

AMADOR WATER AGENCY
AUDITED FINANCIAL STATEMENTS

June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Amador Water Agency
Sutter Creek, California

Report on Financial Statements

We have audited the accompanying financial statements of Amador Water Agency (the Agency), which comprise the statement of net position as of June 30, 2018, and the related statements of revenues, expenses, 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 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Controller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

To the Board of Directors
Amador Water Agency

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of June 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

Change in Accounting Principles

As discussed in Note L to the financial statements, during the year ended June 30, 2018, the Agency adopted new accounting guidance, GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 8 and other required supplementary information on pages 35 to 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 the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Report on Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal

To the Board of Directors
Amador Water Agency

control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Richardson & Company, LLP

December 13, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of Amador Water Agency (the "Agency") provides an overview of the Agency's financial activities for the year ended June 30, 2018. Please read it in conjunction with the Agency's financial statements, which follow this section.

Financial Statements

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

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

The statement of net position includes all the Agency'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 for computing rate of return, evaluating the capital structure of the Agency and assessing the liquidity and financial flexibility of the Agency.

The statement of revenues, expenses and changes in net position presents information which shows how the Agency's net position changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of revenues, expenses and changes in net position measures the success of the Agency's operations over the past year and determines whether the Agency has recovered its costs through user fees and other charges.

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

- Operations
- Capital and related financing
- Noncapital financing
- Investing

This statement differs from the statement of revenues, expenses and changes in net position because the statement accounts only for transactions that result in cash receipts or cash disbursements.

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights

- The Agency's net position decreased by \$6,095,752 to \$47,824,395 for the year ended June 30, 2018.
- The Agency's total revenues increased from \$12,590,828 for the year ended June 30, 2017, to \$16,767,104 for the year ended June 30, 2018. The increase in grant revenues, participation fees and rebound of water consumption represents the majority of the change.
- The Agency's total expenses decreased from \$14,039,204 for the year ended June 30, 2017, to \$13,728,575 for the year ended June 30, 2018. This was driven primarily by a decrease in debt service interest payment amounts.

Financial Analysis of the Agency

Net Assets

The following is a summary of the Agency's statement of net position at June 30:

	2018	2017	Dollar Change
<u>Assets:</u>			
Current assets	\$ 3,519,293	\$ 3,975,749	\$ (456,456)
Noncurrent Assets:			
Restricted assets	1,921,348	807,017	1,114,331
Due from the City of Plymouth	2,727,513	2,738,415	(10,902)
Capital assets	98,464,738	96,102,930	2,361,808
Bond issuance costs, net	-	109,877	(109,877)
Total Assets	106,632,892	103,733,988	2,898,904
 <u>Deferred Outflows of Resources</u>	 1,830,501	 1,187,327	 643,174
 <u>Liabilities:</u>			
Current liabilities	3,397,343	2,996,314	401,029
Noncurrent liabilities	55,542,852	47,540,388	8,002,464
Total Liabilities	58,940,195	50,536,702	8,403,493
 <u>Deferred Inflows of Resources</u>	 1,698,803	 464,466	 1,234,337
 <u>Net Position:</u>			
Net investment in capital assets	59,073,913	55,724,502	3,349,411
Restricted	5,654,315	5,132,604	521,711
Unrestricted	(16,903,833)	(6,936,959)	(9,966,874)
Total Net Position	\$ 47,824,395	\$ 53,920,147	\$ (6,095,752)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Agency (Continued)

Net Assets (Continued)

Net position decreased by \$6,095,752 from fiscal year 2017 to 2018. This decrease was due to an increase in both the net pension liability and the net OPEB obligation.

Restricted net position increased by \$521,711 from fiscal year 2017 to 2018 as a result of the Agency receiving participation fees during the year, a portion of which was used to fund capital projects and pay down long-term debt.

Unrestricted net position (those that can be used to finance day-to-day operations) decreased \$9,966,874 and results primarily from the implementation of a new accounting pronouncement that requires the full the net OPEB obligation be reflected in the financial statements.

Revenues, Expenses and Changes in Net Position

The following is a summary of the Agency's revenues, expenses and changes in net position for the years ended June 30:

	2018	2017	Dollar Change
<u>Revenues:</u>			
Operating revenues	\$ 10,306,759	\$ 8,951,225	\$ 1,355,534
Nonoperating revenues	1,423,910	3,639,603	(2,215,693)
Capital revenues	5,036,435		5,036,435
Total Revenues	<u>16,767,104</u>	<u>12,590,828</u>	<u>4,176,276</u>
<u>Expenses:</u>			
Depreciation expense	3,477,430	3,420,886	56,544
Other operating expense	8,915,246	8,909,335	5,911
Nonoperating expense	1,335,899	1,708,983	(373,084)
Total Expenses	<u>13,728,575</u>	<u>14,039,204</u>	<u>(310,629)</u>
Change in Net Position	3,038,529	(1,448,376)	4,486,905
Net Position at Beginning of Year	53,920,147	55,368,523	(1,448,376)
Restatement	<u>(9,134,281)</u>		<u>(9,134,281)</u>
Net Position at End of Year	<u>\$ 47,824,395</u>	<u>\$ 53,920,147</u>	<u>\$ (6,095,752)</u>

The Agency's operating revenues increased by \$1,355,534 in fiscal year 2018. Nonoperating revenues decreased by \$2,215,693 in fiscal year 2018 primarily as a result of reporting format changes segregating grant revenues used for capital projects as capital revenues.

Operating expenses, exclusive of depreciation, increased \$5,911 in fiscal year 2018. Nonoperating expenses decreased \$373,084 is a result of reduced debt service interest payments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

Capital assets consist of the following at June 30:

	2018	2017	Dollar Change
<u>Capital Assets Not Being Depreciated:</u>			
Land	\$ 3,810,339	\$ 3,810,339	\$ -
Construction in progress	6,858,417	2,635,455	4,222,962
Total Capital Assets Not Being Depreciated	<u>10,668,756</u>	<u>6,445,794</u>	<u>4,222,962</u>
<u>Capital Assets Being Depreciated:</u>			
Utility plant	10,783,477	10,783,477	-
Source of supply	2,801,063	2,801,063	-
Pumping plant	679,137	679,137	-
Treatment plant	23,471,652	23,471,652	-
Transmission and distribution	96,317,361	94,830,316	1,487,045
General plant	11,062,131	11,259,424	(197,293)
Total Capital Assets Being Depreciated	<u>145,114,821</u>	<u>143,825,069</u>	<u>1,289,752</u>
Less: Accumulated depreciation	<u>(57,318,839)</u>	<u>(54,167,933)</u>	<u>(3,150,906)</u>
Net Capital Assets Being Depreciated	<u>87,795,982</u>	<u>89,657,136</u>	<u>(1,861,154)</u>
Net Capital Assets	<u>\$ 98,464,738</u>	<u>\$ 96,102,930</u>	<u>\$ 2,361,808</u>

Capital assets, net of accumulated depreciation, decreased \$1,861,154 for the year ended June 30, 2018. Capital asset additions including the Pioneer Water Rehab project and the Buckhorn Disinfectant Byproducts were exceeded by depreciation expense during the year ended June 30, 2018.

