



REGULAR MEETING OF THE BOARD OF DIRECTORS

AGENDA

TUESDAY, November 27, 2018

7:00 PM

President- Richard Smith Vice President-Wayne Holman Director- Marcus Dutra Director- Wayne Norton Director- James Leap General Manager- Robert Johnson Board Secretary-Louise Coombes
--

- I. **CALL TO ORDER**
- II. **ROLL CALL OF DIRECTORS:** President Richard Smith, Vice President Wayne Holman, Directors, Marcus Dutra, Wayne Norton and James Leap.
- III. **PLEDGE OF ALLEGIANCE**
- I. **STATEMENTS OF DISQUALIFICATION**
- II. **ADDITIONS AND DELETIONS**
- III. **MINUTES:** Motion to approve the Minutes of the October 23, 2018 Regular Board Meeting p.3-5
- IV. **ORAL COMMUNICATION:** *Anyone wishing to address the Board on informational items, staff reports or matters not listed on the agenda may do so during Oral Communications. Please limit your comment to three minutes. The public may comment on listed Action and Public Hearing items at the time they are considered by the Board.*
- V. **PRESENTATIONS & REPORTS**
 - A. DIRECTORS' REPORTS
 - B. ATTORNEY'S REPORT
 - C. MANAGER'S REPORT p.6-9
 - D. CORRESPONDENCE p.10-11
- IX. **ACTION ITEMS:**
 - A. **Presentation of Audited Financial Statements – Fiscal Year 2017 - 2018** p.12 - 62

Fedak & Brown staff will present the Audited Financial Statements for Board approval. (DRAFT Annual Financial Report attached).
 - B. **Consider receiving: 1) an informational presentation from XiO Systems, and 2) an updated proposal regarding the purchase of XiO Systems hardware for Aromas Water District sites, in the amount of \$13,139.00, and providing direction to Staff.** p.63-77

XiO staff will provide information about their technology, and present an update and revised quote for XiO System equipment to replace/augment portions of the District's system to facilitate remote surveillance and control of facilities.
 - C. **Consider receiving an update on the possible annexation of one parcel in the Rancho Larios area into the Aromas Water District boundary.** p.78-79

Staff will present an update on the annexation process; the annexing of one parcel in the Rancho Larios area into the Aromas Water District boundary.
 - D. **Consider receiving a report regarding the possible annexation of parcels along Cole Road, and providing direction to Staff.** p.80-84

Staff will present a report acknowledging a request to annex parcels along Cole Road to provide municipal water only for Board discussion and action.
 - E. **Financial Reports for the Month of October 2018** p.85-90

Oakridge & Orchard Acres Assessment Districts are now included in the financial reports. Therefore, the reports show a Total Revenue of \$122,113.50; Total expenditures were \$85,154.96 between October 17, 2018 and November 16, 2018. These financials and monthly expenditures will be presented for discussion and approval.
- X. **FUTURE MEETINGS & AGENDA ITEMS** Next meeting ó Wednesday, December 19, 2018
- XI. **ADJOURNMENT**

Next Res. # 2018-06

All public records relating to an agenda item on this agenda are available for public inspection at the time the record is distributed to all, or a majority of the board. Such records shall be available at the District office located at 388 Blohm Avenue, Aromas, CA.
--

PAGE INTENTIONALLY LEFT BLANK

Minutes of the Training Workshop & Regular Meeting of the Board of Directors of the Aromas Water District October 23, 2018

Workshop

- I. **CALL TO ORDER.** The workshop of the Board of Directors of the Aromas Water District was called to order by President Smith on Tuesday, October 23, 2018 at 5.03 p.m. at the District office located at 388 Blohm Ave, Aromas, California.
- II. **ROLL CALL.** President Smith, Vice President Holman and Directors Norton, Leap and Dutra were present. Also in attendance were General Manager Robert Johnson and Counsel Bob Bosso.
- III. **PLEDGE OF ALLEGIANCE.** Director Dutra led the pledge of allegiance.
- IV. **WORKSHOP.** Board of Directors' Training Session, titled; "Who Does What? Best Practices in Board/Staff Relations".

Return to Regular Session

- I. **CALL TO ORDER.** The regular meeting of the Board of Directors of the Aromas Water District was called to order by President Smith on Tuesday, October 23, 2018 at 7:14 p.m. at the District office located at 388 Blohm Ave, Aromas, California.
- II. **ROLL CALL.** President Smith, Vice President Holman and Directors Norton, Leap and Dutra were present. Also in attendance were General Manager Robert Johnson, Counsel Bob Bosso, and Acting Board Secretary Ester Gir6n.
- III. **STATEMENTS OF DISQUALIFICATION.** There were no disqualification statements.
- IV. **ADDITIONS AND DELETIONS.** There were no additions or deletions to the Agenda.
- V. **MINUTES.** The minutes of the September 25, 2018 Board Meeting were presented for review and approval; there no corrections or comments. Director Norton moved for approval of the minutes and Director Leap seconded. Minutes were unanimously approved with all Directors present.
- VI. **ORAL COMMUNICATION.** There were no public comments.
- VII. **REPORTS/PRESENTATIONS**

- A. **Director's Reports.** Director Leap commented on the water situation on Cole Road. He visited the site with GM Johnson and CO DeAlba and found it very educational. There is likely to be a future annexation application encompassing several parcels on Cole Road where wells are failing.

Director Norton attended a San Benito County Planning Commission meeting; two parcels along Highway 101 are in the process of being re-zoned for commercial use and are within our Sphere of Influence. The question for the future is whether we will have problems supplying their water demand, particularly with the probability of additional housing being built.

- B. **Attorney's Report.** Counsel Bosso reported that the SB998, to alter the current legislation on terminating service due to non-payment, was signed by the Governor. This will take effect in February 2020, Counsel Bosso mentioned that there may be regional amendments and legislation to clarify certain parameters. There will also need to be shut off procedures written in a variety of languages.

Counsel Bosso mentioned that new legislation for the Public Records Act recently passed. In essence, if the District wins an action against the requestor, the District can only claim attorney fees if the request is deemed "frivolous", which is hard to prove.

The two tiered rate cases (Goleta & Great Oaks) are still not resolved or moving forward.

C. Manager's Report

OPERATIONS

GM Johnson reported that no new meters have been installed so the total number of meters remains at 957.

Operator Zelmar sampled for lead at the Aromas School. The results show good news in that lead levels are well below maximum contaminant level.

Production & Well Levels

GM Johnson reported total production, in September 2018, was almost 11 million gallons for the month; the daily average at approximately 366,000 gallons. This brings the annual total to almost 79 million gallons.

Reporting on the well levels shows that at San Juan Well there was no change since last month; Aimee Well was up three feet and Marshall Well is up two feet. For Carpenteria Well the graph may have an error, but the depth reading is correct so the level is down four feet.

Incidents

The storage tanks on School Road were defaced with graffiti and toilet paper. A report with pictures was filed with the local Sheriff in case of further occurrences.

Staff & Board Recognition

GM Johnson, once again, pointed out that AC Giron and ASO Coombes are going above and beyond to keep everything running smoothly in the office. However, GM Johnson reported that unfortunately, due to family issues, CSR Varela has left the District.

GM Johnson recently represented the District at the 39th Annual Tri-County Aromas Fire Prevention District open house.

Projects

In the near future is the renovation of the District Apartment bathroom; discussions with, and bids from, a plumber and drywall installer have taken place. In the budget is \$15,000, half of which is between plumbing and drywall installation; painting and floor installation may be undertaken by staff.

With regard to technology for Board Member use; GM Johnson asked for Board preferences of different options to avoid use of paper Board packets and provide a device specifically for District emails. The Board were divided on this issue; some prefer paper, some prefer a Tablet. It resulted in the discretion of the GM to purchase appropriate technology for the use of the Board.

GM Johnson reported that with regard to Marshall Yard, himself and the staff at the San Benito Management Resource Agency had a conference call in which it was confirmed that there is a streamlined process with the lot line adjustment process with local governmental agencies. GM Johnson read into the record an email from the San Benito Planning Department outlining the expedited process for the lot line adjustment. Since it arrived today, it will be in next months' Correspondence.

- D. Correspondence.** GM Johnson summarized the correspondence between the District and TESCO where they have proposed a costly solution for the District. This segways neatly into the Action Item B on this month's agenda.

Director Holman enquired about the letter from the Department of Justice. GM Johnson explained it is in reference to the demise of the Pinnacles Payroll company in October 2016.

Director Norton enquired about the wharf hydrant removal on Marcus St. GM Johnson explained that the wharf hydrant is being encroached upon by an old tree so the hydrant needs to be removed.

