 14, The Financial Reporting Entity, and No. 39, Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14. 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. The District has no blended or discretely-presented component units.

Special districts, like Weaverville Community Services District, are formed to provide a limited range of public functions rather than provide a full range of government services. Community services districts are governed by the Community Services District Law starting at section 61000 of the California Government Code.

The District is a publicly owned water agency operating under the direction of an elected five member board of directors. The District provides water to the communities of Weaverville, Douglas City, and Union Hill located in Trinity County west of the City of Redding, in Northern California.

Financial Statement Presentation

The District is a special-purpose government engaged only in business-type activities. Therefore, the District presents only the financial statements required for enterprise funds in accordance with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. The District accounts for costs associated with residential and commercial water services, which are financed primarily through user charges.
Measurement Focus and Basis of Accounting

The District's financial statements use a flow of economic resources measurement focus to determine its net position and change in net position. The accounting principles used are similar to those applicable to businesses in the private sector and, thus, the District's funds are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Investments

All investments are stated at fair value. Investment fair values are based on quoted market prices. Investments in mutual funds are stated at share price which is substantially the same as fair value.

Accounts Receivable

Amounts due from private individuals, organizations, or other governments which pertain to charges for services rendered by the District are reported as accounts receivable. Receivables are reviewed periodically to establish or update the provisions for uncollectible amounts. These provisions are estimated based on an analysis of the age of various accounts. For the year ended June 30, 2019, management expects to collect on all accounts receivable.

Inventory

The District's inventory consists of materials and supplies held for consumption and are valued at the lower of cost or market. Cost is determined by using the first-in, first-out method.

Restricted Assets

The use of certain assets of the District is restricted by specific provisions of bond resolutions and agreements with various parties. Assets so designated are identified as restricted assets on the statement of net position. When both restricted and unrestricted resources are available for use, the District's policy is to use restricted resources first, then unrestricted resources as they are needed. Restricted assets are classified as non-current if they are for acquisition or construction of capital assets, for liquidation of long-term debt, or are for other than current operations.

Capital Assets

Constructed or purchased assets are recorded at historical cost or estimated historical cost. Donated assets are recorded at the estimated fair market value on the date of donation. The District capitalizes assets with a useful life of more than one year and a cost greater than $500. Costs of maintenance and repairs that do not add to the value of assets or extend their useful lives are not capitalized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

All capital assets except land and construction in progress are depreciated using the straight-line method over the following estimated useful lives:

Transmission and distribution plant	50 years
Buildings	40 years
Office equipment	5-15 years
Other equipment	5-10 years
Automotive equipment	5-10 years

Operating and Non-operating Revenues and Expenses

The District's financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses are those that result from providing services associated with the principal activities of the District. Primary examples of operating revenues are charges for water services, connection charges, installation charges, and extension charges. Operating expenses include the cost of sales and services, administrative costs, and depreciation. Non-operating revenues and expenses are all those that do not meet the criteria described previously, and include interest and tax revenues, and debt service expenses.

Property Tax Revenues

The County of Trinity assesses, bills, and collects ad valorem property taxes for the District. Ad valorem property taxes levied in July 2017 are for the purpose of financing the budget of the 2019 fiscal year. Property tax revenue recognized for the 2017 fiscal year was levied in July 2016.
Key dates in the property tax cycle are as follows:

	Revenues for Fiscal Year Ended June 30, 2019
Property Taxes Levied	July 1, 2017
Property Taxes Payable	November 1, 2017 & February 1, 2019
Property Taxes Delinquent	December 10, 2017 & April 10, 2019
Lien Date	March 1, 2019

Capital Contributions

Transmission and distribution system assets contributed to the District by installers are capitalized at the installers' costs, which approximate fair value at the time of the District's acquisition. The funds are recorded as capital contributions on the statement of revenues, expenses, and changes in net position.