Long-Term Debt

The following is a summary of long-term debt at June 30:

	2018	2017	Dollar Change
Bonds	\$ 26,605,000	\$ 27,450,000	\$ (845,000)
Notes payable	11,093,229	11,510,818	(417,589)
Total	<u>37,698,229</u>	<u>38,960,818</u>	<u>(1,262,589)</u>
Unamortized premium	1,373,310	1,417,610	(44,300)
Total Long-Term Debt	<u>39,071,539</u>	<u>40,378,428</u>	<u>(1,306,889)</u>
Less: Current portion	<u>(1,351,231)</u>	<u>(1,395,203)</u>	<u>43,972</u>
Total Long-Term Debt	<u>\$ 37,720,308</u>	<u>\$ 38,983,225</u>	<u>\$ (1,262,917)</u>

Long-term debt decreased 1,262,917 in fiscal year 2018 as a result of debt service principal payments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Budget

The Agency's Board of Directors and management consider many factors when setting the fiscal year budget. The Agency has a number of capital improvement projects appropriated for the year ended June 30, 2019, including the Ione Water Treatment Plant Expansion, Tanner Backwash Recycling, Ione Hydroelectric and the Six Tank Replacement project. The Agency's Capital Improvement Program for the year ended June 30, 2019 is \$12,245,797 is an increase from the prior year. The Agency's total operating budget for the year ended June 30, 2019 is \$11,795,507 which is an increase compared to the adopted operating budget for the year ended June 30, 2018. The budget for the year ended June 30, 2018 does not contain an appropriation for the total Annual Required Contribution as defined in GASB 45. Below is a historical look at water production and customer accounts by service area as of and for the years ended June 30:

	2018	2017	2016	2015	2014
<u>Water Production (000 Gals):</u>					
Tanner Plant	782,750	677,510	624,890	701,050	829,340
Ione Plant	478,830	410,650	362,680	392,860	468,050
Buckhorn Plant	273,700	257,340	226,010	252,400	294,860
Lake Camanche Plant	77,880	68,840	63,450	69,680	80,960
La Mel Heights Plant	5,220	4,340	3,890	4,550	5,460
Total Production	1,618,380	1,418,680	1,280,920	1,420,540	1,678,670
<u>Customer Accounts:</u>					
Water Connections	7,365	7,291	7,210	7,187	7,225
Wastewater Connections	904	921	920	915	922
Total Customers	8,269	8,212	8,130	8,102	8,147

Contacting the Agency

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Amador Water Agency at (209) 223-3018.

AMADOR WATER AGENCY

STATEMENT OF NET POSITION

June 30, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$ 985,813
Accounts receivable	
Current services	1,413,263
Grants	565,828
Taxes	15,120
Other	138,873
Accrued interest receivable	10,167
Due from City of Plymouth, current portion	48,760
Inventory	225,398
Prepaid expenses	116,071
Total Current Assets	<u>3,519,293</u>

Noncurrent Assets:

Restricted assets:

Cash and cash equivalents	1,921,348
Total Restricted Assets	<u>1,921,348</u>

Capital Assets:

Nondepreciable	10,668,756
Depreciable, net of accumulated depreciation	87,795,982
Total Capital Assets, Net	<u>98,464,738</u>

Other Assets:

Due from City of Plymouth, noncurrent portion	2,727,513
Total Other Assets	<u>2,727,513</u>
Total Noncurrent Assets	<u>103,113,599</u>

TOTAL ASSETS 106,632,892

DEFERRED OUTFLOWS OF RESOURCES

Pensions	1,578,501
Other post employment benefits	252,000
TOTAL DEFERRED OUTFLOWS	<u>1,830,501</u>

(Continued)

AMADOR WATER AGENCY

STATEMENT OF NET POSITION (Continued)

June 30, 2018

LIABILITIES

Current Liabilities:

Accounts payable	\$ 1,242,979
Accrued expenses and other liabilities	43,310
Accrued interest payable	171,797
Deposits	455,761
Current portion of noncurrent liabilities	1,483,496
Total Current Liabilities	<u>3,397,343</u>

Noncurrent Liabilities:

Bonds payable, net of current portion	27,108,310
Notes payable, net of current portion	10,611,998
Compensated absences	74,129
Net pension obligation	4,721,415
Net other postemployment benefits (OPEB) obligation	13,027,000
Total Noncurrent Liabilities	<u>55,542,852</u>

TOTAL LIABILITIES 58,940,195

DEFERRED INFLOWS OF RESOURCES

Deferred amount on refunding	198,464
Pensions	298,339
OPEB	1,202,000
TOTAL DEFERRED INFLOWS	<u>1,698,803</u>

NET POSITION

Net investment in capital assets	59,073,913
Restricted	5,654,315
Unrestricted	<u>(16,903,833)</u>
TOTAL NET POSITION	<u>\$ 47,824,395</u>

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

AMADOR WATER AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2018

OPERATING REVENUES	
Current services	\$ 9,407,389
Other operating revenues	899,370
TOTAL OPERATING REVENUES	<u>10,306,759</u>
OPERATING EXPENSES	
General and administrative	5,341,448
Transmission and distribution	2,061,712
Maintenance	1,201,750
Water treatment	310,336
Depreciation	3,477,430
TOTAL OPERATING EXPENSES	<u>12,392,676</u>
NET LOSS FROM OPERATIONS	(2,085,917)
NON-OPERATING (EXPENSES) REVENUES	
Taxes and assessments	582,173
Investment income	132,126
Intergovernmental revenue	433,838
Other non-operating revenue	275,773
Interest expense	(1,335,899)
TOTAL NON-OPERATING (EXPENSES) REVENUES	<u>88,011</u>
CAPITAL CONTRIBUTIONS	
Grant revenue	3,764,600
Participation fees and other capital revenues	1,271,835
TOTAL CAPITAL CONTRIBUTIONS	<u>5,036,435</u>
CHANGE IN NET POSITION	3,038,529
Net position, beginning of year, as previously reported	53,920,147
Restatement for change in accounting principle - Note L	(9,134,281)
Net position, beginning of year, as restated	<u>44,785,866</u>
NET POSITION AT END OF YEAR	<u><u>\$ 47,824,395</u></u>

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

AMADOR WATER AGENCY

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 10,064,825
Cash payments to suppliers for goods and services	(5,965,873)
Cash payments to employees for services	(2,730,781)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,368,171</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipts from taxes, assessments and other nonoperating revenues	<u>1,164,567</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,164,567
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisitions and construction of capital assets	(4,859,936)
Principal paid on long-term debt	(1,435,623)
Proceeds from long-term debt	173,034
Interest paid on long-term debt	(1,335,952)
Payments received from City of Plymouth	45,712
Participation fees collected	1,271,835
Capital grants received	<u>4,791,935</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,348,995)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>125,574</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>125,574</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,309,317
Cash and cash equivalents at beginning of year	<u>1,597,844</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 2,907,161</u></u>
Cash and cash equivalents - financial statement classification	
Cash and cash equivalents	\$ 985,813
Restricted cash and cash equivalents	<u>1,921,348</u>
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 2,907,161</u></u>

(Continued)

AMADOR WATER AGENCY

STATEMENTS OF CASH FLOWS (Continued)

