OJAI VALLEY

SANITARY DISTRICT

June 30, 2018 and 2017

FINANCIAL STATEMENTS

BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

OJAI VALLEY SANITARY DISTRICT

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BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ojai Valley Sanitary District:

Report on the Financial Statements

We have audited the accompanying financial statements of the Ojai Valley Sanitary District (the "District") as of and for the year ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Ojai Valley Sanitary District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, 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 opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ojai Valley Sanitary District, as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 3 through 8, the California Public Employees' Retirement System Schedule of Ojai Valley Sanitary District's Proportionate Share of the Net Pension Liability on page 37, the California Public Employees' Retirement System Schedule of Ojai Valley Sanitary District's Contributions on page 38, and the Other Postemployment Benefits (OPEB) Plan Schedule of Changes in the Net OPEB Asset and Related Ratios on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bartlett, Pringle & Wolf, LLP

Santa Barbara, California
December 17, 2018

This section of the District's annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2018. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2018

- The District's net position increased by $1.21 million or 2.26 percent from $53.57 million to $54.78 million.
- Operating revenues decreased by $0.25 million or 2.86 percent from $8.74 to $8.49 million.
- Operating expenses increased by $0.57 million or 7.57 percent from $7.53 million to $8.10 million.
- Capital contributions and connection fees to the District decreased by $81,643 or 21.87 percent from $373,307 to $291,664. The majority of the decrease is attributed to the moratorium on Second Units/Accessory Dwelling Units.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following four parts: Independent Auditor's Report, Management Discussion and Analysis, Basic Financial Statements, and Required Supplementary Information. The Financial Statements include notes which explain in detail some of the information included in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The Statement of Net Position includes information on the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statement of Revenues, Expenses and Changes in Net Position identifies the District's revenues and expenses for the fiscal years ended June 30, 2018 and 2017. This statement provides information on the District's operations which affected any change in the total net position from the prior year and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statement of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statement of Cash Flows, the reader can obtain information on the change in the cash balance from the prior fiscal year (ending June 30, 2017).

FINANCIAL ANALYSIS OF THE DISTRICT

The statement of net position (pages 9-10) and the statement of revenues, expenses and changes in net position (page 11) provide an indication of the District's financial condition and also indicate that the financial condition of the District improved during the last fiscal year. The District's net position reflects the difference between assets and deferred outflows, and liabilities and deferred inflows. An increase in net position over time typically indicates an improvement in financial condition.

A summary of the District's Statement of Net Position is presented below.

Table 1
Condensed Statement of Net Position
(In millions of dollars)

	2017	2018	Dollar Change	Percent Change
Current Assets	$21.62	$22.57	+0.95	+4.39%
Restricted Assets	$1.98	$1.85	-0.13	-6.57%
Long Term Assets	$40.91	$41.11	+0.20	+0.49%
Total Assets	$64.50	$65.52	+1.02	+1.58%
Deferred Outflows of Resources	$1.25	$1.53	+0.28	+22.40%
Current Liabilities	$1.01	$1.19	+0.18	+17.82%
Long Term Liabilities	$11.02	$10.90	-0.12	-1.09%
Total Liabilities	$12.03	$12.09	+0.06	+0.50%
Deferred Inflows of Resources	$0.16	$0.19	+0.03	+18.75%
Net Position Invested in Capital Assets & Capacity Rights	$29.96	$30.42	+0.46	+1.54%
Net Position Restricted	$1.98	$1.85	-0.13	-6.57%
Unrestricted Net Position	$21.63	$22.51	+0.88	+4.07%
Total Net Position	$53.57	$54.78	+1.21	+2.26%

FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

As the above table indicates, total assets increased by $1.02 million from $64.50 million to $65.52 million during the fiscal year ended June 30, 2018. This is attributed primarily to an increase in the value of the District's investment account, as well as an increase in the net OPEB asset which is further described in Note 8.

Table 1 also indicates that total net position increased by $1.21 million from $53.57 million to $54.78 million. This increase is a reflection of the increases and decreases in assets, deferred outflows, liabilities, and deferred inflows presented above.

Table 2
Condensed Statement of Revenues, Expenses
and Changes in Net Position
(In millions of dollars)

	2017	2018	Dollar Change	Percent Change
Operating Revenues	$8.74	$8.49	-0.25	-2.86%
Non-Operating Revenues	$0.80	$0.83	+0.03	+3.75%
Total Revenues	$9.54	$9.32	-0.22	-2.31%
Depreciation & Amortization Expense	$2.07	$2.21	+0.14	+6.76%
Other Operating Expenses	$5.47	$5.90	+0.43	+7.86%
Non-Operating Expenses	$0.22	$0.30	+0.08	-36.36%
Total Expenses	$7.76	$8.41	+0.65	+8.38%
Change in Position before Capital Contributions	$1.78	$.92	-0.87	-48.31%
Capital Contributions and Connection Fees	$0.37	$0.29	-0.08	-21.62%
Change in Net Position	$2.16	$1.21	-0.95	-43.98%
Beginning Net Position	51.41	53.57	+2.16	+4.20%
Ending Net Position	$53.57	$54.78	+1.21	+2.26%

FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

The Statement of Revenues, Expenses and Changes in Net Position identifies the various revenues and expenses which impact the change in net position. Table 2 indicates that the District's total revenues decreased by $0.22 million or 2.31 percent to $9.32 million in the fiscal year ended June 30, 2018 from $9.54 million the prior year. The decreased revenue was primarily attributed to a decrease in the total other operation revenue for the year.

Total expenses were $ 8.41 million, which is an increase of 8.38% from prior fiscal year; this increase is attributed to higher operating costs from the prior year.

CAPITAL ASSETS

As of June 30, 2018, the District's investment in capital assets totaled $38.39 million, which is an decrease of $0.06 million or 0.16 percent decrease from the capital asset balance of $38.45 million at June 30, 2017. Capital assets include all of the District's major capital assets, including infrastructure assets, wastewater treatment facilities, sewer mains, pipes and lift stations, land, District headquarters and other structures, as well as vehicles and other equipment with a value of $5,000 or more. A review of the District's capital assets is presented in Table 3 below.