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

It is the policy of the District to permit employees to accumulate earned but unused vacation benefits. Unpaid compensated vacation benefits are recorded as a liability when the benefits are earned. For the year ending June 30, 2019, the liability for unused vacation benefits was $8,180. Employee sick leave benefits are not recognized as liabilities of the District since such benefits are non-vesting accumulated rights. Therefore, sick leave benefits are recorded as expenditures in the period that sick leave is taken.

Net Pension Liability

In general, the District recognized a net pension liability, which represents the Districts proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by California Public Employees' Retirement System (CalPERS). The net pension liability is measured as of the Districts prior fiscal year end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

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

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a 3.8 year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis 3.8 year period of recognition.

Other Post-Employment Benefits Other Than Pensions

For purposes of measuring the net Other Post-Employment Benefits Other Than Pensions (OPEB), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Post-Employment Benefits Other Than Pensions (Continued)

expense information about the fiduciary net position of the District Retiree Benefits Plan (the Plan) and additions to/ deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and, as such, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and, as such, will not be recognized as an inflow of resources (revenue) until that time. Refer to Note 11 and Note 12 for a detailed listing of the deferred outflows and inflows of resources the District has recognized.

Use of Estimates

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

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 2 - NEW ACCOUNTING PRONOUNCEMENTS

Effective this Fiscal Year

The District implemented GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions, during the year ended June 30, 2019. This Statement was issued to improve accounting and financial reporting by state and local governments

NOTE 2 - NEW ACCOUNTING PRONOUNCEMENTS (Continued)

for postemployment benefits other than pensions (OPEB) and replaces GASB Statement No. 45. See Note 12 for the effect of this implementation on these financial statements.

The District implemented GASB issued Statement No. 85, Omnibus 2017 during the year ended June 30, 2019. The objective of this Statement was to address practice issues that have been identified during implementation and application of certain GASB Statements. There was not a material impact on the financial statements upon the adoption of this Statement.

Effective in Future Fiscal Years

In June of 2017 the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019, with early adoption permitted. The District has not determined the effect of this Statement on these financial statements.

In April of 2018 the GASB issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. This Statement was issued to improve the information that is disclosed in the notes to the financial statements related to debt and clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in the notes to the financial statements, requires additional essential information related to debt to be disclosed in the notes to the financial statements and requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. This Statement is effective for reporting periods beginning after June 15, 2018, with early adoption permitted. The District has not determined the effect of this Statement on these financial statements.

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

measure the fair value of the asset or liability. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2: Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; or
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable inputs for an asset or liability. Unobservable inputs should be used to measure fair value to the extent that relevant observable inputs are not available. Unobservable inputs are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

When available, the District measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

NOTE 4 - DEPOSITS AND INVESTMENTS

As of June 30, 2019, the carrying value of the Districts deposits and investments was as follows:

	Fair Value
Investment Type:	
Demand and time deposits	$ 15,773
Bonds held in treasury	37,600
California LAIF	719,722
Money market mutual funds	18,121
Total deposits and investments	$ 791,216

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Classified as:	
Current assets	$ 753,616
Current assets, restricted	1,400
Non-current assets, restricted	36,200
Total	$ 791,216

Local Agency Investment Fund

The District maintains an investment in the state of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisor Board has oversight responsibility of the LAIF and consists of five members as designed by the State Statute.

LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimates for those securities where market value is not readily available. At June 30, 2019 the District's investment position in the LAIF was $719,722 (fair value of $719,722) and is the same as the value of the pool shares. The District reported its investment at cost as the difference between cost and fair value was deemed to be immaterial to the financial statements as a whole.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District's investment policy limits credit risk by restricting authorized investments. The District's investments for the year ended June 30, 2019 consist of deposits with the California LA1F and deposits in a money market mutual fund. Management does not believe the District is exposed to any significant credit risk due to the credit worthiness of the institutions where investments are held.