IX. ACTION ITEMS

- A. Consider receiving an update on the possible annexation of one parcel in the Rancho Larios area into the Aromas Water District boundary.**

GM Johnson recently attended the PVWMA Board Meeting to clarify the situation with the sole parcel in Rancho Larios. Mr Eilert also attended and spoke and is very appreciative for all the effort the District is

making on his behalf. The PVWMA Board waived the non-exportation clause in this unique case. GM Johnson is planning to work to include Mr Eilert's parcel with the entire Rancho Larios group. GM Johnson has already begun communication for the next phase in approaching San Benito LAFCO to establish a change to the Districts' borders, any environmental impact or the requirement for any encroachment permits.

After some Board discussion, Director Norton moved and Director Leap seconded a motion to approve the next phase and approach San Benito LAFCO at the earliest opportunity. The motion was unanimously accepted with all Directors present.

B. Consider receiving a report regarding the purchase of XiO Systems hardware for Aromas Water District sites, in the amount of \$9,948.19, and providing direction to staff.

GM Johnson indicated that this action item is an update to the last meeting where approval was already given to purchase the installation of monitoring equipment at Rancho Larios Tank and Pleasant Acres Well (PAW). Closer scrutiny of the original proposal revealed a configuration error; PAW was incorrectly configured to be triggered on pressure rather than being run from the Pine Tree Tank. This means Pine Tree Tank needs a pressure transducer and a PLC not previously included. GM Johnson split the proposal so that Pleasant Acres Well and Pine Tree tank will be a new proposal which XiO is planning on presenting to the Board in November. The \$9,948.19 is for Rancho Larios Tank in order to rectify the lack of monitoring at that site. No motion was necessary as the Action Item was approved in the September meeting.

C. Financial Reports for the month of September 2018. Total revenue for September was \$120,704.83; Total expenditures were \$190,953.60 between September 20, 2018 and October 16, 2018.

On the **Balance Sheet**, *Total Assets* are \$11,828,164.83, of which the total cash assets are \$1,601,479.61 divided between the Aromas Water District's current assets of \$1,137,760.49, and the Assessment Districts' assets of \$464,363.64.

In the **P&L Report** GM Johnson reported *Total Revenue* for September was \$113,183.58 as compared to the Budgeted \$110,000.00. Largely due to the PG&E hydro-pressure testing, bulk water sales are up to \$5,663.77 so far, and are likely to continue into next month. Comparing the Jul-Sep 18 column to the YTD Budget shows water revenue alone is over budget by \$52,859.19.

System maintenance is showing as a negative number this month as the District has received reimbursements for a number of items including the Garden Ave line break and gutter repair at San Juan Well.

Director Dutra enquired about the current status of the oldest truck. GM Johnson explained that there are a number of options; keep the truck as a spare and utilizing it for meter reading to reduce fuel consumption as there is no longer heavy equipment on this truck. GM Johnson is investigating the costs involved in keeping it in the fleet.

In the **Monthly Expenditures** After Director Dutra enquired about the City National Bank payment of \$73,491.07; GM Johnson explained this occurs twice a year and is largely to pay off the solar field installation at Carpenteria, as well as Capital Projects such as Carr Tank, Rea Tank etc. The solar portion of the loan will be paid off in 2021; with the remainder in 2029.

Director Holman moved to adopt the Financial Reports as presented; and seconded by Director Dutra. The Financial Reports were unanimously accepted with all Directors present.

X. FUTURE MEETINGS & AGENDA ITEMS. The next meeting will be on Tuesday, November 27, 2018.

XI. ADJOURNMENT. President Smith adjourned the meeting at 8:27pm until Tuesday, November 27, 2018 at which Counsel Bosso will not be present due to his attendance at a conference, although he will be available by phone if needed.

Read and approved by: _____
President, Richard Smith

Attest: _____
Board Secretary, Louise Coombes

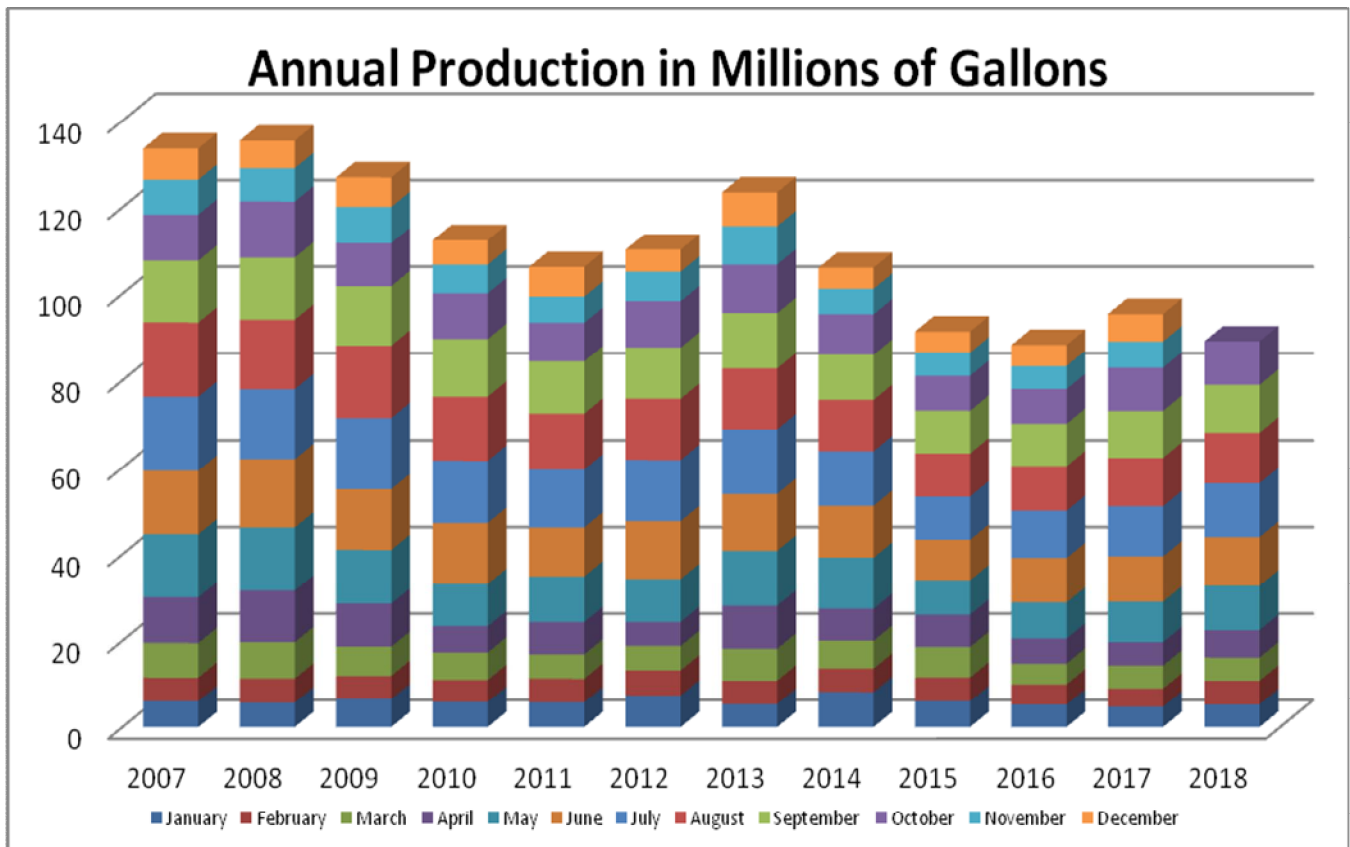
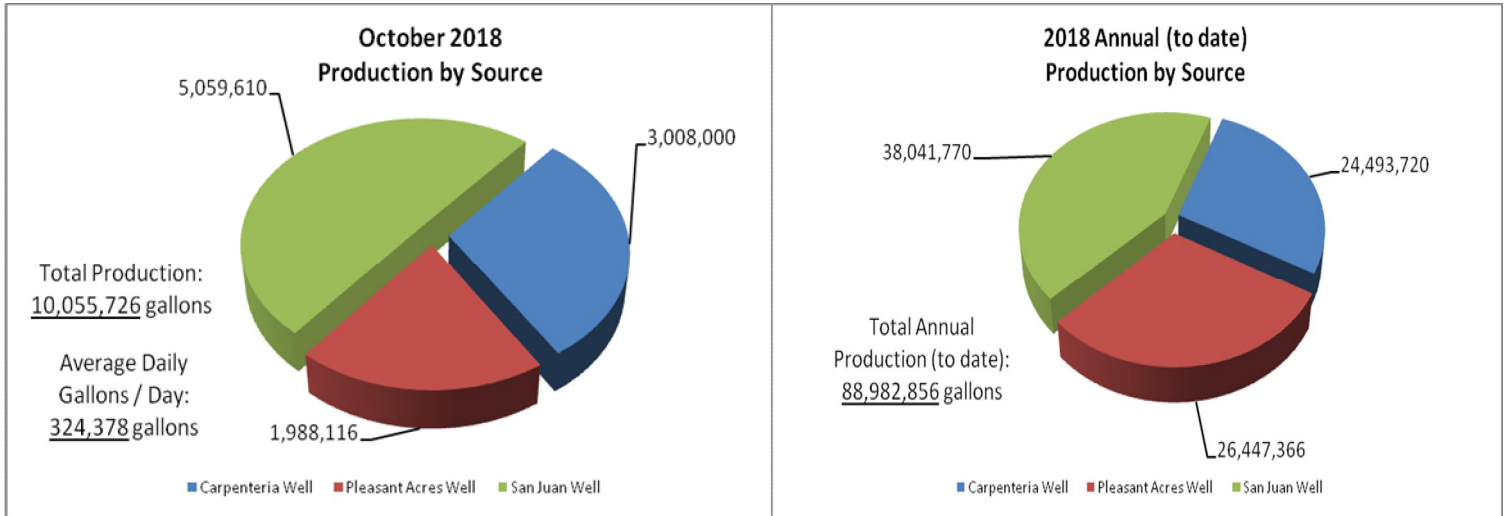
Date: _____