Table 3
Capital Assets

	Date Acquired	Initial Value	Acc. Dep.	Book Value
Land	1968-1973	$51,121	($ -)	$51,121
Structures & Improvements	1971-2017	$836,656	($636,300)	$200,356
Office Furniture & Equipment	1981-2018	$121,363	($114,194)	$7,169
Technology Equipment	2002-2018	$1,059,130	($718,459)	$340,671
Shop Equipment	1980-2014	$67,126	($65,756)	$1,370
Vehicles	1992-2018	$1,391,621	($954,119)	$437,502
Trunk Lines	1965-2005	$7,084,166	($5,527,808)	$1,556,358
Lift Stations	1967-2017	$3,003,103	($441,362)	$2,561,741
WWTP	1984-2018	$41,192,141	($25,695,725)	$15,496,416
Collection System	1920-2018	$28,037,898	($11,703,865)	$16,334,033
C/S Donated Assets	1920-2018	1,621,748	($668,051)	$953,697
Construction in Progress	2015-2018	$448,976	($ -)	$448,976
Total		$84,915,049	($46,525,639)	$38,389,410

CAPITAL ASSETS (Continued)

There were increases in several of the asset categories this fiscal year, primarily due to infrastructure improvements which resulted in an increase in the total capital assets.

LONG-TERM LIABILITIES

As of June 30, 2017, the District had $10.90 million in long-term liabilities compared to $11.02 million as of June 30, 2016. The decrease of $0.12 million is a combination of continued adherence to the requirements of GASB 68 and principal payments on the District's debt issues which lowered the total of the outstanding debt.

In May 2016 the District refinanced the two outstanding bond issues (2003 and 2007 Series) into one 2016 Series Wastewater Revenue Refunding Bond in the amount of $8,610,000. The 2007 Bond Series was a $2.6 million bonds issued in November 2007 as funding for several projects identified in the Collection System's Capital Improvement Plan and the refunded revenue bonds which were issued in 2003 in the amount of $6.1 million to prepay and decrease outstanding certificates of participation which were issued in 1993 at a higher interest rate. The 2016 Bond Series matures in 2037. The District has covenanted that it will fix, prescribe and collect rates, fees and charges for use of the District's facilities during each fiscal year, which are at least sufficient to yield in each fiscal year net revenues equal to 125 percent of the debt service for such fiscal year. The District's credit was so strong a reserve fund was not a requirement for the 2016 Series Bond Issue.

Additional information on the District's long-term debt is provided in Note 6 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Ventura County's economic growth has mostly stalled over the past year. Job growth is slow, at 1.7% and overly concentrated in a narrow band of industry sectors. The County's labor force-that is, the total number of residents working or looking for work; those looking for work is actually in decline, depriving the County of the labor that fuels productivity. Data suggests a very slow or flat rate of growth for the County over the next one to three years. The County's low unemployment rate of 3.9% is even with the US as a whole and is slightly ahead of California, at 4.3%. The County's low unemployment rate is driven primarily by a decline in the total number of workers participating in the labor force. This decline in workers is the result of an aging community, high cost of housing, and the County's lack of new job creation.

The County's population growth continues at 0.4% which is half the rate of growth in the state as a whole. The County's housing affordability index is stuck at around 28%, discouraging for new family formation and making it difficult for the region's employers to attract new workers.

Looking forward neither the job growth nor unemployment numbers are expected to change significantly, with job growth remaining under 2% and unemployment around 4%, with a continuing stagnation or decline in labor force participation continuing to undermine the County's overall productivity and economic growth.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (Continued)

The District's financial situation has remained strong and is expected to continue that way.

On May 22, 2017 the Board of Directors adopted a two year budget covering fiscal years 2017/2018 and 2018/2019. This budget provides funding for the District's operating, capital and debt service costs for both fiscal years. There was no increase in the service charge for either of these two budget years.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Ojai Valley Sanitary District's General Manager at 1072 Tico Road, Ojai, CA 93023.

OJAI VALLEY SANITARY DISTRICT
STATEMENT OF NET POSITION
June 30, 2018 and 2017

ASSETS	**2018**	**2017**
Current Assets:		
Cash and cash equivalents	$ 3,704,391	$ 4,272,071
Investments	18,352,974	16,789,894
Accounts receivable	110,043	157,334
Property taxes receivable	118,234	143,691
Interest receivable	11,901	8,191
Notes receivable, current portion	182,630	174,975
Prepaid expenses	89,342	74,838
Total current assets	22,569,515	21,620,994
Restricted Assets:		
Notes receivable, restricted	293,601	297,780
Investments, restricted	1,553,717	1,678,271
Total restricted assets	1,847,318	1,976,051
Long-term Assets:		
Notes receivable, net of current portion	444,230	426,045
Net OPEB asset	2,272,119	2,027,088
Capital assets, net of depreciation	37,940,434	38,133,077
Construction in progress	448,976	320,015
Total long-term assets	41,105,759	40,906,225
Total assets	65,522,592	64,503,270
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on defeasance of debt	468,456	491,880
Deferred outflows related to OPEB asset	67,235	-
Deferred outflows related to pensions	998,051	754,542
Total deferred outflows of resources	1,533,742	1,246,422
Total assets and deferred outflows of resources	$ 67,056,334	$ 65,749,692

See accompanying notes

OJAI VALLEY SANITARY DISTRICT
STATEMENT OF NET POSITION
June 30, 2018 and 2017

LIABILITIES	**2018**	**2017**
Current Liabilities:		
Accounts payable	$ 274,741	$ 136,501
Accrued payroll	80,455	74,514
Interest payable	94,833	76,088
Accrued compensated absences	244,663	228,841
Revenue bonds, current portion	500,000	495,000
Total current liabilities	1,194,692	1,010,944
Long Term Liabilities:		
Revenue bonds, net of current portion	7,942,110	8,488,966
Net pension liability	2,955,377	2,527,121
Total long term liabilities	10,897,487	11,016,087
Total liabilities	12,092,179	12,027,031
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	186,879	155,935
Total deferred inflows of resources	186,879	155,935
Total liabilities and deferred inflows of resources	12,279,058	12,182,966
NET POSITION		
Net Position:		
Net investment in capital assets	30,415,756	29,961,006
Restricted	1,847,318	1,976,051
Unrestricted	22,514,202	21,629,669
Total net position	$ 54,777,276	$ 53,566,726