Concentration of Credit Risk

The District establishes limitations on portfolio composition, both by investment type and by issuer, in order to control concentration of credit risk. Management does not believe the District is exposed to any significant concentrations of credit risk with respect to its investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral for bank deposits in excess of deposits which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). The fair value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. Management does not believe the District is exposed to any significant custodial credit risk with respect to its deposits and investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District maintains investment deposits primarily with the California LAIF, which are short term deposits classified as cash equivalents. Therefore, the District's management does not believe interest rate risk is significant with respect to its deposits and investments.

NOTE 5 - RESTRICTED ASSETS

The use of certain assets is restricted by specific provisions of bond resolutions and agreements with various outside parties. Restricted assets at June 30, 2019 consist of the following:

	Cash and Cash Equivalents and Investments
Customer deposits	$ 23,596
Douglas City Assessment District	3,867
Bond held in treasury	37,600
Total Restricted Assets	$ 64,763

NOTE 6 - SPECIAL ASSESSMENT TAXES RECEIVABLE

The District has one special assessment district known as the Douglas City Assessment District. A special assessment district is a geographical area consisting of real estate parcels that a government can charge and assess taxes to finance certain public projects. The Douglas City Assessment District was established in 1997 and assessments will be collected through September of 2036. The District's Douglas City Assessment District receivable as of June 30, 2019 is shown on the balance sheet as follows:

Special assessment taxes receivable, current	$ 1,288
Special assessment taxes receivable, non-current	31,077
Total	$ 32,365

NOTE 7 - CAPITAL ASSETS

During the year ended June 30, 2019, the following changes in capital assets occurred:

	Balance July 1, 2018	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2019
Capital assets, not being depreciated:					
Construction in Progress	$ 17,970	$ 173,905	$ -	$ (176,842)	$ 15,033
Water Rights	49,389	-	-	-	49,389
Land and Land Rights	441,943	-	-	-	441,943
Preliminary Survey	146,147	-	-	-	146,147
Utility plant held for future use	10,147	-	-	-	10,147
Total capital assets, not being depreciated	666,166	175,905	-	(176,842)	842,071
Capital assets, being depreciated:					
Intangible plant	293,697	-	-	-	293,697
General Plant	857,118	40,246	(26,233)	-	871,131
Source of Supply	362,076	-	-	-	362,076
Water Treatment Plant	2,351,468	112,031	-	172,260	2,635,759
Pump Plant	469,524	-	-	-	469,524
Transmission and Distribution	6,894,211	26,650	-	4,582	6,925,443
Total capital assets, being depreciated	11,228,094	178,927	(26,233)	176,842	11,557,630
Less accumulated depreciation for:					
Intangible plant	(225,852)	(8,281)	-	-	(234,133)
General Plant	(608,441)	(37,508)	26,233	-	(619,716)
Source of Supply	(168,337)	(7,815)	-	-	(176,152)
Water Treatment Plant	(1,364,791)	(70,505)	-	-	(1,435,296)
Pump Plant	(227,191)	(13,848)	-	-	(241,039)
Transmission and Distribution	(2,723,437)	(128,277)	-	-	(2,851,714)
Total accumulated depreciation	(5,318,049)	(266,234)	26,233	-	(5,558,050)
Total capital assets, net	$ 5,910,045	$ (87,307)	$ -	$ 176,842	$ 5,999,580

Depreciation and amortization expense for the year ended June 30, 2019 was $266,234.

NOTE 8 - LONG TERM DEBT AND CAPITAL LEASES

Capital Leases

The District has a lease with Government Capital Corporation for the lease of 375 water meters. The lease requires an annual principal and interest payment of $19,516 in June of each year. The stated interest rate is 3.35%. The lease terms allows for an option to purchase after the first three annual payments have been made, or for $1 at the end of the lease term. Future minimum lease payments under the lease agreement are as follows:

Fiscal Year	Governmental Capital Corporation	
June 30	Principal	Interest
2020	$ 17,678	$ 1,837
2021	18,271	1,244
2022	18,884	631
2023	-	-
	$ 54,833	$ 3,712

Long-Term Debt

Bonds Held In Treasury - In 1997, the District issued the Douglas City Assessment District (DCAD) Limited Obligation Improvement Bond, Series A, No. R-1 in the amount of $59,138 for the unpaid portion of assessments made for water system facilities. The interest rate is 4.5% per annum with principal and interest payments due semi-annually on March 2 and September 2. The bond is due September, 2036. The District is the registered owner of the bond, and, therefore, the bond is held in treasury. The bond held in treasury is reported in these financial statements as both a current and non-current asset and liability in the amount of $39,000 and $39,000, respectively, which is the principal remaining on the bond.