For the Year Ended June 30, 2018

RECONCILIATION OF NET INCOME FROM OPERATIONS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ (2,085,917)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	3,477,430
Amortization	(67,106)
Write-off of bond issuance costs	109,877
(Increase) Decrease in:	
Accounts receivable, current services	(315,152)
Inventory	49,014
Prepaid expense	(10,796)
Deferred outflows	(406,174)
Increase (Decrease) in:	
Accounts payable	(577,221)
Accrued expenses and other liabilities	(162,510)
Deposits	73,218
Compensated absences	(3,983)
Net OPEB obligation	(618,000)
Net pension obligation	648,348
Deferred inflows	<u>1,257,143</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,368,171</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Amortization of bond premium and deferred amount on refunding	\$ (67,106)
Acquisitions of capital assets through accounts payable	979,302

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

AMADOR WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Amador Water Agency (the Agency) have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

Reporting Entity: The Amador Water Agency (Agency) was formed under an act of the Legislature of the State of California, Chapter 2137, Assembly Bill No. 2629, approved by the governor on July 18, 1959. The Agency's territory of authority consists of Amador County. The Agency provides water, wastewater and storm drain services to approximately 10,000 customers in Amador County. The Agency is governed by a Board of Directors consisting of five directors elected by residents of the Agency. The accompanying basic financial statements present the Agency and its component unit. The component unit discussed below is included in the Agency's reporting entity because of the significance of its operational and financial relationship with the Agency.

The Agency has created the Amador Water Agency Financing Corporation (the Corporation) to provide assistance to the Agency in the issuance of debt. Although legally separate from the Agency, the Corporation is reported as if it were part of the primary government because it shares a common Board of Directors with the Agency and its sole purpose is to provide financing to the Agency under the debt issuance documents of the Agency. Debt issued by the Corporation is reflected as debt of the Agency in these financial statements. The Corporation has no other transactions and does not issue separate financial statements.

Basis of Presentation – Fund Accounting: The Agency's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net position for the enterprise fund represent the amount available for future operations.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Net position is segregated into amounts invested in capital assets, net of related debt, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

The Agency uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. When such funds are received they are recorded as unearned revenues until earned. Earned but unbilled water services are accrued as revenue.

Water lines are constructed by private developers and then dedicated to the Agency, which is then responsible for their future maintenance. These lines are recorded as capital contributions when they pass inspection by the Agency and the estimated costs are capitalized as transmission and distribution.

AMADOR WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Agency. Operating revenues consist primarily of charges for water and wastewater services and other fees. Non-operating revenues and expense consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

When both unrestricted and restricted resources are available for use, it is the Agency's policy to use unrestricted resources first, then restricted resources as they are needed.

Deferred Outflows and Inflows of Resources: In addition to liabilities, the statement of net position reports separate sections for deferred outflows and deferred inflows of resources. *Deferred outflows of resources* represent a consumption of net position by the government that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earning process is complete. Deferred outflows and inflows of resources represent amounts deferred related to the Agency's pension and OPEB plan as described in Notes H and I, and for deferred amounts related to bond refundings.

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

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 OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Agency considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents held include bank deposits and restricted and unrestricted investments in money market mutual funds and LAIF.

Restricted Assets: Certain proceeds of the Agency's long-term debt are classified as restricted investments on the balance sheet because their use is limited by applicable debt covenants. The Agency also had unspent impact fees classified as restricted cash and cash equivalents.

AMADOR WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Allowance for Doubtful Accounts: Bad debts are recognized on the allowance method based on historical experience and management’s evaluation of outstanding receivables. The allowance for doubtful accounts receivable totaled \$17,750 at June 30, 2018.

Inventory: Inventory consists primarily of materials used in the construction and maintenance of capital assets and is valued weighted at average cost.

Property Taxes: The Agency receives property taxes from the County of Amador. Property taxes receivable are recorded in the fiscal year for which the tax is levied based on the assessed value as of March 1 of the preceding fiscal year. They become a lien on January 1. Secured property tax is levied on July 1 and due in two installments, on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. Unsecured property tax is levied on July 1 and due on July 31, and becomes delinquent on August 31.

The Agency elected to receive the property taxes from the County under the Teeter Bill. Under this program the Agency receives 100% of the levied property taxes in periodic payments with the County assuming responsibility for delinquencies.

Capital Assets: Capital assets are recorded at historical cost. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Self-constructed assets are recorded based on the amount of direct labor and materials charged to the asset construction. Depreciation is calculated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Life</u>
Utility plant	40-50 years
Source of supply	3-40 years
Pumping plant	40 years
Treatment plant	5-40 years
Transmission and distribution	5-85 years
General plant	3-40 years

Maintenance and repairs are charged to operations when incurred. It is the Agency’s policy to capitalize all capital assets with a cost of \$5,000 and an estimated useful life of more than one year. Costs of assets sold or retired (and the related amounts of accumulated depreciation) are eliminated from the balance sheet in the year of sale or retirement, and the resulting gain or loss is recognized in operations.

Depreciation expense aggregated \$3,477,430 for the year ended June 30, 2018.

Bond Premiums, Bond Discounts and Bond Issuance Costs: Bond premiums and discounts are deferred and amortized over the lives of the bonds. Bonds payable are reported net of the applicable bond premiums and discounts. Bond issuance costs are recognized as an expense in the period incurred.

AMADOR WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Deferred Amount from Refunding Debt: The difference between the reacquisition price of refunded debt and the net carrying amount of the previously outstanding debt is deferred and reported as either a deferred outflow or deferred inflow on the balance sheet. These amounts are amortized over the shorter of the term of the old debt or the new debt.

Compensated Absences: The Agency's policy allows employees to accumulate earned but unused vacation which will be paid to employees upon separation from the Agency's service. The cost of vacation is recognized in the period earned.

Reclassifications: Certain amounts in 2017 have been reclassified to conform to the 2018 financial statement presentation. The reclassification had no effect on total net assets or change in net assets.

New Pronouncements: In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO's), which is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The timing and pattern of recognition of the liability and corresponding deferred outflow of resources recorded is defined in this Statement. This Statement is effective for periods beginning after June 15, 2018.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying and disclosing fiduciary activities of state and local governments. The focus of the criteria is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements of the government. Four fiduciary funds should be reported under this statement: Pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds. This Statement is effective for periods beginning after December 15, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB statements, including issues related to blending component units, goodwill, fair value measurements and application, pensions and other postemployment benefits. This Statement is effective for periods beginning after June 15, 2017.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for periods beginning after June 15, 2017.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement improves the information that is disclosed in the notes to government financial statements and clarifies which liabilities governments should include when

AMADOR WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences and significant subjective acceleration clauses. For notes to the financial statement there is a requirement that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the reporting periods beginning after June 15, 2018.