See accompanying notes

OJAI VALLEY SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended June 30, 2018 and 2017

	2018	2017
Operating Revenues:		
Sewer charges	$ 8,395,419	$ 8,596,405
Other operating revenue	94,281	140,168
Total operating revenues	8,489,700	8,736,573
Operating Expenses:		
General and administrative	2,078,149	2,200,246
Collection system	1,423,521	1,293,154
Treatment plant	2,394,243	1,972,163
Depreciation expense	2,205,995	2,068,622
Total operating expenses	8,101,908	7,534,185
Income from operations	387,792	1,202,388
Nonoperating Revenue (Expense):		
Taxes and assessments	774,310	757,049
Net investment and interest income	52,992	44,081
Interest expense	(284,695)	(196,345)
Loss on disposal of assets	(9,013)	(19,068)
Bond trustee fees	(2,500)	(3,750)
Total non-operating revenue	531,094	581,967
Change in net position before capital contributions	918,886	1,784,355
Capital contributions and connection fees	291,664	373,307
Change in net position	1,210,550	2,157,662
Net position at beginning of year	53,566,726	51,409,064
Net position at end of year	$ 54,777,276	$ 53,566,726

See accompanying notes

OJAI VALLEY SANITARY DISTRICT
STATEMENT OF CASH FLOWS
For the years ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities:		
Cash received from user charges	$ 8,515,330	$ 8,662,075
Cash payments to suppliers for goods and services	(3,341,121)	(3,233,986)
Cash payments to employees	(2,189,152)	(2,168,863)
Net cash provided by operating activities	2,985,057	3,259,226
Cash Flows from Noncapital Financing Activities:		
Cash received for taxes and assessments	799,767	794,704
Net cash provided by noncapital financing activities	799,767	794,704
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(2,475,192)	(3,248,542)
Proceeds from sale of capital assets	7,150	-
Bond trustee fees	(2,500)	(3,750)
Principal paid on long term debt	(495,000)	(575,000)
Interest paid on long term debt	(289,382)	(173,118)
Proceeds from connection fees	291,664	373,307
Net cash used by capital and related financing activities	(2,963,260)	(3,627,103)
Cash Flows from Investing Activities:		
Purchase of investments and securities	(18,783,202)	(15,835,444)
Proceeds from sales of investments and securities	17,043,738	15,499,890
Investment income received	350,220	359,767
Net cash provided (used) by investing activities	(1,389,244)	24,213
Net increase (decrease) in cash	(567,680)	451,040
Cash – beginning of year	4,272,071	3,821,031
Cash – end of year	$ 3,704,391	$ 4,272,071

See accompanying notes

Note 1 – Reporting Entity

Ojai Valley Sanitary District (the District) was formed in May 1985 pursuant to the Sanitary Act of 1923, through the annexation of the Sanitation Department of the City of Ojai to the Oak View Sanitary District followed by the consolidation of the Ventura Avenue, Oak View, and Meiners Oaks Sanitary Districts. It operates and maintains a sewage collection system and treatment plant. The Board of Directors consists of a seven member group which has the governance responsibilities over all the activities related to the District. The Board members are elected by the public. They have the decision making authority, the power to designate management, the responsibility to significantly influence operations and accountability for fiscal matters.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the District is that the costs, including depreciation, of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. These financial statements are presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when they are incurred. An enterprise fund is accounted for on the "flow of economic resources" measurement focus. This means that all assets and liabilities, whether current or long term, are included on the statement of net position.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and the producing and delivering of goods in connection with the District's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The financial statements of the District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting financial reporting principles.

Budget

The District prepares an annual budget which estimates major sources of revenue, expenses and additions to or uses of reserves. The Board approves the total budget and is authorized to make any budget adjustments during the year. Formal budgetary integration is employed as a management control device during the year. Unused appropriations lapse at the end of the year.

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash

For purposes of the statement of cash flows, the District considers funds invested in the State of California Local Agency Investment Fund (LAIF) and all other highly liquid debt instruments with an original maturity of three months or less when purchased and not subject to early withdrawal penalties to be cash equivalents.

Accounts Receivable

Accounts receivable are considered to be fully collectible. Accordingly, no allowance has been made for doubtful accounts, and accounts receivable are shown at full value.

Notes Receivable

The District has entered into Agreements for Deferred Payment of Ojai Valley Sanitary District Capacity Charges with various customers. The option to defer the payment of capacity charges is available to property owners complying with the District's Unpermitted Connection Ordinance. Each owner has the choice of deferring the payment over a period of 5, 10 or 15 years. The agreement also has an optional provision allowing the property owner to pay the first installment in equal monthly payments over a period of months, to be completed prior to the end of the current fiscal year and not exceed 1 year.

Investments

Investments are stated at fair value (the price that would be received to sell an asset in an orderly transaction between market participants acting in their economic best interest at the measurement date). Changes in fair value that occur during the fiscal year are reported as part of investment and interest income. Investment and interest income includes interest earnings and realized and unrealized gains or losses in fair value. Investment and interest income are recorded as revenues and receivables when declared and realized gains or losses are recorded when the investment is sold.

Capital Assets

Capital assets purchased by the District are recorded at cost. Donated assets are recorded at estimated fair market value as of the date of donation. The District capitalizes assets with a cost or fair market value at the date of donation of $5,000 or more.

Capital assets are depreciated on a straight- line basis over the asset's estimated useful life. The service lives of assets are as follows:

Estimated useful lives are:	
Office furniture and equipment	5-7 years
Pumps and filter	20 years
Motors	20 years
Treatment plant structures	5-30 years
Meters, manholes, trunk lines	40 years

Note 2 – Summary of Significant Accounting Policies (Continued)

Construction in Progress

The District occasionally constructs capital assets for its own use in the plant operations. The costs associated with these projects are accumulated in a construction in progress account while the project is being developed. Once the project is completed, the entire cost of the constructed assets are transferred to the capital assets account and depreciated over the estimated useful life of the capital assets. Cost includes interest expense capitalized to projects in the amount of $0 and $48,605 for the years ended June 30, 2018 and 2017, respectively.

Other Postemployment Benefits

For purposes of measuring the net OPEB liability/asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (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 currently due and payable in accordance with benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Pension Plan

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

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Deferred Charges on Defeasances

For advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt (i.e. deferred charges) is reported as a deferred outflow of resources and amortized to interest expense based on the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Deferred outflows related to debt refunding were $468,456 and $491,880 at June 30, 2018 and 2017, respectively.