Umpqua Bank Loan - On December 29, 2016, the District refinanced several long-term debts into a new loan in the amount of $2,132,502 with Umpqua bank. This amount includes two installments, Series A and Series B. The Series A Installment was funded in the amount of $1,927,704 with a 2.800% interest rate on a basis of a 360-day year of twelve 30-day months for a term of 15 years. The Series B Installment was funded in the amount of $204,798 with a 2.390% interest rate on a basis of a 360-day year of twelve 30-day months for a term of 3 years. The installment loans were used to payoff the existing 1997 USDA Rural Development Certificate of Participation, 1979 Water Revenues Bond, and 1988 Safe Drinking Water loan with payoff balances of principal and interest totaling $1,993,323, $147,000, and $157,851, respectively. Costs of issuance on new debt were in the amount of $88,050. The loans are secured by the District's net revenues. The difference between the total loan amount of $2,132,502 and the total uses of the loan amount of $2,386,224 was from the District's cash accounts held in LAIF in the amount of $253,722.

The District recorded depreciation expense of $12,000 related to these meters for the year ended June

NOTE 8 - LONG TERM DEBT AND CAPITAL LEASES (Continued)

A summary of long-term debt liabilities transactions for the year ended June 30, 2019 is as follows:

	Long Term Portion				
	Balance July 1 , 2018	Additions	Deletions/ Adjustments	Amounts Balance June 30, 2019	Due Within One Year
Douglas City Assessment District	$ 39,000	$ -	$ 1,400	$ 37,600	$ 1,400
Loan to Umpqua Bank - Part A	1,751,848	-	89,878	1,661,970	91,572
Loan to Umpqua Bank - Part B	106,290	-	78,609	27,681	27,681
Total Long-Term Liabilities	$ 1,897,138	$ -	$ 169,887	$ 1,727,251	$ 120,653
Other Long Term Liabilities					
Compensated absences	$ 3,502	$ -	$ -	$ 3,502	$ 3,502

As of June 30, 2019, annual debt service requirements to maturity are as follows:

Fiscal Year	Douglas City Assessment		Umpqua Bank-Part A		Umpqua Bank-Part B	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 1,400	$ 1,661	$ 91,572	$ 45,894	$ 27,681	$ 496
2021	1,500	1,595	94,229	43,312	-	-
2022	1,500	1,528	96,826	40,655	-	-
2023	1,600	1,458	100,367	37,919	-	-
2024	1,600	1,388	102,819	35,092	-	-
2025-2029	9,400	5,455	563,238	130,067	-	-
2030-2034	11,600	3,636	612,919	22,257	-	-
2030-2034	9,000	528	-	-	-	-
	$ 37,600	$ 17,249	$ 1,661,970	$ 355,196	$ 27,681	$ 496

NOTE 9 - LESSOR LEASES

The District leases a portion of their building to Trinity County for the use of Trinity County Family Support Services. The lease requires a monthly payment of $1,442. The original lease term began on February 1, 2006 and has been extended through February 1, 2019 with the option of an additional five year term. An addendum to the lease agreement was executed on May 1, 2014 as the County required an additional privacy room for clients and would reimburse the cost of the improvement to the District in lieu of future rent increases.

The District leases a portion of their parking lot to United Parcel Service. The lease requires a monthly payment of $520. The original lease was negotiated in 1992 with the most recent addendum signed in 2017. The addendum granted UPS an extension through August 31, 2022.