The Agency is currently analyzing the impact of the required implementation of these new statements.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2018 are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 985,813
Restricted assets:	
Cash and cash equivalents	<u>1,921,348</u>
Total cash and investments	<u><u>\$ 2,907,161</u></u>

Cash and cash equivalents as of June 30, 2018 consisted of the following:

Cash on hand	\$ 700
Deposits with financial institutions	<u>964,259</u>
Total cash	<u><u>964,959</u></u>
Investments in Local Agency Investment Fund (LAIF)	<u>1,942,202</u>
Total investments	<u><u>1,942,202</u></u>
Total cash and investments	<u><u>\$ 2,907,161</u></u>

Investment policy: California statutes authorize agencies to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The table below identifies the investment types that are authorized for the Agency by the California Government Code (or the Agency's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by the bond trustee that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

AMADOR WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

During the year ended June 30, 2018 and 2017, the Agency’s permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	15%	\$1 million
Negotiable Certificates of Deposits	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium Term Corporate Notes	5 years	30%	\$1 million
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	10%	10%
LAIF	N/A	None	\$20 million
Mortgage Pass-Through Securities	5 years	20%	None
California Pooled Investment Authority (CLASS)	N/A	None	None
Time Deposits	180 days	None	None

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

Investments Authorized to Debt Agreements: Investment of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency’s investment policy.

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 average maturity of the investment in LAIF is 193 days.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Agency’s investment in LAIF is not rated.

Concentration of Credit Risk: The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer (other than mutual funds and external investment pools) that represent 5% or more of total Agency investments.

Custodial credit risk: 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 its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that

AMADOR WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

are in the possession of another party. The California Government Code and the Agency’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2018, the carrying amount of the Agency’s deposits were \$964,259 and the balances in financial institutions were \$954,214. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$704,214 was covered by the pledging financial institution with assets held in a common pool for the Agency and other governmental agencies, but not in the name of the Agency.

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$88,949,144,131 managed by the State Treasurer. Of that amount, 2.67% is invested in structured notes and asset-backed securities. No amounts were invested in derivative financial products. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the Agency’s investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency’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.

NOTE C – DUE FROM CITY OF PLYMOUTH

The Agency and the City of Plymouth (Plymouth) entered into an agreement to share the costs of constructing an 8-mile water transmission pipeline and related water facilities from the Agency’s Tanner Water Treatment Plant to the City of Plymouth. The original agreement required the City of Plymouth to pay 65.82% of the costs of the project. This percentage was subsequently reduced to 60.95% of the costs of the project.

The remaining amounts owed by the City of Plymouth were to be paid as requested by the Agency to meet its debt service requirements on two loans that the Agency obtained from the United States Department of Agriculture (USDA) totaling \$5,000,000. During the year ended June 30, 2017, the two loans from the United States Department of Agriculture were refinanced with proceeds from the Amador Water Agency Revenue Refunding Bonds, Series 2016. According to the 2016 revenue bond debt service, the City of Plymouth’s share was determined to be \$2,864,650. Changes in the due from the City of Plymouth consisted of the following at June 30, 2018:

	Balances at June 30, 2017	Additions	Repayments	Balances at June 30, 2018	Current Portion
Due from the City of Plymouth	\$ 2,821,985		\$ (45,712)	\$ 2,776,273	\$ 48,760

AMADOR WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 3,810,339				\$ 3,810,339
Construction in progress	2,635,455	\$ 5,744,629		\$ (1,521,667)	6,858,417
	<u>6,445,794</u>	<u>5,744,629</u>		<u>(1,521,667)</u>	<u>10,668,756</u>
Capital assets being depreciated:					
Utility plant	10,783,477				10,783,477
Source of supply	2,801,063				2,801,063
Pumping Plant	679,137				679,137
Treatment plant	23,471,652				23,471,652
Transmission and distribution	94,830,316			1,487,045	96,317,361
General plant	11,259,424	94,609	\$ (326,524)	34,622	11,062,131
	<u>143,825,069</u>	<u>94,609</u>	<u>(326,524)</u>	<u>1,521,667</u>	<u>145,114,821</u>
Less accumulated depreciation:					
Utility plant	(7,018,410)	(229,148)			(7,247,558)
Source of supply	(756,080)	(78,849)			(834,929)
Pumping Plant	(291,438)	(15,663)			(307,101)
Treatment plant	(10,353,248)	(585,666)			(10,938,914)
Transmission and distribution	(27,982,081)	(2,328,067)			(30,310,148)
General plant	(7,766,676)	(240,037)	326,524		(7,680,189)
	<u>(54,167,933)</u>	<u>(3,477,430)</u>	<u>326,524</u>		<u>(57,318,839)</u>
Net capital assets being depreciated	<u>89,657,136</u>	<u>(3,382,821)</u>		<u>1,521,667</u>	<u>87,795,982</u>
Net capital assets	<u>\$ 96,102,930</u>	<u>\$ 2,361,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,464,738</u>

AMADOR WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE E – LONG-TERM LIABILITIES

The activity of the Agency’s long-term liabilities during the year ended June 30, 2018 was as follows:

	Restated Balance July 1, 2017	Additions	(Reductions)	Balance June 30, 2018	Due Within One Year
Notes payable					
U.S. Department of Agriculture County of Amador	\$ 8,025,000		\$ (110,000)	\$ 7,915,000	\$ 115,000
Department of Water Resources County of Amador	1,430,106		(68,368)	1,361,738	68,881
County of Amador	1,119,224		(87,143)	1,032,081	89,805
County of Amador	330,644		(99,463)	231,181	101,467
County of Amador	239,711	\$ 61,553	(23,764)	277,500	28,618
City of Sutter Creek	127,334		(127,334)	-	
California Energy Commission	-	111,481		111,481	
American River Bank	114,550		(45,905)	68,645	47,693
State Water Resource Control Board	68,652		(16,459)	52,193	16,919
American River Bank	42,300		(9,685)	32,615	10,270
Department of Water Resources	13,297		(2,502)	10,795	2,578
	<u>11,510,818</u>	<u>173,034</u>	<u>(590,623)</u>	<u>11,093,229</u>	<u>481,231</u>
2016 Revenue Refunding bonds	27,450,000		(845,000)	26,605,000	870,000
Plus: Unamortized premium	1,417,610		(44,300)	1,373,310	
	<u>28,867,610</u>		<u>(889,300)</u>	<u>27,978,310</u>	<u>870,000</u>
Compensated absences	210,377		(3,983)	206,394	132,265
Net pension obligation	4,073,067	648,348		4,721,415	
Net OPEB obligation	13,645,000		(618,000)	13,027,000	
	<u>\$ 58,306,872</u>	<u>\$ 821,382</u>	<u>\$ (2,101,906)</u>	<u>\$ 57,026,348</u>	<u>\$ 1,483,496</u>

Notes payable consist of the following at June 30, 2018:

United States Department of Agriculture, Rural Utilities Service, secured by the Gravity Supply Line Project. Original amount of \$8,330,000. Semi-annual payments of interest only at 2.75% each March and interest plus varying principal amounts each September. Annual principal and interest payments range from \$331,081 to \$359,100. Matures September 2053. Requires deposit equal to 1/10th of the annual installment payment to be made to a reserve fund each year until such balance reaches the average annual installment payment.

\$ 7,915,000

County of Amador, secured by all revenues and all amounts on deposit at Amador Water Agency. Original amount of \$1,450,000. Quarterly payments of \$4,375 principal plus interest at 0.75% for the first 5 years (until October 2021) and a variable rate thereafter, as defined by the note, not to exceed 2.5%. Loan matures October 1, 2036.