Compensated Absences

Employees are entitled to accumulate vacation leave at a rate of two to four weeks per year, depending on the number of years of service completed. Such accumulated leave cannot exceed two and one-half times the employee's annual entitlement. Vacation leave is fully vested at all times and will be paid to employees upon termination of employment.

Employees are entitled to accumulate unlimited non-vested sick leave, at the rate of eight hours per month. Accumulated employee sick leave benefits are not recognized as liabilities of the District since payment of such benefits is not probable and is not paid to employees upon termination. Sick leave benefits are recorded as expenses in the period that sick leave is taken.

Net Position

Net position represents the difference between assets and liabilities and is classified into three components as follows:

- Net investment in capital assets and capacity rights – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds.
- Restricted – This component of net position consists of external constraints placed on net position use by creditors, grantors, contributors, laws, or regulations or other governments, or through constitutional provisions, or enabling legislation.
- Unrestricted – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

When an expense is incurred for purposes for which both unrestricted and restricted resources are available for use, it is the District's policy to apply restricted assets first, then unrestricted resources.

Note 2 – Summary of Significant Accounting Policies (Continued)

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, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Significant estimates used in preparing these financial statements include useful lives of capitalized assets, the net pension liability, and the asset related to other postemployment benefits. It is at least reasonably possible that the significant estimates used will change within the next year.

Future Governmental Accounting Standards Board (GASB) Statements

The Governmental Accounting Standards Board Statements listed below will be implemented in future financial statements. These statements will be evaluated by the District to determine if they will have a material impact to the financial statements once effective.

Statement No. 83	*"Certain Asset Retirement Obligations"*	The requirements of this statement are effective for periods beginning after June 15, 2018. (FY 18/19)
Statement No. 84	*"Fiduciary Activities"*	The requirements of this statement are effective for periods beginning after December 15, 2018. (FY 19/20)
Statement No. 87	*"Leases"*	The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21)
Statement No. 88	*"Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements"*	The requirements of this statement are effective for periods beginning after June 15, 2018. (FY 18/19)
Statement No. 89	*"Accounting for Interest Cost Incurred Before the End of a Construction Period"*	The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21)

Note 3 – Cash and Investments

Cash and investments are classified within the accompanying statement of net position as follows:

	2018	2017
Cash and cash equivalents	$ 3,704,391	$ 4,272,071
Investments	18,352,974	16,789,894
Investments, restricted	1,553,717	1,678,271
Total cash and investments	$ 23,611,082	$ 22,740,236

Note 3 – Cash and Investments (Continued)

Cash and investments are comprised of the following at June 30, 2018 and 2017:

	2018	2017
Petty cash	$ 900	$ 900
Deposits with financial institutions	1,243,001	1,292,926
Ventura County Treasury Pool	2,180,601	2,701,400
Local Agency Investment Fund (LAIF)	279,889	276,845
Total cash and equivalents	3,704,391	4,272,071
Investments, non-cash equivalents	19,906,691	18,468,165
Total cash and investments	$ 23,611,082	$ 22,740,236

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy contain legal requirements that limit the exposure to custodial credit risk for deposits as follows: a financial institution must 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 deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District and are held by either the counter-party or the counter-party's trust department or agent but not in the District's name. As of June 30, 2018, all of the District's investments were held with an independent third party custodian bank registered in the name of the District. The District uses Morgan Stanley as a third party custody and safekeeping service for its investment securities.

Investments Authorized by the District's Investment Policy

The District's investment policy is to invest funds in a manner which will provide maximum security while meeting the daily cash flow demands of the District, earning the highest investment return and conforming to all statutes governing the investment of District funds.

Note 3 – Cash and Investments (Continued)

The following table identifies the investment types that are authorized by the District's investment policy as of June 30, 2018.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment One Issuer
Local Agency Bonds	20 years	None	None
U.S. Treasury Obligations	20 years	None	None
State of California Agency Obligations	20 years	None	None
CA Local Agency Obligations	20 years	None	None
U.S. Agency Obligation	20 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper - Non-Pooled Funds	270 days	25% of the agency's money	10%
Commercial Paper - Pooled Funds	270 days	40% of the agency's money	None
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% base value of portfolio	None
Medium-Term Notes	5 years	30%	None
Mutual Funds and Money Market Mutual Funds	N/A	20%	10%
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	20 years	20%	None
Time Deposits	5 years	30%	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Fair Value of Investments

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

Note 3 – Cash and Investments (Continued)

Fair Value of Investments (Continued)

At June 30, 2018 the District had the following recurring fair value measurements:

Investment Type	Total Fair value	Level 1	Level 2	Level 3
US Treasury Notes	$ 13,172,170	$ 13,172,170	$ -	$ -
U.S. Agency Obligations	1,783,552	-	1,783,552	-
Corporate Bonds	4,950,969	-	4,950,969	-
Total	$ 19,906,691	$ 13,172,170	$ 6,734,521	$ -

At June 30, 2017 the District had the following recurring fair value measurements:

Investment Type	Total Fair value	Level 1	Level 2	Level 3
US Treasury Notes	$ 10,305,980	$ 10,305,980	$ -	$ -
U.S. Agency Obligations	3,216,645	-	3,216,645	-
Municipal Bonds	118,544	-	118,544	-
Corporate Bonds	4,826,996	-	4,826,996	-
Total	$ 18,468,165	$ 10,305,980	$ 8,162,185	$ -

US Treasury notes are valued using prices quoted in active markets for those securities. U.S. Agency Obligations, corporate bonds, and municipal bonds are valued using various market and industry inputs.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Note 3 – Cash and Investments (Continued)

Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investment by maturity date:

Investment Type	Carrying Amount	Remaining Maturity (in Months) as of June 30, 2018 6 Months or Less	7-12 Months	13-36 Months	More than 36 Months
US Treasury Notes	$ 13,172,170	$ 2,010,351	$ 1,729,102	$ 4,655,702	$ 4,777,015
U.S. Agency Obligations	1,783,552	815	-	417,109	1,365,628
Corporate Bonds	4,950,969	140,090	494,647	2,148,456	2,167,776
Total	$ 19,906,691	$ 2,151,256	$ 2,223,749	$ 7,221,267	$ 8,310,419