NOTE 9 - LESSOR LEASES (Continued)

Future minimum rent income under the lease agreements are as follows:

Fiscal Year June 30	Rents
2020	$ 6,240
2021	6,240
2022	6,240
2023	1,040
	$ 19,760

NOTE 10 - RISK MANAGEMENT AND INSURANCE COVERAGE

The District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase the appropriate amount of insurance coverage. Management is of the opinion that it has acquired the appropriate amount of insurance coverage to mitigate the risks to which it has determined the District is exposed. There have been no claim settlements in excess of insurance coverage during the three fiscal years ended June 30, 2019. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2019, 2018, and 2017.

NOTE 11 - DEFINED BENEFIT PENSION PLAN

Plan Description, Benefits Provided and Employees Covered

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan), administered by the California Public Employees' Retirement System (CalPERS). The Plan's benefit provisions are established by statute. The Plan is included as a pension trust fund in the CaIPERS Comprehensive Annual Financial Report, which is available online at wwvv.calpers.ca.gov.

The Plan consists of a miscellaneous pool and a safety pool (referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively, including those of the District. The District's employer rate plans in the miscellaneous risk pool include the

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

Miscellaneous plan (Miscellaneous) and the PEPRA Miscellaneous plan (PEPRA Misc.). The District does not have any rate plans in the safety risk pool.

Benefits Provided

The Plan 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. Classic members and PEPRA Safety members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA Miscellaneous members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is the Basic Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect for measurement period ended June 30, 2018, are summarized as follows:

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	PEPRA
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit Formula	2.0% at 60; maximum 2% COLA	2.0% at 62; maximum 2% COLA
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50	52
Monthly Benefits, as a % of Eligible Compensation	1.092% to 2.418%	1.00% to 2.500%
Required Employee Contribution Rates	7.771%	6.75%
Required Employer Contribution Rates	13.223%	7.00%

Contributions — Section 20814© of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by Ca1PERS. 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.

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended June 30, 2019, the contributions recognized as part of the pension expense is as follows:

Contributions — employer	$ 69,804
Contributions — employee	$ 27,582

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

Proportionate Share of Net Pension Liability	
Miscellaneous	$ 609,510
PEPRA	-
Total Pension Liability	$ 609,510

The District's net pension liability for each risk pool is measured as the proportionate share of each risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

The District's proportionate share of the net pension liability as of June 30, 2018, the measurement date, was calculated as follows:

Each risk pool's total pension liability was computed at the measurement date, June 30, 2018, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date of June 30, 2017. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2018, was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2018, was calculated by applying the District's proportionate share percentage as of the valuation date (described above) to the

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

respective risk pool's total pension liability and fiduciary net position as of June 30, 2018, to obtain the total pension liability and fiduciary net position as of June 30, 2018. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

The District's proportionate share percentage of the net pension liability for each risk pool as of June 30, 2017, and June 30, 2018, was as follows:

	Miscellaneous	PEPRA
Proportion — June 30, 2017	0.01569%	.00000%
Proportion — June 30, 2018	0.01617%	.00000%
Change — Increase/(Decrease)	(0.00049)%	.00000%

For the year ended June 30, 2018, the District recognized pension expense of $584,679. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 63,349	$ -
Difference between actual contributions and proportionate share of contributions	-	14,861
Difference between expected and actual experience	23,386	7,958
Changes in employer's proportion	5,976	3,470
Adjustment due to differences in assumptions	69,486	17,030
Net differences between projected and actual earnings on pension plan investments	3,013	-
Total	$ 165,210	$ 43,319

Any amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Miscellaneous
2019	$ 86,827
2020	51,655
2021	(24,645)
2022	(6,572)
2023	-
Thereafter	-

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions — The total pension liability in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.15%, (net of administrative expenses)
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service [1]
Investment Rate of Return	7.00% [2]
Mortality	Derived using Ca1PERS' Membership [3] Data for all Funds

[1] 3.30% to 14.20% depending on age, service, and type of employment
[2] Net of pension plan investment expenses, including inflation
[3] The mortality table used was developed based on Ca1PERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2016 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for fiscal years 1997-2014, including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at Ca1PERS' website under Forms and Publications.