Date: _____

General Manager's Report October 2018



PRODUCTION REPORT



Totals	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Million Gal	133.6	135.38	126.9	112.37	106.15	110.17	123.42	105.97	91.27	88.152	95.304	88.983
Acre Ft	410.0	415.4	389.4	344.8	325.7	338.05	378.7	325.16	280.05	270.49	292.43	273.03

OPERATIONS AND MAINTENANCE REPORT

OPERATIONS:

- There are 957 total meters, on 902 parcels.
- Loss Production system wide has been maintained at below 5% for over 18+ months.
- Carpenteria and San Juan wells were operational the entire month; while Pleasant Acres well was down only one day.
- Water Treatment Plant; finished water was non-detect for both iron and manganese this month.
- Distribution testing for total Coliform; all samples negative.
- All monthly DWR reports on Coliform, and Mn / Fe were filed on time.
- WTP filters are being backwashed approximately every 5-7+/- days.
- Monthly Generator in-house 15 minute testing under load.
- Monthly well-level monitoring (see attached chart).
- Pleasant Acres well is down as of November 14, 2018 due to a power issue. GM Johnson is working to get PG&E on site to help resolve the issue. Resolution is currently scheduled for November 20.

MAINTENANCE:

- Preventative maintenance and flushing were performed, as needed
- Graffiti removal whenever it occurs ó see next section
- Chlorine chemical pump maintenance and analyzer maintenance at all wells
- Maintenance tasks are being performed as time allows (e.g. mowing solar field)

INCIDENTS:

- None during this reporting period

ADMINISTRATIVE REPORT

STAFF & BOARD RECOGNITION:

- Administrative Services Officer (ASO) Coombes and Account Clerk (AC) Girón continue to go above and beyond the call, keeping things running smoothly, since Customer Service Representative (CSR) Varela resigned in early October.
- ASO Coombes and AC Girón are documenting procedures related to the CSR position so, when a new person comes onboard, there will be a smooth transition into the role.
- Chief Operator (CO) DeAlba has been keeping the District's infrastructure functioning single-handedly, since early October, since Operator Zelmar has been out of the office.
- With Operator Zelmar's absence, GM Johnson has hired another worker on a part-time temporary basis to work a few hours each day and be on-call until Operator Zelmar returns.
- GM Johnson attended a North San Benito Basin SGMA meeting where the upcoming Groundwater Sustainability Plan (GSP) was discussed. Director Leap was also present at the meeting.
- GM Johnson attended the San Benito Board of Supervisors (BOS) meeting on November 20. The BOS was discussing bridges in San Benito County and their respective necessary work. GM Johnson provided comments on the Rocks Road bridge project.

CONSERVATION UPDATE:

October 2018 usage figures indicate the usual trend of customers ramping back their water usage as summer comes to a close.

PROJECTS:

1. District Apartment renovations

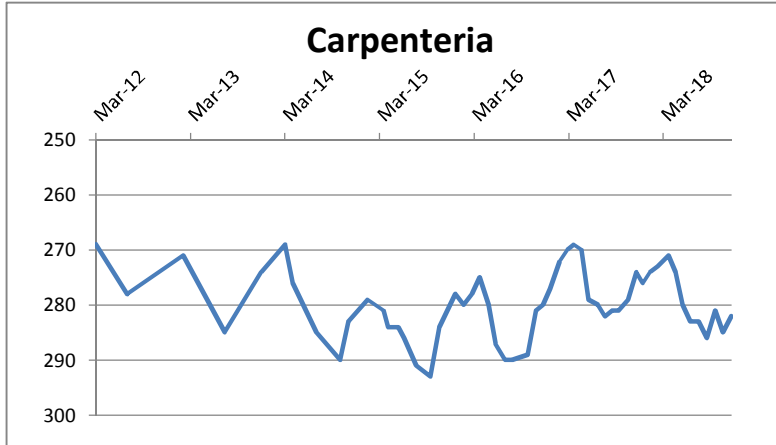
This project is part of the Capital Budget for the current fiscal year (Remodel apartment for \$15,000). The bathroom was taken on first. Next will be the installation of a sink in the entry room to use as a mud-type room, plumb the apartment with hot water, and work on the downstairs closet for storage.

2. Technology for Board member use

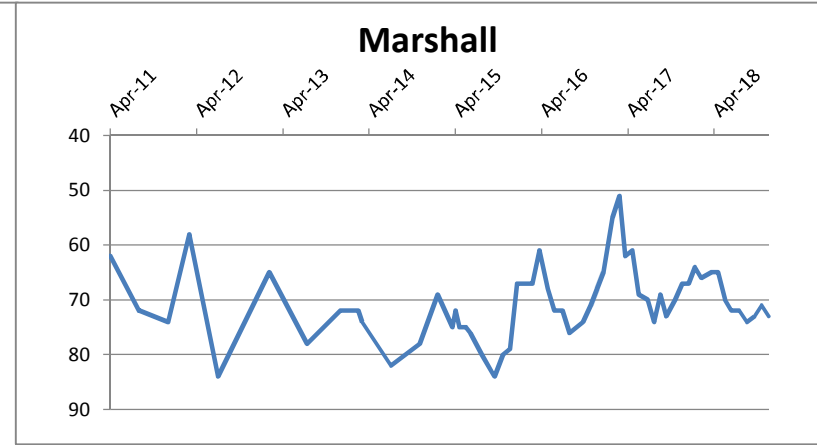
GM Johnson will purchase two relatively-inexpensive tablets for Board member use. This strategy could result in a reduction in paper usage and reduce costs in the long run. The tablets may be purchased and set up before the November Board meeting.

Robert Johnson
General Manager
November 20, 2018

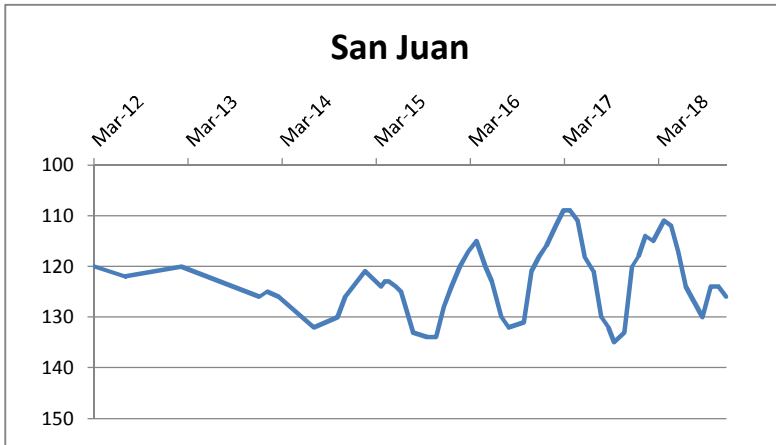
Well Water Level Monitoring
 Depth to Water Measurements
 Date: November 13, 2018



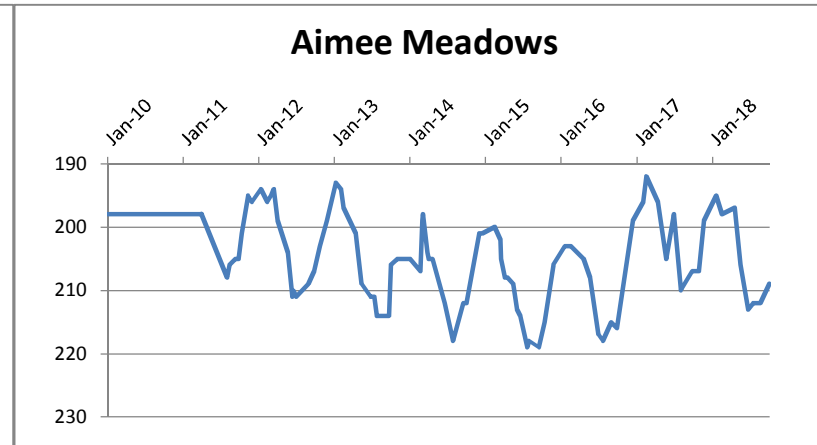
Carpenteria Well (production): Previous Read = 285 feet ; Current Read = 282 feet