Investment Type	Carrying Amount	Remaining Maturity (in Months) as of June 30, 2017 6 Months or Less	7-12 Months	13-36 Months	More than 36 Months
US Treasury Notes	$ 10,305,980	$ -	$ -	$ 2,743,423	$ 7,562,557
U.S. Agency Obligations	3,216,645	424,883	575,846	596,169	1,619,747
Municipal Bonds	118,544	-	118,544	-	-
Corporate Bonds	4,826,996	74,955	538,864	2,522,735	1,690,442
Total	$ 18,468,165	$ 499,838	$ 1,233,254	$ 5,862,327	$ 10,872,746

Concentration of Credit Risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2018, the District had the following investments representing five percent or more of total investments:

Name of Issuer	Fair Value	% of Total
Federal National Mortgage Association (FNMA)	$ 1,360,446	6.83%

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code and the District's investment policy, and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Minimum Rating	As of June 30, 2018 Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Not Rated
US Treasury Notes	$ 13,172,170 *	N/A	$ 13,172,170	$ -	$ -	$ -	$ -	$ -	$ -	$ -
U.S. Agency Obligations	1,783,552	N/A	374,235	-	-	-	-	-	-	1,409,317
Corporate Bonds	4,950,969	A-1	332,869	83,768	430,344	584,460	1,139,501	1,138,517	1,241,510	-
Total	$ 19,906,691		$ 13,879,274	$ 83,768	$ 430,344	$ 584,460	$ 1,139,501	$ 1,138,517	$ 1,241,510	$ 1,409,317

* Exempt from Disclosure

Note 3 – Cash and Investments (Continued)

Credit Risk (Continued)

Investment Type	Carrying Amount	Minimum Rating	As of June 30, 2017 Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Not Rated
US Treasury Notes	$ 10,305,980 *	N/A	$ 10,305,980	$ -	$ -	$ -	$ -	$ -	$ -	$ -
U.S. Agency Obligations	3,216,645	N/A	1,380,306	-	-	-	-	-	-	1,836,339
Municipal Bonds	118,544	A	-	-	-	118,544	-	-	-	-
Corporate Bonds	4,826,996	A-1	516,377	81,002	494,832	483,193	1,477,764	837,986	935,842	-
Total	$ 18,468,165		$ 12,202,663	$ 81,002	$ 494,832	$ 601,737	$ 1,477,764	$ 837,986	$ 935,842	$ 1,836,339

* Exempt from Disclosure

Local Agency Investment Fund

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying basic financial statements at amounts based on the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are mortgage-backed securities, other asset-backed securities, loans to certain state funds, securities with interest rates that vary according to changes in rates greater than a one-for-one basis, and structured notes. The amounts invested in LAIF are recorded as cash and cash equivalents at June 30, 2018 and 2017.

Ventura County Treasury Investment Pool

The District is a voluntary participant in the Ventura County Treasury Investment Pool, which makes investment in accordance with an Investment Policy Statement which complies with the requirements of California Government Code. Investments are stated at fair value. The fair value of the District’s position in the pool is the same as the value of the pool shares. Additional information about the Ventura County Treasury Investment Pool can be obtained from the Ventura County Treasurer-Tax Collector’s website: www.ventura.org/ttc.

Note 4 – Restricted Assets

New customers connecting to the sewer system are required to pay a treatment plant capacity charge adopted by the Board of Directors. These funds are restricted by State law and may be used to finance the expansion or upgrade of existing facilities that will benefit new customers including collection system improvements and treatment system upgrades.

For fiscal years ended June 30, 2018 and 2017, the following amounts are restricted for capital expansion:

	2018	2017
Investments, restricted	$ 1,553,717	$ 1,678,271
Notes receivable, restricted	293,601	297,780
Total restricted assets	$ 1,847,318	$ 1,976,051

Note 5 – Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Disposals	Transfers	Balance June 30, 2018
Land	$ 51,121	$ -	$ -	$ -	$ 51,121
Structures and improvements	836,656	-	-	-	836,656
Office furniture and equipment	1,142,588	109,893	(71,988)	-	1,180,493
Collection system	28,250,279	143,629	(103,466)	1,369,204	29,659,646
Vehicles	1,171,307	255,129	(34,815)	-	1,391,621
Lift stations	3,003,103	-	-	-	3,003,103
Trunk lines	7,084,166	-	-	-	7,084,166
Treatment plant	41,040,481	151,660	-	-	41,192,141
Equipment	67,126	-	-	-	67,126
Construction in progress	320,015	1,498,165	-	(1,369,204)	448,976
Capital assets	82,966,842	2,158,476	(210,269)	-	84,915,049
Accumulated depreciation	(44,513,750)	(2,205,995)	194,106	-	(46,525,639)
Net capital assets	$ 38,453,092	$ (47,519)	$ (16,163)	$ -	$ 38,389,410

The following is a summary of changes in capital assets for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Disposals	Transfers	Balance June 30, 2017
Land	$ 51,121	$ -	$ -	$ -	$ 51,121
Structures and improvements	704,849	134,452	(2,645)	-	836,656
Office furniture and equipment	947,487	271,762	(76,661)	-	1,142,588
Collection system	27,018,094	47,659	(19,107)	1,203,633	28,250,279
Vehicles	1,171,972	-	(665)	-	1,171,307
Lift stations	1,928,192	-	-	1,074,911	3,003,103
Trunk lines	7,084,166	-	-	-	7,084,166
Treatment plant	40,297,651	305,551	-	437,279	41,040,481
Equipment	73,616	-	(6,490)	-	67,126
Construction in progress	863,436	2,172,402	-	(2,715,823)	320,015
Capital assets	80,140,584	2,931,826	(105,568)	-	82,966,842
Accumulated depreciation	(42,531,628)	(2,068,622)	86,500	-	(44,513,750)
Net capital assets	$ 37,608,956	$ 863,204	$ (19,068)	$ -	$ 38,453,092

Note 6 – Long-Term Debt (Continued)

The following is a schedule of changes in long-term debt of the District for the years ended June 30, 2018 and 2017:

	Balance June 30, 2017	Additions	Retirements/ Amortization	Balance June 30, 2018	Due Within One Year
2016 Revenue Bonds	$ 8,000,000	$ -	$ (495,000)	$ 7,505,000	$ 500,000
Unamortized Premium	983,966		(46,856)	937,110	-
	$ 8,983,966	$ -	$ (541,856)	$ 8,442,110	$ 500,000

	Balance June 30, 2016	Additions	Retirements/ Amortization	Balance June 30, 2017	Due Within One Year
2016 Revenue Bonds	$ 8,575,000	$ -	$ (575,000)	$ 8,000,000	$ 495,000
Unamortized Premium	1,030,821	-	(46,855)	983,966	-
	$ 9,605,821	$ -	$ (621,855)	$ 8,983,966	$ 495,000

2016 Wastewater Revenue Refunding Bonds

On May 1, 2016 the District issued the 2016 Wastewater Revenue Refunding Bonds ("2016 Revenue Bonds") in the amount of $8,575,000, with interest rates ranging from 2.0% to 4.0%, with the final installment payment due on September 1, 2037. Interest is payable semi-annually on March 1 and September 1 of each year. Principal payments are payable annually on September 1 of each year. The bonds were issued to currently refund the District's 2003 Wastewater Revenue Refunding Bonds, Series 2003 and to advance refund the District's Certificates of Participation, Series 2007. As a result of the refunding, the District obtained an economic gain of approximately $1,026,000. The difference in cash flow requirements to service the old debt and the new debt is approximately $1,219,000.

The annual requirements to amortize the 2016 Revenue Bonds are as follows:

Fiscal Year End	Principal	Interest	Total
2019	$ 500,000	$ 277,000	$ 777,000
2020	525,000	261,625	786,625
2021	545,000	245,575	790,575
2022	555,000	226,300	781,300
2023	575,000	203,700	778,700
2024-2028	1,575,000	776,500	2,351,500
2029-2033	1,455,000	504,900	1,959,900
2034-2038	1,775,000	183,500	1,958,500
	$ 7,505,000	$ 2,679,100	$ 10,184,100

Note 6 – Long-Term Debt (Continued)

In connection with the 2016 Refunding Revenue Bonds, the District has agreed, among other things, to fix, prescribe and collect rates and charges for services and facilities which will be at least sufficient to yield net revenue, as described in the bond document, equal to 125% of the debt service payable in the fiscal year.

Note 7 – Pension Plan

Plan Description – All qualified employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and local government 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. Eligible employees hired after January 1, 2013 that are considered new members as defined by the Public Employees' Pension Reform Act (PEPRA) participate in the PEPRA Miscellaneous Plan.

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, as discussed above. Members with five years of total service are eligible to retire at age 50 with statutory benefits. An optional benefit regarding sick leave was adopted. Any unused sick leave accumulates at the time of retirement will be converted to credited service at a rate of 0.004 years of service for each day of sick leave. All members are eligible for non-duty disability benefits after 10 years of service. The system also provides for the Optional Settlement 2W Death Benefit, as well as the 1959 Survivor Benefit. The cost of living adjustments for all plans are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2018 and 2017, are summarized as follows:

	Miscellaneous Plan	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - Minimum	52 - Minimum
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates		
2018	7.00%	6.50%
2017	7.00%	6.50%
Required employer contribution rates		
2018	9.10%	6.91%
2017	9.06%	6.93%

Note 7 – Pension Plan (Continued)

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 Plan 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above, and as a dollar amount for contributions toward the unfunded liability. The District's required contribution for the unfunded liability was $133,199 and $110,153 for the fiscal years ended June 30, 2018 and 2017, respectively.

Classic Plan participants are required to contribute 7% of their annual covered salary. The District makes 50% of the contributions required of classic Plan members with 5-10 years of service and 100% of the contributions required of classic Plan members greater than 10 years of service on their behalf and for their account. These contributions made on behalf of employees are included in operating expenses on the statement of revenues, expenses, and changes in net position, but are not included in pension expense as disclosed below. The District does not pay any portion of the required participant contributions on behalf of PEPRA members.

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

As of June 30, 2018, the District reported a liability of $2,955,377 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability for all Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures.

The District's proportion of the net pension liability was based on a projection of their long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, as actuarially determined.

The District's proportionate shares of the net pension liability for all Plans with an actuarial valuation dates of June 30, 2016 and 2015 (measurement dates June 30, 2017 and 2016) were as follows:

Measurement Date June 30, 2017		Measurement Date June 30, 2016	
	Miscellaneous		Miscellaneous
Proportion – June 30, 2016	0.07275%	Proportion – June 30, 2015	0.07023%
Proportion – June 30, 2017	0.07497%	Proportion – June 30, 2016	0.07275%
Change – Increase (Decrease)	0.00222%	Change – Increase (Decrease)	0.00252%

Note 7 – Pension Plan (Continued)

For the years ended June 30, 2018 and 2017, the District recognized pension expense of $521,617 and $292,467 respectively. The District's contributions to the Plan for the years ended June 30, 2018 and 2017 were $306,488 and $274,062, respectively.

At June 30, 2018 and 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2018		June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 306,488	$ -	$ 274,062	$ -
Differences between expected and actual experience	4,037	(57,832)	6,761	-
Changes in assumptions	500,850	(38,190)	-	(82,981)
Changes in employer's proportion	73,404	-	41,828	-
Difference between employer's contributions and employer's proportionate share of contributions	-	(90,857)	-	(72,954)
Net differences between projected and actual earnings on plan investments	113,272	-	431,891	-
Total	$ 998,051	$ (186,879)	$ 754,542	$ (155,935)

Employer contributions of $306,488 reported at June 30, 2018 as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2019	$ 107,700
2020	289,457
2021	174,780
2022	(67,253)
2023	-
Thereafter	-
	$ 504,684

Note 7 – Pension Plan (Continued)

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 and 2015 actuarial valuations (June 30, 2017 and 2016 measurement dates) were determined using the following actuarial assumptions:

	Miscellaneous Plan
Actual Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	
Measurement Date - 2017	7.15%
Measurement Date - 2016	7.65%
Inflation	2.75%
Salary Increases	Varies by entry age and service (1)
Investment Rate of Return (2)	
Measurement Date - 2017	7.15%
Measurement Date - 2016	7.65%
Mortality	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2016 and 2015 valuations were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality, and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

Change of Assumption – The accounting discount rate was reduced from 7.65% to 7.15% during the measurement period ended June 30, 2017. Deferred inflows of resources for changes of assumptions represents the unamortized portion of the changes of assumptions related to prior measurement periods.