Discount rate - The discount rate used to measure the total pension liability was 7.150 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, Ca1PERS stress tested plans that would most likely result in 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 7.150 percent discount rate is adequate and the use of municipal bond rate calculation is not necessary. The long term expected discount rate of 7.150 percent is applied to all plans in the Public Employees Retirement Fund.

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN (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. The geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return [1] Years 1-10	Real Return [2] Years 11+
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	100%		

1 An expected inflation of 2.5% used for this period

2 An expected inflation of 3.0% used for this period

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

The following presents the District's proportionate share of the net pension liability for each Plan, calculating using the discount rate of each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.150%) or 1-percentage point higher (8.150%) than the current rate:

	1% Decrease (6.150%)	**Current Discount Rate** (7.150%)	**1% Increase** (8.150%)
Net Pension Liability - Miscellaneous Plan	$ 925,738	$ 609,510	$ 348,469

Pension Plan Fiduciary Net Position — Detailed information about each pension plan's fiduciary net position is available in the separately issued Ca1PERS financial reports.

Payable to the Pension Plan

At June 30, 2018, the District has no outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The District administers an Agent Multiple-Employer defined-benefit post-employment healthcare plan.
Dependents are eligible to enroll, but benefits cease upon member death.

Benefits Provided

Retirees are eligible for medical benefits if they retire at age 50+, have 10+ years of District service, and were enrolled in CaIPERS plan upon retirement. The District pays for 50% of medical and dental premiums, increasing the percentage by 5% for each year of service, up to a maximum of 100% after 20 years of service.

Employees Covered by Benefit Terms

At June 30, 2019 (the census date), the benefit terms covered the following employees:

Category	Count
Active Employees:	5
Inactive employees, spouses, or beneficiaries currently receiving benefit payments:	6
Inactive employees entitled to but not yet receiving benefit payments:	-
Total	11

Contributions

The District makes contributions based on an actuarially determined rate.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions

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

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Valuation Date	June 30, 2019
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.50%
Inflation	2.50%
Salary Increases (1)	2.75%
Healthcare Cost Trend Rates (2)	7.00%
Mortality Rate Table (3)	Derived using CalPERS' tables

(1) Additional merit-based increases based on CalPERS merit salary increase tables.
(2) 7.00% in the first year, trending down to 3.84% over 58 years.
(3) The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

Discount Rate

The discount rate used to measure the total OPEB liability is 3.50%. The District's OPEB Plan is an unfunded plan, therefore, the discount rate was set to the rate of tax-exempt, high quality 20-year municipal bonds, as of the valuation date.

Changes in the Net OPEB Liability

The following changes were made for the year ended June 30, 2019:

	Total/Net OPEB Liability
Net OPEB obligation - beginning of year	$ 731,611
Changes for the year:	
Service Cost	52,968
Interest	26,658
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	14,980
Changes of Assumptions	41,285
Benefit Payments, Including Refunds of Employee Contributions	(40,014)
Implicit Rate Subsidy Fulfilled	(5,850)
Net Changes	90,027
Net OPEB obligation - end of year	$ 821,638

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

The following presents the District's net OPEB liability as of the measurement date, calculated using the discount rate, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net OPEB Liability	$ 1,151,043	$ 738,808	$ 398,116

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District's net OPEB liability as of the measurement date, calculated using the healthcare cost trend rate, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease (6.50%)	Healthcare Cost Trend Rate Rate (7.50%)	1% Increase (8.50%)
Net OPEB Liability	$ 1,151,043	$ 738,808	$ 398,116

For the year ended June 30, 2019, the District recognized OPEB expense of $76,813. 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
Differences Between Expected and Actual Experience	$ 12,483	$ -
Change in Assumptions	34,404	-
Net Differences Between Projected and Actual Earnings on Plan Investments	-	-
Adjustment due to Differences in Proportions	-	-
Differences Between Actual and Required Contributions	-	-
Contributions Subsequent to Measurement Date	-	-
Total	$ 46,887	$ -