Marshall Well (monitoring): Previous Read = 71 feet ; Current Read = 73 feet



San Juan Well (production): Previous Read = 124 feet ; Current Read = 126 feet



Aimee Meadows (monitoring): Previous Read = 209 feet ; Current Read = 208 feet

CORRESPONDENCE LIST: 10/18/2018 - 11/19/2018

DATE	TYPE	TO	FROM	SUBJECT
10/18/18	E	R. Johnson, AWD	R Felsing, San Ben Cty	Merging Parcels - by Public Agency
10/19/18	M	AWD	J Cattaneo, SB Cty Water Dist	Workshop for Development of GSP
10/19/18	M	T Kinison-Brown, SBC Planning	R Johnson, AWD	Lot Line Adjustment on 2551 Chittenden Road
10/23/18	E	R. Johnson, AWD	R Felsing, San Ben Cty	Parcel Merge (Marshall Yard)
10/26/18	E	R. Johnson, AWD	M Servantez, CSDA	Board Member Training Credit for Webinar
10/29/18	E	R. Johnson, AWD	M Servantez, CSDA	Certificates and Invoices for On-Demand Webinar
10/30/18	E	J Peairs, XiO	R Johnson, AWD	Rancho Larios Tank Proposal
10/30/18	E	R Johnson, AWD	J Peairs, XiO	Response to Rancho Larios Tank Proposal
10/30/18	M	J Tachibana, Underground Construction	AWD	Requesting completion of W9
10/30/18	M	AWD	PG&E	Notification of Rotating Outages at 7 AWD sites
10/31/18	E	R Johnson, AWD	US Dept of Justice	Notification of Pinnacles Payroll McEwan case
10/31/18	E	V Ralph, Monterey Cty	L Coombes, AWD	Response to the request for review of the Conflict of Interest Code.
10/31/18	E	B Doernberger, XiO	R Johnson, AWD	XiO Cloud SCADA at Aromas Water District
10/31/18	E	AWD	CSDA	Take Action Brief
11/1/18	E	R. Johnson, AWD	B Nicholson, San Ben Cty	LAFCO Process for annexation into AWD
11/2/18	M	L Coombes, AWD	J Tachibana, Underground Construction	Response to request for completion of W9
11/2/18	E	R. Johnson, AWD	B Nicholson, San Ben Cty	Letter on LAFCO Annexation Process
11/2/18	E	E Giron, AWD	S Lemessy, SmartProcure	Confirmation of receipt of Public Records Request
11/5/18	E	AWD	A Plagge, CBRE I Assessment & Consulting	Records request regarding Phase I Environmental Assessment for 387 Blohm Ave
11/5/18	E	R. Johnson, AWD	R Montano, Monterey Cty	Assignment of New Inspection Officer
11/5/18	E	SWRCB	R Johnson, AWD	Monthly Summary of Coliform Monitoring
11/6/18	E	SWRCB	R Johnson, AWD	Monthly Fe & Mn Field Test Results
11/7/18	M	AWD	LAFCO	Agenda for Board Meeting Wed Nov 7, 2018

CORRESPONDENCE LIST: 10/18/2018 - 11/19/2018

DATE	TYPE	TO	FROM	SUBJECT
11/7/18	E	AWD	Memb Svcs, USA North 811	Method of Excavation No Longer Required
11/8/18	M	AWD	San Benito LAFCO	Agenda for Board Meeting Thurs Nov 8, 2018
11/9/18	E	L Cloherty, City National Bank	L Coombes, AWD	Independent Confirmation of Loan for PricewaterhouseCoopers LLP
11/9/18	E	R Johnson, AWD	S Capron, 1811 Cole Road, Aromas	Cole Road Annexation
11/9/18	E	S Capron, Cole Road, Aromas	R Johnson, AWD	Response to Information re: Cole Road Annexation
11/11/18	M	R Johnson, AWD	B & M Ford, 1879 Cole Road, Aromas	Petition for Inclusion into Cole Road Annexation
11/11/18	M	R Johnson, AWD	G Skogen & L Mello, 1600 Cole Road, Aromas	Petition for Inclusion into Cole Road Annexation
11/11/18	M	R Johnson, AWD	S Capron J Rekedal, 1811 Cole Road, Aromas	Petition for Inclusion into Cole Road Annexation
11/15/18	M	R Johnson, AWD	PG&E	Application for service request at 2565 San Juan Rd
11/16/18	E	R Johnson, AWD	J Peairs, XiO	Proposal for Pleasant Acres Well and Pine Tree Tank

Staff Report



To: Board of Directors

Re: Item IX.A ó Presentation of Audited Financial Statements for Fiscal Year 2017-18

Date: November 19, 2018

Summary / Discussion

The Aromas Water District (AWD) Board of Directors is charged with the fiduciary responsibility to oversee and protect the assets of the AWD. The AWD is under contract with Fedak & Brown, LLP for the legally-required annual auditing of the financial records of the AWD. These annual Financial Statements are the relied upon source of information detailing the AWD's financial condition. They are utilized by our creditors, bond holders, as well as our state and county regulators.

The Financial Statements for review cover the 2017-2018 Fiscal Year, which is the twelve-month period from July 1, 2017 to June 30, 2018. A copy of the DRAFT Financial Statements is included within this meeting's Board packet.

The Audit Committee is composed of Board Directors Leap and Norton, Jonathan Abadesco of Fedak & Brown, AWD Administrative Services Officer Coombes, AWD Accounts Clerk Girõn, AWD Management Consultant GM Morris, and AWD General Manager Johnson. The Committee plans to meet on November 27, 2018 at 3:30pm, for an in-depth review of these Financial Statements before the presentation to the full Board at the meeting later that evening.

Staff Recommendation

Staff recommends that the Board accept the Financial Statements as presented.

Submitted by:

Robert Johnson
General Manager



**Annual Financial Report
For the Fiscal Year Ended
June 30, 2018**

DRAFT



Board of Directors as of June 30, 2018

Name	Title	Elected/ Appointed	Current Term
Richard Smith	President	Elected	12/14 - 12/18
Wayne Holman	Vice-president	Elected	12/16 - 12/20
K. Wayne Norton	Director	Elected	11/16 - 11/20
Marcos Dultra	Director	Elected	12/14 - 12/18
James Leap	Director	Elected	12/14 - 12/18

**Robert Johnson, General Manager
388 Blohm Avenue
P.O. Box 388
Aromas, California 95004
(831) 726-3155**

**Aromas Water District
Annual Financial Report
For the Fiscal Year Ended June 30, 2018**

DRAFT

**Aromas Water District
Annual Financial Report
For the Fiscal Year Ended June 30, 2018**

Table of Contents

	<u>Page No.</u>
Table of Contents	i
Financial Section	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements:	
Statements of Net Position	7-8
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows	10-11
Notes to the Basic Financial Statements	12-31
Required Supplementary Information	
Schedules of the District's Proportionate Share of the Net Pension Liability	32
Schedules of Pension Plan Contributions	33
Supplementary Information Section	
Schedules of Operating Expenses	34
Report on Compliance and Internal Controls	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35-36

Financial Section

DRAFT

DRAFT

Independent Auditor's Report

Board of Directors
Aromas Water District
Aromas, California

Report on the Financial Statements

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

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Aromas Water District, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, and required supplementary information on pages 32 and 33, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information in Relation to the Financial Statements as a Whole

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of operating expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 information is 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 November 27, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 35 and 36.

Fedak & Brown LLP
Cypress, California
November 27, 2018

Aromas Water District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Aromas Water District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In fiscal year 2018, the District's net position decreased 2.02% or \$137,358 to \$6,664,823, from continuing operations.
- In fiscal year 2018, the District's operating revenues increased 18.44% or \$175,920, due primarily to increases in water and bulk water revenues.
- In fiscal year 2018, the District's operating expenses increased 13.27% or \$101,754 to \$868,622, due primarily to increases of \$93,872 in employee benefits and pumping of \$10,733; which were offset by a decrease of \$11,935 in administrative and general expenses.