1,361,738

AMADOR WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE E – LONG-TERM LIABILITIES (Continued)

State of California Department of Water Resources, secured by the Ridge System Project. Original amount of \$2,359,032. Semi-annual payments of \$60,210 including interest at 3.0315% due each April and October. Matures April 2028. Requires that semi-annual payments to a reserve fund be accumulated during the first ten-year period, then maintained at such level thereafter.	\$ 1,032,081
County of Amador, secured by all revenues and all amounts on deposit at Amador Water Agency. Original amount of \$500,000. Quarterly payments of \$26,333 each January, May, July and October including interest at 2.00%. Matures July 2020.	231,181
County of Amador, secured by all revenues and all amounts on deposit at Amador Water Agency. Original amount up to \$300,000. Quarterly payments of \$8,382 including interest at 1.84%. Matures April 2027.	277,500
American River Bank, secured by the assets of the Agency. Original amount up to \$224,330. Quarterly payments of \$12,427 each March, June, September and December including interest at 3.9%. Matures December 2019.	68,645
State of California Water Resources Control Board, secured by the Pine Grove Wastewater System. Original amount of \$278,612. Annual payments of \$18,381 including interest at 2.8% due each November. Matures November 2020. The Agency shall maintain a dedicated source of revenue sufficient to provide reasonable assurance of repayment of this loan.	52,193
American River Bank, secured by the assets of the Agency. Original amount of \$35,085. Quarterly payments of \$2,993 each March, June, September and December including interest at 5.823%. Matures June 2021.	32,615
State of California Department of Water Resources, secured by the Hillside System Project. Original amount of \$50,358. Semi-annual payments of \$1,444 including interest at 3.015% due each April and October. Matures April 2022.	10,795
California Energy Resources Conservation and Development Commission, secured by the assets of the Agency. Original amount up to \$1,472,000. Semi-annual payments of \$63,083 including interest of 1% per annum on unpaid principal. Matures December 2031.	111,481
Total Notes Payable	<u>\$ 11,093,229</u>

AMADOR WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE E – LONG-TERM LIABILITIES (Continued)

The Agency’s bonds consist of the following:

2016 Water Revenue Refunding Bonds: In November 2016, the Amador Water Agency issued \$28,475,000 Amador Agency Water Revenue Refunding Bonds Series 2016 A, (2016 Bonds). The 2016 Bonds were issued to (i) refund the Amador Water System Revenue Certificates of Participation 2006 Series A, (ii) to prepay the outstanding installment payments due under the 2003 Installment Purchase Agreement and the 2004 Supplemental Installment Purchase Agreement, (iii) to prepay the outstanding installment payments due under the 2008 Installment Purchase Agreement, (iv) to prepay the outstanding amount of the 2006 USDA Loan, (v) to purchase a municipal bond insurance policy to guarantee payment of principal of and interest on certain maturities of the 2016 Bonds, (vi) to purchase a municipal bond debt service reserve insurance policy for deposit in the reserve fund, and (vii) to pay costs of issuance of the 2016 Bonds. The 2016 Bonds are payable in semiannual installments including interest ranging from 2% to 5% and mature in June 2049. Interest payments range from \$4,025 to \$495,778 semi-annually. Principle payments range from \$230,000 to \$1,635,000 annually.

The refunding resulted in deferred amount on refunding of \$228,064, which is being amortized over the remaining life of the refunded debt. Amortization expense totaled \$22,806 for the year ended June 30, 2018, and is included in interest expense. The deferred amount on refunding was \$198,464 at June 30, 2018.

The following is a schedule of maturities for the notes and bonds payable:

	Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
For the Year Ended June 30:				
2019	\$ 481,231	\$ 269,384	\$ 870,000	\$ 991,556
2020	466,440	257,427	905,000	956,756
2021	378,315	246,781	925,000	929,606
2022	331,794	238,127	970,000	892,606
2023	338,066	230,257	990,000	863,506
2024-2028	1,796,763	1,025,823	5,630,000	3,658,282
2029-2033	1,368,311	845,974	7,015,000	2,272,820
2034-2038	1,332,309	696,433	5,530,000	1,092,069
2039-2043	1,225,000	533,363	2,150,000	511,350
2044-2048	1,415,000	349,388	1,390,000	168,350
2049-2053	1,610,000	139,013	230,000	8,050
2054-2058	350,000			
	<u>\$ 11,093,229</u>	<u>\$ 4,831,970</u>	<u>\$ 26,605,000</u>	<u>\$ 12,344,951</u>

Pledged Revenue: The Agency pledged future water system revenues, net of specified expenses, to repay the 2016 Bonds in the original amount of \$28,475,000. The Bonds are payable solely from water customer net revenues and are payable through June 2049. Total principal and interest remaining to be paid on the Bond was \$38,919,951 at June 30, 2018. Total principal and interest paid was \$1,853,456 and the total water system net revenues were \$4,417,368 for the year ended June 30, 2018. At June 30, 2018, the Agency’s net revenues were 842%, 152% and 2,858% of debt service payments for the General Fund, Water Fund and Wastewater Fund, respectively.

AMADOR WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE F – ARBITRAGE REBATE LIABILITY

Section 148 (f) of the Internal Revenue Code requires issuers of tax-exempt state and local bonds to remit to the federal government amounts equal to (a) the excess of the actual amounts earned on all “Non-purpose Investments” allocable to “Gross Proceeds” of an issue of municipal obligations less the amount that would have been earned if the investments bore a rate equal to the amount that would have been earned if the investments bore a rate equal to the yield on the issue, plus (b) all income attributable to the excess. Issuers must make rebate payments at least once every five years and upon final retirement or redemption of the bonds. There was no arbitrage liability at June 30, 2018.

NOTE G – NET POSITION

Restrictions: Restricted net position consists of constraints placed on net asset use through external requirements imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or constraints by law through constitutional provisions or enabling legislation. Restricted net position consisted of the following at June 30:

Participation fees restricted for capital improvement and replacement	\$ 4,383,559
Taxes and assessments restricted for capital improvement and replacement	948,151
Taxes and assessments restricted for debt service	200,838
Debt service reserve required by debt agreement	<u>121,767</u>
Total Restricted Net Position	5,654,315
Less: Interfund loans	<u>3,732,967</u>
Total Restricted Cash	<u><u>\$ 1,921,348</u></u>

The Agency’s restricted cash and net position are reduced by loans made to various funds to cover project costs.

NOTE H – PENSION PLANS

Plan Descriptions: All qualified employees are eligible to participate in the Agency’s cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). PERS acts as a common investment and administrative agent for participating public employers within the State of California. The Agency participates in the Miscellaneous and PEPRA Miscellaneous rate plans.

Benefit provisions under the Plans are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of

AMADOR WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE H – PENSION PLANS (Continued)

service. The death benefit is the following: the 1957 Survivor Benefit or the Optional Settlement 2W Death Benefit. The cost of living adjustments are applied as specified by the Public Employees' Retirement Law.

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

	Classic Miscellaneous Plan (Prior to January 1, 2013)		PEPRA Miscellaneous Plan (On or after January 1, 2013)
	Tier 1	Tier 2	
	Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 60
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates - 2016/17	7.000%	7.000%	6.250%
Required employer contribution rates - 2016/17	8.418%	7.200%	6.533%

In addition to the contribution rates above, the Agency was also required to make payments of \$262,492 toward its unfunded actuarial liability during the year ended June 30, 2018.