Amounts other than contributions subsequent to the measurement date reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources
2020	$ 9,378
2021	9,378
2022	9,378
2023	9,378
2024	-
Total	-

NOTE 13 - SUBSEQUENT EVENTS

Events occurring after June 30, 2019 have been evaluated by management for possible adjustment to the financial statements as of February 11, 2020, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

WEAVERVILLE COMMUNITY SERVICES DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability -
California Public Employees' Retirement System
As of June 30, 2019
Last Ten Years*

Measurement Year Ending June 30:	**2014**	**2015**	**2016**	**2017**	**2018**
Miscellaneous Plan					
Plan's Proportion of the Net Pension Liability/(Asset)	0.00568%	0.00603%	0.00619%	0.00624%	0.00633%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$ 353,589	$ 413,868	$ 535,981	$ 618,418	$ 609,510
Plan's Covered-Employee Payroll	$ 211,896	$ 191,226	$ 198,013	$ 220,462	$ 229,490
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered- Employee Payroll	166.87%	216.43%	270.68%	280.51%	265.59%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.03%	80.00%	74.85%	73.07%	73.93%
Plan's Proportionate Share of Aggregate Employer Contributions	$ 46,779	$ 57,252	$ 59,390	$ 63,503	$ 65,830
Actuarially Determined Contributions	$ 33,310	$ 36,353	$ 49,245	$ 51,784	$ 56,711
Actual Contributions During the Measurement Period	(33,310)	(36,353)	(45,698)	(51,784)	(56,711)
Contribution Deficiency (Excess)	$ -	$ -	$ 3,547	$ -	$ -
District's Covered Employee Payroll	$ 221,896	$ 191,226	$ 198,013	$ 220,462	$ 229,490
Contributions as a Percentage of Covered Employee Payroll	15.01%	19.01%	24.87%	23.49%	24.71%

*Measurement period 2013-2014 (fiscal year 2015) was the 1st year of implementation, therefore, only five years are shown.

The notes to the financial statements are an integral part of this statement.

WEAVERVILLE COMMUNITY SERVICES DISTRICT

Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30. 2019
Last Ten Fiscal Years*

Measurement Date: Total/Net OPEB Liability	June 30, 2018	June 30, 2019
Service Cost	$ 51,550	$ 52,968
Interest	25,263	26,658
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	-	14,980
Changes of Assumptions	-	41,285
Benefit Payments, Including Refunds of Employee Contributions	(25,232)	(40,014)
Implicit Rate Subsidy Fulfilled	(5,652)	(5,850)
Net Change in Total OPEB Liability	45,929	90,027
Total/Net OPEB Liability- Beginning of Year	685,682	731,611
Total/Net OFEB Liability- End of Year	$ 731,611	$ 821,638
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	-	-
Covered-Employee Payroll	$ 226,753	$ 232,989
District's Net OPEB Liability as a Percentage of Covered-Employee Payroll	322.65%	352.65%
Actual Contributions During the Measurement Period	$ 25,232	$ 30,884
District's Covered Employee Payroll	$ 226,753	$ 232,989
Contributions as a Percentage of Covered Employee Payroll	11.13%	13.26%

*Measurement period 2017-2018 (fiscal year 2018) was the 1st year of implementation, therefore, only two years are shown.

The notes to the financial statements are an integral part of this statement.

OTHER REPORTS

Donald R. Reynolds
Certified Public Accountant

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Weaverville Community Services District
Weaverville, California

I have audited, in accordance with the 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, the financial statements of the governmental activities of Weaverville Community Services District, (the Commission), 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, and have issued my report thereon dated February 11, 2020.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies that are less severe than a material weakness, yet important enough to be brought to the attention of those charged with governance.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

P.O. Box 994508, Redding, California 96099-4508 * (530) 246-AUDIT (2834) * FAX (530) 244-0331

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Donald R Reynolds

Donald R. Reynolds
Certified Public Accountant
Redding, California
February 11, 2020