Required Financial Statements

This annual report consists of a series of financial statements. The Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statements of Net Position include all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. They also provide the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the year's revenue and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. These statements measure the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. These statements can also be used to evaluate profitability and credit worthiness. The final required financial statements are the Statements of Cash Flows, which provide information about the District's cash receipts and cash payments during the reporting period. The Statements of Cash Flows report cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, as well as providing answers to questions such as: where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. One can think of the District's net position (the difference between assets and deferred outflows, and liabilities and deferred inflows), as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation, such as changes in Federal and State water quality standards.

Aromas Water District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2018

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 12 through 31.

Statements of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$6,664,823 as of June 30, 2018.

A portion of the District's net position reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding (43.48% as of June 30, 2018). The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending. (See Note 6 for further discussion)

At the end of fiscal year 2018, the District showed a positive balance in its unrestricted net position of \$694,780.

Condensed Statements of Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Assets:			
Current assets	\$ 4,271,744	4,330,857	(59,113)
Capital assets, net	7,179,211	7,468,147	(288,936)
Total assets	<u>11,450,955</u>	<u>11,799,004</u>	<u>(348,049)</u>
Deferred outflows of resources	<u>187,200</u>	<u>174,771</u>	<u>12,429</u>
Liabilities:			
Current liabilities	275,576	326,217	(50,641)
Non-current liabilities	4,690,047	4,827,914	(137,867)
Total liabilities	<u>4,965,623</u>	<u>5,154,131</u>	<u>(188,508)</u>
Deferred inflows of resources	<u>7,709</u>	<u>17,463</u>	<u>(9,754)</u>
Net position:			
Net investment in capital assets	2,898,043	2,957,396	(59,353)
Restricted	3,072,000	3,215,519	(143,519)
Unrestricted	694,780	629,266	65,514
Total net position	<u>\$ 6,664,823</u>	<u>6,802,181</u>	<u>(137,358)</u>

Aromas Water District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2018

Statements of Revenues, Expenses, and Changes in Net Position

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

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenue:			
Operating revenues	\$ 1,129,944	954,024	175,920
Non-operating revenues	216,103	227,349	(11,246)
Total revenue	<u>1,346,047</u>	<u>1,181,373</u>	<u>164,674</u>
Expense:			
Operating expense	868,622	766,868	101,754
Depreciation expense	444,463	451,158	(6,695)
Non-operating expense	170,320	205,022	(34,702)
Total expense	<u>1,483,405</u>	<u>1,423,048</u>	<u>60,357</u>
Changes in net position	<u>(137,358)</u>	<u>(241,675)</u>	<u>104,317</u>
Net position – beginning of year	<u>6,802,181</u>	<u>7,043,856</u>	<u>(241,675)</u>
Net position – end of year	<u>\$ 6,664,823</u>	<u>6,802,181</u>	<u>(137,358)</u>

The statements of revenues, expenses, and changes in net position show how the District's net position changed during the fiscal years.

A closer examination of the sources of changes in net position reveals that:

In fiscal year 2018, the District's net position decreased 2.02% or \$137,358 to \$6,664,823, from continuing operations. See note 6 for further discussion.

In fiscal year 2018, the District's operating revenues increased 18.44% or \$175,920, due primarily to increases in water and bulk water revenues. The District's non-operating revenues decreased 4.95% or \$11,246 to \$216,103, due primarily to a decrease of \$31,380 in voter approved assessment; which was offset by an increase of \$14,534 in property taxes.

In fiscal year 2018, the District's operating expenses increased 13.27% or \$101,754 to \$868,622, due primarily to increases of \$93,872 in employee benefits and pumping of \$10,733; which were offset by a decrease of \$11,935 in administrative and general expenses. The District's non-operating expenses decreased \$34,702 to \$170,320, due primarily to decreases of \$13,375 in bond issuance cost, \$13,134 in interest expense, and \$8,193 in miscellaneous expense.

Capital Asset Administration

At the end of fiscal year 2018, the District's investment in capital assets amounted to \$7,179,221 (net of accumulated depreciation). This investment in capital assets includes land, water transmission and distribution systems, buildings and structures, equipment, and vehicles. Major capital asset additions during the year include improvements to the water transmission and distribution system.

Aromas Water District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2018

Capital Asset Administration, continued

Changes in capital assets for 2018, were as follows:

	<u>Balance 2017</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2018</u>
Non-depreciable assets	\$ 331,196	-	-	331,196
Depreciable assets	12,165,812	155,527	-	12,321,339
Accumulated depreciation	(5,028,861)	(444,463)	-	(5,473,324)
Total capital assets, net	<u>\$ 7,468,147</u>			<u>7,179,211</u>

Debt Administration

Changes in long-term debt in 2018, were as follows:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2018</u>
Bonds payable	\$ 3,193,000	-	(121,000)	3,072,000
Notes payable	1,317,751	-	(108,583)	1,209,168
Total long-term debt	<u>\$ 4,510,751</u>	<u>-</u>	<u>(229,583)</u>	<u>4,281,168</u>

Conditions Affecting Current Financial Position

Management does not foresee any conditions which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present, and future.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, 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 District's General Manager at 388 Blohm Avenue, Aromas, California 95004.

Basic Financial Statements

DRAFT

Aromas Water District
Statements of Net Position
June 30, 2018
With comparative amounts for June 30, 2017

	2018	2017
Current assets:		
Cash and cash equivalents (note 2)	\$ 1,010,316	942,686
Cash and cash equivalents – restricted (note 2)	463,763	545,951
Accounts receivable, net	150,780	137,009
Assessment receivable – restricted	2,608,237	2,669,568
Property taxes receivable	2,926	1,262
Interest receivables	3,755	1,801
Prepaid expenses	9,053	8,666
Inventory and supplies	22,914	23,914
Total current assets	4,271,744	4,330,857
Non-current assets:		
Capital assets – not being depreciated (note 3)	331,196	331,196
Capital assets – being depreciated (note 3)	6,848,015	7,136,951
Total non-current assets	7,179,211	7,468,147
Total assets	11,450,955	11,799,004
Deferred outflows of resources		
Deferred outflows – pensions (note 7)	187,200	174,771
Total deferred outflows of resources	\$ 187,200	174,771

Continued on next page

See accompanying notes to the basic financial statements

Aromas Water District
Statements of Net Position, continued
June 30, 2018
With comparative amounts for June 30, 2017

	2018	2017
Current liabilities:		
Accounts payable	\$ 40,767	36,329
Accrued interest	49,842	52,481
Accrued payroll and payroll liabilities	271	2,526
Customer deposits and unearned revenue	12,236	28,221
Long-term liabilities – due within one year:		
Compensated absences (note 4)	14,330	17,077
Bonds payable (note 5)	44,000	81,000
Notes payable (note 5)	114,130	108,583
Total current liabilities	275,576	326,217
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 4)	4,777	5,692
Net pension liability (note 7)	562,232	501,054
Bonds payable (note 5)	3,028,000	3,112,000
Notes payable (note 5)	1,095,038	1,209,168
Total non-current liabilities	4,690,047	4,827,914
Total liabilities	4,965,623	5,154,131
Deferred inflows of resources		
Deferred inflows – pensions (note 7)	7,709	17,463
Total deferred inflows of resources	7,709	17,463
Net position (note 6):		
Net investment in capital assets	2,898,043	2,957,396
Restricted	3,072,000	3,215,519
Unrestricted	694,780	629,266
Total net position	\$ 6,664,823	6,802,181

See accompanying notes to the basic financial statements

Aromas Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2018
With comparative amounts for June 30, 2017

	2018	2017
Operating revenues:		
Water revenue	\$ 1,078,784	954,024
Connection fees	51,160	-
Total operating revenues	1,129,944	954,024
Operating expenses:		
Pumping	150,126	139,393
Water treatment	16,029	15,829
Administration and general	71,340	83,275
Salaries and wages	433,763	424,879
Employee benefits	197,364	103,492
Total operating expenses	868,622	766,868
Operating income before depreciation	261,322	187,156
Depreciation expense	(444,463)	(451,158)
Operating loss	(183,141)	(264,002)
Non-operating revenue(expense):		
Property taxes	75,523	60,989
Voter approved assessment	128,761	160,141
Interest income	11,819	6,219
Bond issuance cost	-	(13,375)
Interest expense	(163,469)	(176,603)
Miscellaneous expense	(6,851)	(15,044)
Total non-operating revenues, net	45,783	22,327
Changes in net position	(137,358)	(241,675)
Net position – beginning of year	6,802,181	7,043,856
Net position – end of year	\$ 6,664,823	6,802,181

See accompanying notes to the basic financial statements

Aromas Water District
Statements of Cash Flows
For the Fiscal Year Ended June 30, 2018
With comparative amounts for June 30, 2017