The Classic Miscellaneous Plan is closed to new members that are not already CalPERS eligible participants.

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

The contributions recognized as part of pension expense for the Plans were \$494,480 for the year ended June 30, 2018.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: As of June 30, 2018, the Agency reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$4,721,415.

AMADOR WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE H – PENSION PLANS (Continued)

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

Proportion - June 30, 2017	0.047071%
Proportion - June 30, 2018	0.047608%
Change - Increase (Decrease)	0.000537%

For the year ended June 30, 2018, the Agency had pension expense of \$806,797 at June 30, 2018. The Agency reported deferred outflows of resources and deferred inflows of resources related to all Plans combined from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 494,480	
Differences between actual and expected experience	6,450	\$ 92,405
Changes in assumptions	800,265	61,021
Change in employer's proportion	96,319	23,532
Differences between the employer's contribution and the employer's proportionate share of contributions		121,381
Net differences between projected and actual earnings on plan investments	<u>180,987</u>	
Total	<u>\$ 1,578,501</u>	<u>\$ 298,339</u>

The \$494,480 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 net deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended <u>June 30</u>	
2019	\$ 148,094
2020	464,292
2021	280,751
2022	<u>(107,455)</u>
	<u>\$ 785,682</u>

AMADOR WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE H – PENSION PLANS (Continued)

Actuarial Assumptions: The total pension liabilities in the actuarial valuations for each of the Plans were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15% (2)
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% (1)
Mortality	Derived using CalPERS Membership Data for all Funds

- (1) Depending on entry age and service
- (2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in June 30, 2018 were based on the 2010 CalPERS experience study for the period from 1997 to 2007. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate: The discount rates used to measure the total pension liability were 7.15% as of June 30, 2018. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

In fiscal year 2016-2017, the financial reporting discount rate for the Plan was lowered from 7.65 percent to 7.15 percent. Deferred outflows of resources for changes of assumptions represent the unamortized portion of this assumption change.

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

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

AMADOR WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE H – PENSION PLANS (Continued)

The table below reflects the long-term expected real rate of return by asset class for the Plan as of the measurement dates of June 30. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	2018		
	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40)%	(0.90)%
Total	100.0%		

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

(b) 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 Agency's proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.15%
Net Pension Liability	\$7,359,319
Current Discount Rate	7.15%
Net Pension Liability	\$4,721,415
1% Increase	8.15%
Net Pension Liability	\$2,536,665

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

AMADOR WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE I – OTHER POST-RETIREMENT BENEFITS

Plan Description: The Agency’s defined benefit OPEB plan provides OPEB benefit for all permanent full-time employees of the Agency. Benefits are set by the Memoranda of Understandings with the applicable employee bargaining units and may be amended by agreement between the Agency and the bargaining units. The Plan is a single employer defined benefit OPEB plan administered by the Agency. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. No prefunding contributions are being made to the Plan.

Benefits Provided: The Agency provides post-employment health care benefits established by Agency resolution to all qualifying employees. Eligibility for retiree health benefits is as follows:

For employees hired by the Agency on or before November 1, 2004, upon retirement from Agency service, regular full-time or eligible part-time employees who have reached age fifty (50), have served a minimum of five (5) years of accumulated CalPERS service, may be eligible for continued medical insurance coverage. Such insurance shall include the employee and their eligible dependents at the time of retirement. At such time the employee and/or his/her dependents become eligible for Medicare coverage, the Agency’s policy will provide only supplemental or secondary coverage to Medicare. Retired employees will be required to contribute toward the cost of such insurance as provided in the prevailing memorandum of understanding, subject to a vesting schedule.

For employees hired by the Agency after November 1, 2004, upon retirement from Agency service, regular full-time or eligible part-time employees who have reached age fifty (50), have served a minimum of ten (10) years of continuous service with the Agency immediately preceding retirement and who have the required credited years of service with CalPERS, set forth below, may be eligible for continued medical insurance coverage. Such insurance shall include the employee and their eligible dependents at the time of retirement. At such time the employee and/or his/her dependents become eligible for Medicare coverage, the Agency’s policy will provide only supplemental or secondary coverage to Medicare. Retired employees contribute to the plan at a gradually decreasing rate with ten to twenty years of service.

For employees hired after July 24, 2014, eligible employees will receive medical insurance upon retirement up to the employee’s eligibility for Medicare. Coverage will terminate upon employee Medicare eligibility for the employee and dependents.

For employees hired after June 30, 2017, the Agency will contribute \$100 per month to a retiree medical savings account, with an additional matching contribution of the participating employee’s contributions up to \$100 per month. This plan is in lieu of participating in the Agency’s retiree medical plan upon retirement. All current employees have an option to enroll in this plan, but then they are no longer eligible for the retiree medical benefits discussed in the prior paragraphs.

Employees Covered by Benefit Terms: As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Inactive employees or beneficiaries currently receiving benefit payments	17
Active employees	<u>43</u>
Total	<u><u>60</u></u>

Total OPEB Liability: The Agency's total OPEB liability was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date. This liability was rolled back to determine the June 30, 2017 total OPEB liability.

AMADOR WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE I – OTHER POST-RETIREMENT BENEFITS (Continued)

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

Actuarial assumptions:	
Inflation	3.00%
Salary increases	3.25%
Discount rate	3.40%
Mortality rate	CalPERS 1997-2011 Experience Study
Mortality improvement	Mortality Improvement Scale MP-2014 modified to converge to ultimate mortality improvement rates in 2022
Healthcare trend rate	Non-medicare 6.5% for 2018, decreasing to an ultimate rate of 5.0% in 2021 Medicare 6.7% for 2018, decreasing to an ultimate rate of 5.0% in 2021

The discount rate was based on the average of S&P Municipal Bond 20 Year High Grade Rate Index (3.13% on June 30, 2017, 2.71% on Jun 30, 2016), Bond Buyer 20-Bond GO Index (3.58% on June 30, 2017, 2.85% on June 30, 2016), and Fidelity GO AA 20 Year Bond Index (3.56% on June 30, 2017, 2.92% on June 30, 2016), rounded to the nearest 5 basis point at June 30, 2018.

Retirement mortality information was derived from data during 1997 to 2011 CalPERS experience study dated January 2014. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

Changes in the Total OPEB Liability: The changes in the net OPEB liability for the plan are as follows:

	Increase (Decrease)
	<u>Total OPEB Liability</u>
Balance at July 1, 2017	\$ 13,645,000
Changes in the year:	
Service cost	609,000
Interest	403,000
Assumption changes	(1,393,000)
Benefit payments	(237,000)
Net changes	<u>(618,000)</u>
Balance at June 30, 2018	<u>\$ 13,027,000</u>

AMADOR WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE I – OTHER POST-RETIREMENT BENEFITS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the Agency, as well as what the Agency's total 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 discount rate:

	1% Decrease 2.40%	Current Discount Rate 3.40%	1% Increase 4.40%
Net OPEB liability	\$ 15,718,000	\$ 13,027,000	\$ 10,941,000

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease (5.7% Medical decreasing to 4%)	Current Healthcare Cost Trend Rates (6.7% Medical decreasing to 5%)	1% Increase (7.7% Medical decreasing to 6%)
Net OPEB liability	\$ 10,586,000	\$ 13,027,000	\$ 16,295,000

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2018, the Agency recognized OPEB expense of \$821,000.