Note 7 – Pension Plan (Continued)

Discount Rate – The discount rates used to measure the total pension liability were 7.15% and 7.65% for the measurement periods ending June 30, 2017 and 2016, respectively. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), the amortization and smoothing periods recently adopted by the CalPERS Board were used. For the Plan, the crossover test was performed for a miscellaneous agent rate plan and a safety agent rate plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investment. Based on the testing of the rate plans, the tests revealed the assets would not run out. Therefore, long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under the GASB 68 section.

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. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

	Measurement Date June 30, 2017			Measurement Date June 30, 2016		
Asset Class	Net Strategic Allocation	Real Return Years 1 -10(a)	Real Return Years 11+(b)	Net Strategic Allocation	Real Return Years 1 -10(a)	Real Return Years 11+(b)
Global Equity	47.00%	4.90%	5.38%	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.80%	2.27%	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.60%	1.39%	6.00%	0.45%	3.36%
Private Equity	12.00%	6.60%	6.63%	10.00%	6.83%	6.95%
Real Estate	11.00%	2.80%	5.21%	10.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	3.90%	5.36%	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.40%	-0.90%	1.00%	-0.55%	-1.05%

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

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

Note 7 – Pension Plan (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents The District's proportionate share of the net pension liability calculated using the discount rate of 7.15% at measurement date June 30, 2017 and 7.65% at measurement date June 30, 2016 as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate

Measurement Date June 30, 2017		Measurement Date June 30, 2016	
Miscellaneous (Pool Amount)		Miscellaneous (Pool Amount)	
1% Decrease	6.15%	1% Decrease	6.65%
Net Pension Liability	$ 4,606,326	Net Pension Liability	$ 3,964,008
Current Discount Rate	7.15%	Current Discount Rate	7.65%
Net Pension Liability	$ 2,955,377	Net Pension Liability	$ 2,527,121
1% Increase	8.15%	1% Increase	8.65%
Net Pension Liability	$ 1,588,033	Net Pension Liability	$ 1,339,607

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

Note 8 – Postemployment Health Care Benefits

Plan Description

The District provides payments toward the cost of health insurance during retirement, for retirees and their eligible spouses and dependents. Retirees may elect coverage for themselves and their eligible spouses and eligible dependents under any of the available health insurance plans that the District offers to its employees through CalPERS under the Public Employees Medical and Hospital Care Act (PEMHCA).

All employees of the District are eligible to participate in the retiree medical program, and may retire at age 50 or above, provided the employee is eligible to receive a retirement pension from CalPERS (requires attainment of age 50 with five years of overall service in CalPERS contracting agencies). Employees hired after May 27, 2008 must also have ten years of continuous employment with the District in order to qualify. Benefits are provided until death. If there is an eligible surviving spouse or eligible dependents, payments to the spouse will continue until the spouse's death, and payment to other eligible dependents will continue until each such dependent's death or end of eligibility as per CalPERS requirements.

Note 8 – Postemployment Health Care Benefits (Continued)

Employees Covered

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Participating active employees	21
Inactive employees or beneficiaries currently receiving benefits	7
Total	28

Contributions

There are no employee contributions to this Plan. The District contributes the monthly amount necessary to cover the premium for the plan and coverage elected by retiree, up to the basic premium on the PERS Choice plan offered to employees under PEMHCA for (i) family coverage up to the Medicare eligibility age of 65 and (ii) two-party coverage at ages 65 and above.

The District participates in the California Employers' Retiree Benefit Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees' Retirement System (PERS), which acts as a common investment and administrative agent for participating public employers within the State of California.

Net OPEB Asset

The District's net OPEB asset was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation dated June 30, 2017 based on the following actuarial methods and assumptions:

	OPEB Plan
Actual Cost Method	Entry-Age Actuarial Cost Method in accordance with the requirements of GASB Statement No. 75
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Salary Increases (1)	2.75%
Investment Rate of Return	7.00%
Mortality	2014 CalPERS Active Mortality for Miscellaneous Employees; 2014 CalPERS Retiree Mortality for Miscellaneous Employees
Pre-Retirement Turnover	2009 CalPERS Turnover for Miscellaneous Employees
Healthcare Trend Rate	4% per year

(1) Benefits are not dependent upon salary

Note 8 – Postemployment Health Care Benefits (Continued)

The long-term expected rate of return on OPEB Plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table.

	Measurement Date June 30, 2017	
Asset Class	Assumed Allocation	Assumed Gross Return
US Large Cap	43.00%	7.80%
Long-term Corporate Bonds	23.00%	5.30%
Long-term Government Bonds	12.00%	4.50%
US Small Cap	6.00%	7.80%
Treasury Inflation Protected Securities (TIPS)	5.00%	7.80%
US Real Estate	8.00%	7.80%
All Commodities	3.00%	7.80%
	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that District contributions will be sufficient to fully fund the obligation over a period not to exceed 30 years. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 8 – Postemployment Health Care Benefits (Continued)

Changes in the Net OPEB Asset

The changes in the net OPEB asset for the OPEB Plan are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2017 *(Measurement Date June 30, 2016)*	$ 2,134,237	$ 4,126,311	$ (1,992,074)
Changes Recognized for the Measurement Period:			
Service cost	73,188	-	73,188
Interest on total OPEB liability	149,465	-	149,465
Contributions - employer	-	69,217	(69,217)
Net investment income	-	435,692	(435,692)
Administrative expense	-	(2,211)	2,211
Benefit payments and refunds	(69,217)	(69,217)	-
Net Changes	153,436	433,481	(280,045)
Balance at June 30, 2018 *(Measurement Date June 30, 2017)*	$ 2,287,673	$ 4,559,792	$ (2,272,119)

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

The following presents the net OPEB asset of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017.

Net OPEB Asset		
1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
$ 1,977,900	$ 2,272,119	$ 2,517,817

The following presents the net OPEB asset of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017.