	2018	2017
Cash flows from operating activities:		
Cash receipts from customers for sales and service	\$ 1,091,383	824,879
Cash paid to vendors and suppliers	(390,813)	(384,105)
Cash paid to employees	(439,680)	(416,446)
Net cash provided by operating activities	260,890	24,328
Cash flows from non-capital financing activities:		
Proceeds from property taxes and assessments	263,951	404,748
Net cash provided by non-capital financing activities	263,951	404,748
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(155,527)	(97,575)
Principal paid on long-term debt	(229,583)	(167,715)
Interest paid on long-term debt	(166,108)	(178,682)
Cost of bond issuance	-	(14,875)
Net cash used in capital and related financing activities	(551,218)	(458,847)
Cash flows from investing activities:		
Interest earnings	11,819	6,219
Net cash provided by investing activities	11,819	6,219
Net decrease in cash and cash equivalents	(14,558)	(23,552)
Cash and cash equivalents, beginning of year	1,488,637	1,512,189
Cash and cash equivalents, end of year	\$ 1,474,079	1,488,637
 Reconciliation of cash and cash equivalents to statements of net position:		
Cash and cash equivalents	\$ 1,010,316	942,686
Cash and cash equivalents - restricted	463,763	545,951
Total cash and cash equivalents	\$ 1,474,079	1,488,637

Continued on next page

See accompanying notes to the basic financial statements

Aromas Water District
Statements of Cash Flows, continued
For the Fiscal Year Ended June 30, 2018
With comparative amounts for June 30, 2017

	2018	2017
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (183,141)	(264,002)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	444,463	451,158
Other non-operating	(6,851)	(15,044)
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
(Increase)decrease in assets and deferred outflows:		
Accounts receivable, net	(13,771)	(137,009)
Other receivables	(1,954)	(1,163)
Prepaid expenses	(387)	7,217
Inventory and supplies	1,000	(2,365)
Deferred outflows – pensions	(12,429)	(86,922)
Increase(decrease) in liabilities and deferred inflows:		
Accounts payable	4,438	5,646
Accrued payroll and payroll liabilities	(2,255)	2,676
Customer deposits and unearned revenue	(15,985)	24,071
Compensated absences	(3,662)	5,757
Net pension liability	61,178	64,871
Deferred inflows – pensions	(9,754)	(30,563)
Total adjustments	444,031	288,330
Net cash provided by operating activities	\$ 260,890	24,328

See accompanying notes to the basic financial statements

Aromas Water District
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Aromas Water District (District) was formed on July 24, 1959, pursuant to the provisions of the California Water Code, Division 12, and Section 30321 thereof. The District takes water from three water wells located in Aromas to serve 953 connections within its jurisdiction. The District is dedicated to providing a reliable supply of high quality water. The District is governed by a five-member Board of Directors who serves overlapping four-year terms.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

B. 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 a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

The District has adopted the following GASB pronouncements in the current year:

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57 – *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB.

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

In March 2017, the GASB issued Statement No. 85 – *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

In May 2017, the GASB issued Statement No. 86 – *Certain Debt Extinguishment Issues*. The primary objective of 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 the 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.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

3. Investments

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

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

4. Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

5. Property Taxes and Assessments

The County of Monterey and the County of San Benito Assessor's Offices assess all real and personal property within the Counties each year. The County of Monterey and the County of San Benito Tax Collector's Offices bill and collect the District's share of property taxes and assessments. In 1993, the Counties adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing section 4701) of the Revenue and Taxation Code of the State (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year-end. Under this plan, the Counties assume an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies, and by such financing, Aromas Water District receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of Monterey and the County of San Benito, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

6. Materials and Supplies Inventory

Materials and supplies inventory consists primarily of water meters, and pipes and pipefittings for repair and maintenance to the District's water transmission and distribution system. Inventory is valued at cost using a first-in, first-out cost method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

7. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

8. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$1,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Water systems – 20 to 40 years
- Office buildings and improvements – 35 years
- Office furniture and fixtures – 3 to 5 years
- Vehicles – 5 years

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources applicable to future periods.

10. Compensated Absences

The District's policy is to permit employees to accumulate earned vacation. Upon termination of employment, employees are paid all unused vacation.

11. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

12. Net Position

The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt, are included in this component of net position.
- *Restricted component of net position* – consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- *Unrestricted component of net position* – the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted components of net position.

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(2) Cash and Cash Equivalents

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

	2018
Cash and cash equivalents	\$ 1,010,316
Cash and cash equivalents - restricted	463,763
Total cash and investments	\$ 1,474,079

Cash and investments as of June 30, consist of the following:

	2018
Cash on hand	\$ 100
Deposits with financial institutions	682,643
Investments	791,336
Total	\$ 1,474,079

As of June 30, the District's authorized deposit had the following maturities:

	2018
Deposits in California Local Agency Investment Fund (LAIF)	193 days

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the 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.

The District's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of \$1,000.
- Withdrawals of \$10,000,000 or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(2) Cash and Cash Equivalents, continued

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	5 years	None	None
Federal agency and bank obligations	5 years	None	None
Certificates-of-deposit (negotiable or placed)	5 years	30%	10%
Commercial paper (prime)	270 days	10%	10%
Money market mutual funds	N/A	20%	None
State and local bonds, notes and warrants	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

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 are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, 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.

As of June 30, 2018, the District's bank balances, up to \$250,000, are federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

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 can manage 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 matures or comes close to maturity evenly over time as necessary to provide for cash flow requirements and liquidity needed for operations.

As of June 30, 2018, the District maintained no investments subject to market interest rate risk fluctuations.

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(2) Cash and Cash Equivalents, continued

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in LAIF is not rated.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments as of June 30, 2018.

(3) Capital Assets

Changes in capital assets for 2018, were as follows:

	<u>Balance 2017</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2018</u>
Non-depreciable assets:				
Land	\$ 331,196	-	-	331,196
Total non-depreciable assets	<u>331,196</u>	<u>-</u>	<u>-</u>	<u>331,196</u>
Depreciable assets:				
Water systems	11,609,735	155,527	-	11,765,262
Office building and improvements	387,261	-	-	387,261
Office furniture and fixtures	93,467	-	-	93,467
Vehicles	75,349	-	-	75,349
Total depreciable assets	<u>12,165,812</u>	<u>155,527</u>	<u>-</u>	<u>12,321,339</u>
Accumulated depreciation	<u>(5,028,861)</u>	<u>(444,463)</u>	<u>-</u>	<u>(5,473,324)</u>
Total depreciable assets, net	<u>7,136,951</u>	<u>(288,936)</u>	<u>-</u>	<u>6,848,015</u>
Total capital assets, net	<u>\$ 7,468,147</u>			<u>7,179,211</u>

Major capital assets additions during the year include improvements to the District's water systems.

(4) Compensated Absences

The changes in compensated absences balance in 2018, were as follows:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2018</u>
\$	<u>22,769</u>	<u>16,887</u>	<u>(20,549)</u>	<u>19,107</u>

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(5) Long-Term Debt

Changes in long-term debt in 2018, were as follows:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2018</u>
Bonds payable:				
Limited Obligation Improvement Bonds				
Orchard Acres Assessment District 2008 Series A	\$ 420,000	-	(10,000)	410,000
Assessment District No. 2013-1 Series 2014	2,693,000	-	(31,000)	2,662,000
Special Tax Bond				
Community Facilities District No. 98-1	80,000	-	(80,000)	-
Total bonds payable	<u>3,193,000</u>	<u>-</u>	<u>(121,000)</u>	<u>3,072,000</u>
Notes payable:				
National City Note	1,179,465	-	(75,415)	1,104,050
Solar Energy Project - Taxable project loan	138,286	-	(33,168)	105,118
Total notes payable	<u>1,317,751</u>	<u>-</u>	<u>(108,583)</u>	<u>1,209,168</u>
Total long-term debt	<u>4,510,751</u>	<u>-</u>	<u>(229,583)</u>	<u>4,281,168</u>
Current portion	<u>(189,583)</u>			<u>(158,130)</u>
Non-current portion	<u>\$ 4,321,168</u>			<u>4,123,038</u>

Orchard Acres Assessment District, 2008 Limited Obligation Improvement Bond, Series A

In 2008, pursuant to the Assessment Bond Law and Resolution No. 2008-04, the District issued a limited obligation bond under a fiscal agent agreement between the District and Union Bank in the amount of \$498,000. The proceeds from the bond financed the connection of 11 parcels of land in an unincorporated area of the County of San Benito, known as Orchard Acres, to the District's municipal water supply system. The bond is a limited obligation to the District, and payable solely from the proceeds of unpaid assessments levied on the 11 parcels within Orchard Acres. Terms of the bond call for semi-annual interest payable on March 2nd and September 2nd of each year, and annual debt service payment of principal on September 2nd of each year. The interest on the bond escalates starting at a rate of 4.80% in 2013 to 6.10% at maturity in 2038.