At June 30, 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 252,000	
Changes in assumptions		\$ (1,202,000)
Total	<u>\$ 252,000</u>	<u>\$ (1,202,000)</u>

AMADOR WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE I – OTHER POST-RETIREMENT BENEFITS (Continued)

The amount reported as deferred outflows of resources related to contributions after the measurement date will be recognized as a reduction of the net OPEB liability in the following fiscal year. Other 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	
2019	\$ (191,000)
2020	(191,000)
2021	(191,000)
2022	(191,000)
2023	(191,000)
Thereafter	<u>(247,000)</u>
	<u>\$ (1,202,000)</u>

NOTE J – COMMITMENTS AND CONTINGENCIES

The Agency has the following outstanding commitments as of June 30, 2018:

In September 2018, the Agency entered into a contract with a general contractor on the Ione Hydrogeneration Project for \$1,677,600. The Agency has a contract for the Tanner Backwash construction project totaling \$3,643,360, of which \$2,722,679 was not expended as of June 30, 2018. The Agency has a contract totaling \$666,500 for the Ione Water Treatment Plant construction, of which \$519,900 was not expended as of June 30, 2018. The Agency has a contract for the Buckhorn Water Treatment Plant construction project totaling \$2,190,801, of which \$199,435 was not expended as of June 30, 2018.

NOTE K – INSURANCE

The Agency participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA) a public entity risk pool of California water agencies, for general and auto liability, public official's liability, property damage, fidelity insurance and workers compensation liability. ACWA/JPIA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained.

AMADOR WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE K – INSURANCE (Continued)

The Agency pays an annual premium to ACWA/JPIA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the ACWA/JPIA. The Agency’s deductibles and maximum coverage are as follows:

Coverage	ACWA/JPIA	Commercial Insurance	Deductible
General and Auto Liability (includes public officials liability)	\$ 5,000,000	\$ 55,000,000	None
Property Damage	100,000	500,000,000	\$ 1,000 to 50,000
Fidelity	100,000	1,000,000	1,000
Workers Compensation liability	2,000,000	Statutory	None

The Agency continues to carry commercial insurance for all other risks of loss to cover all claims for risk of loss to which the Agency is exposed. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE L – CHANGES IN ACCOUNTING PRINCIPLES

During the year ended June 30, 2018, the Agency adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement required the Agency to recognize in its financial statements the net OPEB liability, deferred outflows of resources and deferred inflows of resources for the Agency’s OPEB plan. Due to implementation of this Statement, the OPEB liability increased by \$9,371,281, deferred outflows of resources increased by \$237,000 and net position decreased by \$9,134,281 as of July 1, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

AMADOR WATER AGENCY

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2018

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (UNAUDITED)
Last 10 Years**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Proportion of the net pension liability	0.047608%	0.047071%	0.045800%	0.049308%
Proportionate share of the net pension liability	\$ 4,721,415	\$ 4,073,067	\$ 3,143,683	\$ 3,068,160
Covered payroll - measurement period	\$ 2,891,092	\$ 2,738,454	\$ 2,520,123	\$ 2,040,605
Proportionate share of the net pension liability as a percentage of covered payroll	163.31%	148.74%	124.74%	150.36%
Plan fiduciary net position as a percentage of the total pension liability	73.31%	74.06%	78.40%	79.82%

Notes to 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, 2014 as they have minimal cost impact.

Changes in assumptions: The discount rate was changed from 7.50% in 2015 to 7.65% in 2016 and 2017 and to 7.15% in 2018.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN (UNAUDITED)
Last 10 Years**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 494,480	\$ 456,825	\$ 398,264	\$ 340,922
Contributions in relation to the actuarially determined contributions	<u>(494,480)</u>	<u>(456,825)</u>	<u>(398,264)</u>	<u>(340,922)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll - fiscal year	\$ 2,975,301	\$ 2,891,092	\$ 2,738,454	\$ 2,520,123
Contributions as a percentage of covered - employee payroll	16.62%	15.80%	14.54%	13.53%

Notes to Schedule:

Valuation date:	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
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Methods and assumptions used to determine contribution rates:

Valuation cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.0%, average, including inflation of 2.75%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	50 years

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015, thus information prior to this date was not presented.

AMADOR WATER AGENCY

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

June 30, 2018

Measurement period	<u>2017</u>
Total OPEB liability	\$ 13,027,000
Service cost	609,000
Interest	403,000
Assumption changes	(1,393,000)
Benefit payments	<u>(237,000)</u>
Net change in total OPEB liability	(618,000)
Total OPEB liability - beginning	<u>13,645,000</u>
Total OPEB liability - ending	<u><u>\$ 13,027,000</u></u>
Covered-employee payroll - measurement period	<u><u>\$ 2,891,092</u></u>
Total OPEB liability as percentage of covered-employee payroll	<u><u>450.59%</u></u>
Notes to schedule:	
Valuation date	June 30, 2016
Measurement period - calendar year ended	June 30, 2017
Discount Rate	3.40%

Note: No assets are accumulated in a trust that meets the criteria in GASB Statement 75, paragraph 4, to pay related benefits.

Benefit changes. None since June 30, 2017.

Changes in assumptions. Discount rate increased from 2.85% at June 30, 2016 to 3.40% at June 30, 2017 measurement date.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