Net OPEB Asset		
Trend 1% Lower	Valuation Trend	Trend 1% Higher
$ 2,520,895	$ 2,272,119	$ 1,982,432

Note 8 – Postemployment Health Care Benefits (Continued)

OPEB Plan Fiduciary Net Position

CalPERS issues a separate comprehensive annual financial report over the CERBT which may be obtained from the CalPERS web site at www.calpers.ca.gov.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense/(benefit) systematically over time. Amounts are first recognized in OPEB expense/(benefit) for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss. The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five year period. The remaining gains and losses are amortized over the expected average remaining service life.

OPEB Expense/Benefit and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the District recognized an OPEB benefit of $210,828. At June 30, 2018, the District's had deferred outflows of resources for OPEB contributions subsequent to the measurement date in the amount of $67,235, which will be recognized as an increase to the net OPEB asset during the fiscal year ending June 30, 2019. There were no deferred inflows of resources related to OPEB.

Note 9 – Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all eligible District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The deferred compensation plan gives participants and their heirs claim to the Section 457 savings. The District has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The investments in the deferred compensation plan are held for the exclusive benefit of participants and beneficiaries.

Note 10 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, errors and omissions; injuries to employees; and natural disasters. The District maintains insurance coverage through a joint powers agreement for the majority of its coverage and its flood policy with an independent carrier with limits of $15,500,000 aggregate general liability; $25,500,000 excess liability; $15,500,000 employment related practices; $31,799,354 personal property/blanket building; $250,000 employee dishonesty and faithful performance; $577,945 physical damage; $750,000 worker's compensation; $1,000,000 excess worker's compensation; $2,000,0000 cyber liability; $25,000,000 public entity pollution liability; $2,000,000 ACIP crime; $25,000 identification fraud; and $1,500,000 flood (building and contents).

Note 11 – Supplemental Schedule Statement of Cash Flows

The following is a reconciliation of income from operations to net cash provided by operating activities:

	2018	2017
Net income from operations	$ 387,792	$ 1,202,388
Adjustments to reconcile the operating loss to net cash used by operating activities:		
Depreciation expense	2,205,995	2,068,622
Changes in assets and deferred outflows of resources:		
Accounts receivable	47,291	933
Notes receivable	(21,661)	(75,431)
Prepaid expenses	(14,504)	9,518
Net OPEB asset	(245,031)	(60,329)
Deferred outflows of resources - OPEB	(67,235)	-
Deferred outflows of resources - pension	(243,509)	(489,120)
Changes in liabilities and deferred inflows of resources:		
Accounts payable	454,956	53,262
Accrued payroll	5,941	1,462
Compensated absences	15,822	40,590
Net pension liability	428,256	600,410
Deferred inflows of resources - pension	30,944	(93,079)
Net cash provided by operating activities	$ 2,985,057	$ 3,259,226

Note 12 – Property Tax Calendar

Taxes, including homeowners' property tax relief, are remitted from the County Tax Collector. Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 1	
Levy Date	July 1 to June 30	
Due Date	November 1	(1st installment)
	March 1	(2nd installment)
Delinquent Date	December 11	(1st installment)
	April 11	(2nd installment)

Under California Law, property taxes are assessed and collected by the counties up to 1% of assessed value under the provisions of Proposition 13, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the District based on complex formulas prescribed by the state statutes.

Note 14 – Subsequent Events

Subsequent events have been evaluated through December 17, 2018, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

OJAI VALLEY SANITARY DISTRICT MISCELLANEOUS PLAN
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
AS OF JUNE 30, 2018
LAST 10 YEARS*

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF OJAI VALLEY SANITARY DISTRICT'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	2018	2017	2016	2015
Proportion of the net pension liability	0.02920%	0.02920%	0.02807%	0.02978%
Proportionate share of the net pension liability	$ 2,955,377	$ 2,527,121	$ 1,926,711	$ 1,852,965
Covered payroll	$ 1,927,426	$ 1,744,351	$ 1,630,192	$ 1,611,311
Proportionate share of the net pension liability as percentage of covered payroll	153.33%	144.87%	118.19%	115.00%
Plan fiduciary net position as a percentage of the total pension liability	75.38%	76.32%	81.06%	434.45%
Measurement date	06/30/17	06/30/16	06/30/15	06/30/14
Valuation date	06/30/16	06/30/15	06/30/14	06/30/13

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 measurement date.

* Historical information is required only for measurement periods for which GASB 68 is applicable. Future year's information will be displayed up to 10 years as information becomes available.

OJAI VALLEY SANITARY DISTRICT MISCELLANEOUS PLAN
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
AS OF JUNE 30, 2018
LAST 10 YEARS*

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF OJAI VALLEY SANITARY DISTRICT'S CONTRIBUTIONS

	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 306,488	$ 274,062	$ 243,134	$ 223,946
Contributions in relation to the actuarially determined contributions	$ 306,488	$ 274,062	$ 243,134	$ 223,946
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 1,954,128	$ 1,927,426	$ 1,744,351	$ 1,630,192
Contributions as a percentage of covered payroll	15.68%	14.22%	13.94%	13.74%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2017-2018 were derived from the June 30, 2015 funding valuation report.

* Historical information is required only for measurement periods for which GASB 68 is applicable. Future year's information will be displayed up to 10 years as information becomes available.

OJAI VALLEY SANITARY DISTRICT
OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF CHANGES IN THE NET OPEB ASSET AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018
LAST 10 YEARS*

	2018
Total OPEB liability:	
Service cost	$ 73,188
Interest on the total OPEB liability	149,465
Benefit payments	(69,217)
Net change in total OPEB liability	153,436
Total OPEB liability - beginning	2,134,237
Total OPEB liability - ending (a)	$ 2,287,673
Fiduciary Net Position	
Employer contributions	$ 69,217
Net investment income	435,692
Administrative expense	(2,211)
Benefit payments	(69,217)
Net change in fiduciary net position	433,481
Total fiduciary net position- beginning	4,126,311
Total fiduciary net position - ending (b)	$ 4,559,792
Net OPEB asset - ending (a) - (b)	$ (2,272,119)
Plan fiduciary net position as a percentage of the total OPEB liability	199.32%
Covered - employee payroll	$ 2,189,683
Net OPEB asset as a percentage of covered-employee payroll	-103.76%
Measurement date	06/30/17
Valuation date	06/30/17

Notes to Schedule:

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future year's information will be displayed up to 10 years as information becomes available.