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(5) Long-Term Debt, continued

Orchard Acres Assessment District, 2008 Limited Obligation Improvement Bond, Series A, continued

Annual maturity and interest on the bond are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 10,000	24,733	34,733
2020	10,000	24,123	34,123
2021	10,000	23,512	33,512
2022	15,000	22,748	37,748
2023	15,000	21,832	36,832
2024-2028	85,000	94,811	179,811
2029-2033	110,000	65,039	175,039
2034-2038	155,000	25,191	180,191
Total	410,000	<u>301,989</u>	<u>711,989</u>
Current	<u>(10,000)</u>		
Non-current	<u>\$ 400,000</u>		

Assessment District No. 2013-1, Limited Obligation Improvement Bond, Series 2014

In 2014, pursuant to the Assessment Bond Law and Resolution No. 2014-09, the District issued a limited obligation bond in the amount of \$2,723,613. The proceeds from the bond financed 47 water and fire service connections and 12 fire service only connections to particular residences on Oakridge Drive and Via del Sol. The bond is a limited obligation to the District, and payable solely from the proceeds of unpaid assessments levied on the Assessment District. Terms of the bond call for semi-annual interest payable on March 2nd and September 2nd of each year, and annual debt service payment of principal on September 2nd of each year. The interest on the bond is stated at 4.00% and matures in 2055.

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(5) Long-Term Debt, continued

Assessment District No. 2013-1, Limited Obligation Improvement Bond, Series 2014, continued

Annual maturity and interest on the bond are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 33,000	105,820	138,820
2020	34,000	104,480	138,480
2021	35,000	103,100	138,100
2022	37,000	101,660	138,660
2023	38,000	100,160	138,160
2024-2028	215,000	476,140	691,140
2029-2033	260,000	428,800	688,800
2034-2038	318,000	371,200	689,200
2039-2043	385,000	301,100	686,100
2044-2048	471,000	215,820	686,820
2049-2053	573,000	111,700	684,700
2054-2055	263,000	10,620	273,620
Total	2,662,000	<u>2,430,600</u>	<u>5,092,600</u>
Current	<u>(33,000)</u>		
Non-current	<u>\$ 2,629,000</u>		

Community Facilities District No. 98-1, Special Tax Bond

In 1998, pursuant to the Mello-Roos Community Facilities Act of 1982 and Resolution No. 98-22, the District issued a special tax bond in the principal amount not to exceed \$990,000. The proceeds from the bond financed the acquisition and construction of certain public improvements to meet the needs of existing and new development within Community Facilities District No. 98-1 (CFD District) of the Aromas Water District. The bond is payable from a special tax approved by the electors of the CFD District. Terms of the bond call for semi-annual interest payable on March 2nd and September 2nd of each year, and annual debt service payment of principal on September 2nd of each year. The bond interest is stated at 6.10% and matures on 2019. In 2018, the District paid off the balance of the bond in full.

National City Note Payable

In 2006, the District entered into a loan agreement with Santa Barbara Bank & Trust, N.A. and borrowed \$854,318. The proceeds of the loan financed the improvement to the District's water treatment and distribution system.

In 2011, the District refinanced its loan obtained in 2006, and borrowed additional funds to total \$1,457,578. The proceeds of the loan financed the improvement to the District's water treatment and distribution system extended to consist of the replacement of, and improvement to, the site of the Carpenteria well and improvements to the booster station.

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(5) Long-Term Debt, continued

National City Note Payable, continued

In 2015, the District refinanced its loan obtained in 2011, with the Municipal Finance Corporation and borrowed \$1,323,721 on a tax-exempt basis and \$201,966 on a taxable basis. The proceeds of the additional funds were used to acquire and install a solar energy project at the Carpenteria well site. The interest rates on the tax-exempt note and the taxable note are stated at 3.00% and 2.75%, respectively, and mature in 2030 and 2021, respectively. The terms of the notes call for semi-annual debt service payment of principal and interest payable on May 1st and November 1st of each year. The notes are secured by a pledge of and lien on the net revenues of the District's water system.

Annual maturity and interest on the tax-exempt note are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 77,694	32,543	110,237
2020	80,043	30,195	110,238
2021	82,462	27,776	110,238
2022	84,954	25,283	110,237
2023	87,522	22,715	110,237
2024-2028	478,926	72,261	551,187
2029-2030	212,449	8,026	220,475
Total	<u>1,104,050</u>	<u>218,799</u>	<u>1,322,849</u>
Current	<u>(77,694)</u>		
Non-current	<u>\$ 1,026,356</u>		

Annual maturity and interest on the taxable note are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 34,087	2,658	36,745
2020	35,031	1,714	36,745
2021	36,000	744	36,744
Total	<u>105,118</u>	<u>5,116</u>	<u>110,234</u>
Current	<u>(34,087)</u>		
Non-current	<u>\$ 71,031</u>		

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(6) Net Position

Calculation of net position as of June 30, were as follows:

	2018
Net investments in capital assets:	
Capital assets, net	\$ 7,179,211
Notes payable, current	(114,130)
Notes payable, non-current	(1,095,038)
Bonds payable, current	(44,000)
Bonds payable, non-current	(3,028,000)
Total net investments in capital assets	2,898,043
Restricted for debt service:	
Cash and cash equivalents – restricted	463,763
Assessment receivable – restricted	2,608,237
Total restricted for debt service	3,072,000
Unrestricted net position:	
Non-spendable net position:	
Inventory and supplies	22,914
Prepaid expenses	9,053
Total non-spendable net position	31,967
Spendable net position:	
Unrestricted	662,813
Total spendable net position	662,813
Total unrestricted net position	694,780
Total net position	\$ 6,664,823

(7) Defined Benefit Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans, respectively. Benefit provisions under the Plan are established by State statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on CalPERS website or may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(7) Defined Benefit Pension Plans, continued

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 55 Risk Pool Retirement Plan to new employee entrants, not previously employed by an agency under CalPERS, effective December 31, 2012. All employees hired after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The District participates in the Plan's miscellaneous risk pool. The provisions and benefits for the Plan's miscellaneous pool in effect as June 30, 2018, are summarized as follows:

	<u>New Classic</u>	<u>PEPRA</u>
	Prior to December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	
Benefit payments	monthly for life	
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.00%	2.00%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	8.92%	6.53%

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 July 1, following notice of a change in rate. Funding contribution for the Plan is determined annually on an actuarial basis as of June 30, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2018, the District's employer contributions reduced its net pension liability by \$61,410.

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(7) Defined Benefit Pension Plans, continued

Net Pension Liability

As of the fiscal year ended June 30, 2018, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	2018
Proportionate share of net pension liability	\$ 562,232

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of June 30, 2018, the net pension liability of the Plan is measured as of June 30, 2017 (the measurement date). The total pension liability for the Plan's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 (the valuation date), 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 the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's changes in proportionate share of the net pension liability for the Plan's miscellaneous risk pool as of the measurement date June 30, 2017, was as follows:

	Proportionate Share
Proportion – June 30, 2016	0.00579 %
Proportion – June 30, 2017	0.00567
Decrease in proportionate share	0.00012 %

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(7) Defined Benefit Pension Plans, continued

Deferred Pension Outflows(Inflows) of Resources

For the year ended June 30, 2018, the District recognized pension expense of \$104,013. As of the fiscal year ended June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 65,018	-
Differences between actual and expected experience	-	(7,709)
Changes in assumptions	66,306	-
Net differences between projected and actual earnings on plan investments	16,234	-
Adjustment due to changes in proportions and difference between actual and proportionate share of contributions	39,642	-
Total	<u>\$ 187,200</u>	<u>(7,709)</u>

For the year ended June 30, 2018, the District's deferred outflows of resources related to contributions subsequent to the measurement date totaled \$65,018, and other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Deferred Net Outflows of Resources</u>
2019	\$ 38,318
2020	52,779
2021	33,013
2022	(9,637)

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(7) Defined Benefit Pension Plans, continued

Actuarial Assumptions

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

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumption	
Discount rate	7.15%
Inflation	2.75%
Salary increase	Varies by Entry Age and Service
Mortality table*	Derived using CalPERS membership data
Period upon which actuarial experience survey assumptions were based	1997 - 2011
Post-retirement benefit increase	Contract COLA up to 2.75% until PPPA floor on purchasing power applies, 2.75% thereafter.

* The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online.

Discount Rate

The discount rates used in the actuarial valuations to measure the total pension liability as of June 30, 2017, reflect the long-term expected rates of return. The discount rates used to measure the total pension liability as of June 30, 2017, was 7.15%. These differ from the discount rates used as of June 30, 2016, which was 7.65%, due to a decrease in the long-term expected rate of return. The financial reporting discount rates are not adjusted for administrative expenses and are consistent with the funding discount rates at the end of the three-year funding discount rate phase-in period.