SUPPLEMENTARY INFORMATION

AMADOR WATER AGENCY

SCHEDULE OF NET POSITION BY FUND

June 30, 2018

	General Fund	Water Fund	Waste Water	Eliminations	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 250,293	\$ 133,513	\$ 602,007		\$ 985,813
Accounts receivable					
Current services		1,216,642	196,621		1,413,263
Grants		534,686	31,142		565,828
Taxes	14,553	567			15,120
Other	42,561	96,312			138,873
Accrued interest receivable	523	5,952	3,692		10,167
Due from City of Plymouth, current portion		48,760			48,760
Inventory	2,468	222,930			225,398
Prepaid expenses		105,696	10,375		116,071
TOTAL CURRENT ASSETS	310,398	2,365,058	843,837		3,519,293
Noncurrent Assets:					
Restricted Assets					
Cash and cash equivalents		1,335,255	586,093		1,921,348
Interfund loans receivable	291,175	862,561	-	\$ (1,153,736)	-
TOTAL NONCURRENT ASSETS	291,175	2,197,816	586,093	(1,153,736)	1,921,348
Capital Assets:					
Nondepreciable					
		10,554,696	114,060		10,668,756
Depreciable, net of accumulated depreciation					
	629,448	79,229,289	7,937,245		87,795,982
TOTAL CAPITAL ASSETS, NET	629,448	89,783,985	8,051,305		98,464,738
Other Assets:					
Due from City of Plymouth, noncurrent portion		2,727,513			2,727,513
TOTAL OTHER ASSETS		2,727,513			2,727,513
TOTAL ASSETS	1,231,021	97,074,372	9,481,235	(1,153,736)	106,632,892
DEFERRED OUTFLOWS OF RESOURCES					
Pensions		1,279,762	298,739		1,578,501
Other post employment benefits		206,640	45,360		252,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES		1,486,402	344,099		1,830,501
LIABILITIES					
Current Liabilities:					
Accounts payable	5,567	1,195,307	42,105		1,242,979
Accrued expenses and other liabilities	15,511	27,316	483		43,310
Accrued interest payable	507	170,009	1,281		171,797
Deposits	1,777	186,172	267,812		455,761
Current portion of noncurrent liabilities	57,963	1,384,806	40,727		1,483,496
TOTAL CURRENT LIABILITIES	81,325	2,963,610	352,408		3,397,343
Noncurrent Liabilities:					
Bonds payable, net of current portion		27,108,310			27,108,310
Notes payable, net of current portion	43,297	10,533,427	35,274		10,611,998
Interfund loans payable			1,153,736	(1,153,736)	
Compensated absences		53,358	20,771		74,129
Net pension obligation		3,799,236	922,179		4,721,415
Net other postemployment benefits (OPEB) obligation		10,733,522	2,293,478		13,027,000
TOTAL NONCURRENT LIABILITIES	43,297	52,227,853	4,425,438	(1,153,736)	55,542,852
TOTAL LIABILITIES	124,622	55,191,463	4,777,846	(1,153,736)	58,940,195
DEFERRED INFLOWS OF RESOURCES					
Deferred amount on refunding		198,464			198,464
Pensions		239,774	58,565		298,339
OPEB		985,640	216,360		1,202,000
TOTAL DEFERRED INFLOWS		1,423,878	274,925		1,698,803
NET POSITION					
Net investment in capital assets	528,188	50,546,613	7,999,112		59,073,913
Restricted		4,064,447	1,589,868		5,654,315
Unrestricted	578,211	(12,665,627)	(4,816,417)		(16,903,833)
TOTAL NET POSITION	\$ 1,106,399	\$ 41,945,433	\$ 4,772,563	\$ -	\$ 47,824,395

AMADOR WATER AGENCY

SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION BY FUND

For the year ended June 30, 2018

	General Fund	Water Fund	Waste Water	Eliminations	Total
OPERATING REVENUES					
Current services		\$ 7,761,839	\$ 1,645,550		\$ 9,407,389
Other operating revenue	\$ 285,686	553,206	60,478		899,370
TOTAL OPERATING REVENUE	285,686	8,315,045	1,706,028		10,306,759
OPERATING EXPENSES					
General and administrative	227,682	4,216,243	897,523		5,341,448
Transmission and distribution	(15,420)	1,667,738	409,394		2,061,712
Maintenance	35,572	743,543	422,635		1,201,750
Water treatment		251,308	59,028		310,336
Depreciation	56,578	2,991,980	428,872		3,477,430
TOTAL OPERATING EXPENSES	304,412	9,870,812	2,217,452		12,392,676
NET INCOME (LOSS) FROM OPERATIONS	(18,726)	(1,555,767)	(511,424)		(2,085,917)
NON-OPERATING REVENUES (EXPENSES)					
Taxes and assessments	272,373	309,800			582,173
Investment income	933	121,103	10,090		132,126
Intergovernmental revenue		433,838			433,838
Other non-operating revenue	189,410		86,363		275,773
Interest expense	(6,385)	(1,327,150)	(2,364)		(1,335,899)
TOTAL NON-OPERATING REVENUES (EXPENSES)	456,331	(462,409)	94,089		88,011
CAPITAL CONTRIBUTIONS					
Grant revenue		3,568,286	196,314		3,764,600
Participation fees and other capital revenues		1,175,225	96,610		1,271,835
TOTAL CAPITAL CONTRIBUTIONS		4,743,511	292,924		5,036,435
INCOME (LOSS) BEFORE TRANSFERS	437,605	2,725,335	(124,411)		3,038,529
TRANSFERS					
Transfers in	4,212	977,865	324,287	\$ (1,306,364)	
Transfers out	(100,000)	(737,186)	(469,178)	1,306,364	
TOTAL TRANSFERS	(95,788)	240,679	(144,891)		
CHANGE IN NET POSITION	341,817	2,966,014	(269,302)		3,038,529
Net position at beginning of year - as previously reported	764,582	46,469,529	6,686,036		53,920,147
Restatement for change in accounting principles - Note L		(7,490,110)	(1,644,171)		(9,134,281)
Net position, beginning of year - as restated	764,582	38,979,419	5,041,865		44,785,866
NET POSITION AT END OF YEAR	\$ 1,106,399	\$ 41,945,433	\$ 4,772,563	\$ -	\$ 47,824,395

OTHER REPORTS

INDEPENDENT AUDITOR'S 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*

To the Board of Directors
Amador Water Agency
Sutter Creek, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Amador Water Agency (the Agency) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 13, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our 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 and therefore material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

To the Board of Directors
Amador Water Agency

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The Agency's response to the findings identified in our audit is described in the accompanying schedule of findings. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

December 13, 2018

AMADOR WATER AGENCY

SCHEDULE OF FINDINGS

June 30, 2018

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

Finding 2018-1: Year-End Closing Procedures

Condition: The audit was delayed because of delays in producing closing entries, trial balances, schedules, reconciliations, account analyzes, and other financial reports needed by management and the auditors, which resulted in numerous adjustments. The large number of adjustments identified during the course of the audit indicate that the Agency does not have the internal controls in place to prevent or detect misstatements on a timely basis.

We believe that the year-end closing process could proceed more quickly and smoothly by developing a logical order for closing procedures. The required closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The Agency needs to ensure that all balance sheet accounts are reviewed and reconciled to supporting schedules and are reviewed and approved prior to the beginning of the audit.

Recommendation: We recommend that the Agency streamline accounting processes to create timely, accurate financial reporting. A closing procedures checklist would ensure account balances are reviewed and corrected prior to the start of the audit. The review function should include monitoring compliance with Agency policy and generally accepted accounting principles. Procedures should be in place to prepare the required reconciliations at year-end and post entries needed to close the books prior to the start of the audit.

Agency's response: The Amador Water Agency uses a closing procedure checklist based on the items/schedules requested by the auditors. The schedule and dates had to be modified for the 2017-18 audit based on atypical events that occurred during the year.

- New Audit Firm – The Agency engaged a new audit firm to conduct the annual Agency audit for the next three years. Based on this new relationship and the needs of the new auditors, the requested schedules/information not including numerous questionnaires increased from approximately 35 items to over 80 items.
- Proposition 1 Audit – In August 2018, California State DWR audited three Agency projects that received Proposition 1 funding as a portion of the grant funds. This audit reviewed transactions over a four year period with requests for schedules/documentation independent of the annual audit.
- Staffing – The Accounting Department was restructured in late 2017. The restructure included eliminating an Accounting Clerk position and installing a Staff Accountant position. Significant training has occurred over the six months ending June 30, 2018. The training focused on the most sensitive areas to the Agency first, starting with cash reconciliation.

As the above are non-recurring events, the Agency anticipates a more timely and organized response to the needs of the 2018-19 audit process.