To determine whether the municipal bond rate should be used in the calculation of the discount rate, the amortization and smoothing periods adopted by CalPERS in 2013 were used. The crossover test was performed for a miscellaneous agent plan and a safety agent 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 investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the 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 the PERF C.

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

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(7) Defined Benefit Pension Plans, continued

Discount Rate, continued

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+ 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 adjusted to account for assumed administrative expenses.

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.

As of June 30, 2018, the target allocation and the long-term expected real rate of return by asset class were as follow:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Years 1-10</u>	<u>Real Return Year 11+</u>
Global Equity	47.0%	4.90%	0.54%
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 Asset	11.0	2.80	5.21
Infrastructure and Forestland	3.0	3.90	5.36
Liquidity	2.0	(0.40)	(0.90)
Total	<u>100.0%</u>		

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

The following table presents the District's proportionate share of the net position liability for the Plan, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

As of June 30, 2018, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	<u>Discount Rate - 1%</u>	<u>Current Discount Rate</u>	<u>Discount Rate + 1%</u>
	<u>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
District's Net Pension Liability	\$ <u>798,837</u>	<u>562,232</u>	<u>366,272</u>

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(7) Defined Benefit Pension Plans, continued

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 32 and 33 for the Required Supplementary Schedules.

(8) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is insured for a variety of potential exposures. The following is a summary of the insurance policies carried by the District as of June 30, 2018:

- Public employee dishonesty, forgery or alteration, computer fraud, faithful performance of duty, pension plans including ERISA: \$200,000 limit of coverage with a \$100,000 deductible.
- Building, personal property, fixed equipment, additional coverage, and catastrophic coverage: \$1,000 deductible.
- Mobile equipment: \$1,000 deductible.
- Automobile: \$1,000 deductible.
- Boiler and machinery: Various.
- Flood: Various.
- Earthquake: 5% per unit of insurance, subject to \$75,000 minimum.

(9) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the issue date, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 83

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations*. This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(9) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 88

In April 2018, the GASB issued Statement No. 88 – *Certain Disclosures Related to Debt Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

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, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(9) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 88, continued

For notes to financial statements related to debt, this Statement also requires 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 reporting periods beginning after June 15, 2018. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

(10) Commitments and Contingencies

Grant Awards

Grant funds received by the District are subject to audit by grantor agencies. Such audit could lead to requests for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(11) Subsequent Events

Events occurring after June 30, 2018, have been evaluated for possible adjustment to the financial statements or disclosure as of November 27, 2018, which is the date the financial statements were available to be issued.

Required Supplementary Information

DRAFT

DRAFT

Aromas Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2018
Last Ten Years*

Defined Benefit Plan

Description	Fiscal Years			
	6/30/2018	6/30/2017	6/30/2016	6/30/2015
District's proportion of the net pension liability	0.00567%	0.00579%	0.00635%	0.00701%
District's proportionate share of the net pension liability	\$ 562,232	501,054	436,183	436,144
District's covered-employee payroll	\$ 284,641	260,629	249,960	328,069
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	197.52%	192.25%	174.50%	132.94%
Plan's fiduciary net position as a percentage of the plan's total pension liability	73.31%	74.06%	78.40%	79.82%

Notes to the Schedules of the District's Proportionate Share of Net Pension Liability

Changes in Benefit Terms – The District can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for the District's plan can be found in the plan's annual valuation report.

Changes of Assumptions – In fiscal year 2018, the financial reporting discount rate was lowered from 7.65% to 7.15%. In December 2016, the CalPERS Board approved lowering the funding discount rate used from 7.50% to 7.00%, which is to be phased-in over a three-year period (7.50% to 7.375%, 7.375% to 7.25%, and 7.25% to 7.00%) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Aromas Water District
Schedules of the Pension Plan Contributions
As of June 30, 2018
Last Ten Years*

Description	6/30/2018	Fiscal Years 6/30/2017	6/30/2016	6/30/2015
Actuarially determined contribution	\$ 65,018	61,410	51,643	43,204
Contributions in relation to the actuarially determined contribution	(65,018)	(61,410)	(51,643)	(43,204)
Contribution deficiency(excess)	\$ -	-	-	-
District's covered payroll	\$ 284,641	260,629	249,960	328,069
Contribution's as a percentage of covered-employee payroll	22.84%	23.56%	20.66%	13.17%

Notes to the Schedules of Pension Plan Contributions

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

DRAFT

Supplementary Information

DRAFT

DRAFT

Aromas Water District
Schedules of Operating Expenses
For the Fiscal Year Ended June 30, 2018
With comparative amounts for June 30, 2017

	<u>2018</u>	<u>2017</u>
Operating expenses:		
Salaries	\$ 400,774	392,695
Payroll taxes	32,989	32,185
Retirement benefits - CalPERS	104,042	10,548
Uniform allowance	1,166	1,121
Education	4,385	5,256
Workers compensation and health insurance	82,063	80,755
Outside services	5,708	5,811
Power	74,324	54,034
Truck expense	12,736	11,302
System repair and maintenance	52,189	61,323
Water analysis and treatment	16,029	15,829
Small tools and equipment	6,136	7,295
Annexation/EIR/Planning	1,154	1,845
Office (postage/supplies/maintenance)	16,964	14,001
Telemetry	3,587	3,594
Telephone	6,725	7,167
Election expense	-	400
General and property insurance	2,375	16,355
Legal	15,600	15,000
Bank charges	1,053	1,774
Audit	12,200	12,350
Bad debts	70	1,151
Membership	16,353	15,077
	<u> </u>	<u> </u>
Total operating expenses	\$ <u>868,622</u>	<u>766,868</u>

< Page Intentionally Left Blank >

DRAFT

Report on Internal Controls and Compliance

DRAFT

DRAFT

**Independent Auditor's Report on Internal Controls Over Financial Reporting
And on Compliance and Other Matters Based on the Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
Aromas Water District
Aromas, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Aromas Water District (District), as of and for the year June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 27, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

**Independent Auditor’s Report on Internal Controls Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*, (continued)**

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 District’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fedak & Brown LLP
Cypress, California
November 27, 2018

DRAFT

Staff Report



To: Board of Directors

Re: Item IX.B ó Consider receiving: 1) an informational presentation from XiO Systems, and 2) an updated proposal regarding the purchase of XiO Systems hardware for Aromas Water District sites, in the amount of \$13,139.00, and providing direction to Staff.

Date: November 20, 2018

Summary / Discussion

The Aromas Water District (District) utilizes a system control architecture called SCADA (Supervisory Control And Data Acquisition) that uses computers, networked data communications and graphical user interfaces for managing the District's water system. An operator can control the whole water system through the use of the SCADA system.

XiO Systems will be providing an informational presentation about what they do and their hardware and software. After which, the Board of Directors (BOD) will hear about a new proposal from XiO for the Pleasant Acres Well and Pine Tree Tank. In September, the BOD approved moving forward with the purchase and implementation of XiO equipment at the Rancho Larios Tank and the Pleasant Acres Well for monitoring and control. Subsequently, an error was found in that proposal, and the resolution to that issue was to break proposal one into two proposals; 1) the outfitting of the Rancho Larios Tank (approved at the October BOD meeting), and 2) the outfitting of the Pleasant Acres Well. The latter needs more equipment than the original proposal, which is described in the document attached to this report. Basically, Pleasant Acres Well is controlled by the levels at Pine Tree Tank, and not by pressure only, which is how the first proposal was configured; therefore monitoring and control of Pine Tree Tank needed to be added.

The cost is \$13,139.00 for hardware and programming, and the cloud-based monitoring and control services will cost \$148 per month. There may be some variations to these costs, depending on some site-specific issues that still need to be worked out in the field.

This proposal allows the District to take advantage of XiO Systems unique approach to system control, and solve two pressing issues, with nominal capital commitment.

Staff Recommendation

Receive the report, authorize the General Manager to accept the XiO proposal and move forward with outfitting the proposed two sites.

Submitted by:

Robert Johnson
General Manager



A Proposal for an XiO Cloud SCADA® Water Control System for Aromas Water District Phase 2 Phase 2 Water System

Version 1.0
November 16, 2018

Proposed System

XiO, Inc. (XiO) is pleased to supply this proposal to provide a monitoring and control system for Aromas Water District Phase 2 Water System.

The purpose of this proposed system is to:

- Provide a secure website where all water operations may be viewed, and up-to-the-minute equipment status clearly displayed.
- Provide a secure method for authorized operators to put pumps online or offline and modify setpoints.
- Provide an advanced alarm system that will notify personnel via text or e-mail when user-defined events occur (e.g. low system pressure, pump fails to start, etc.).

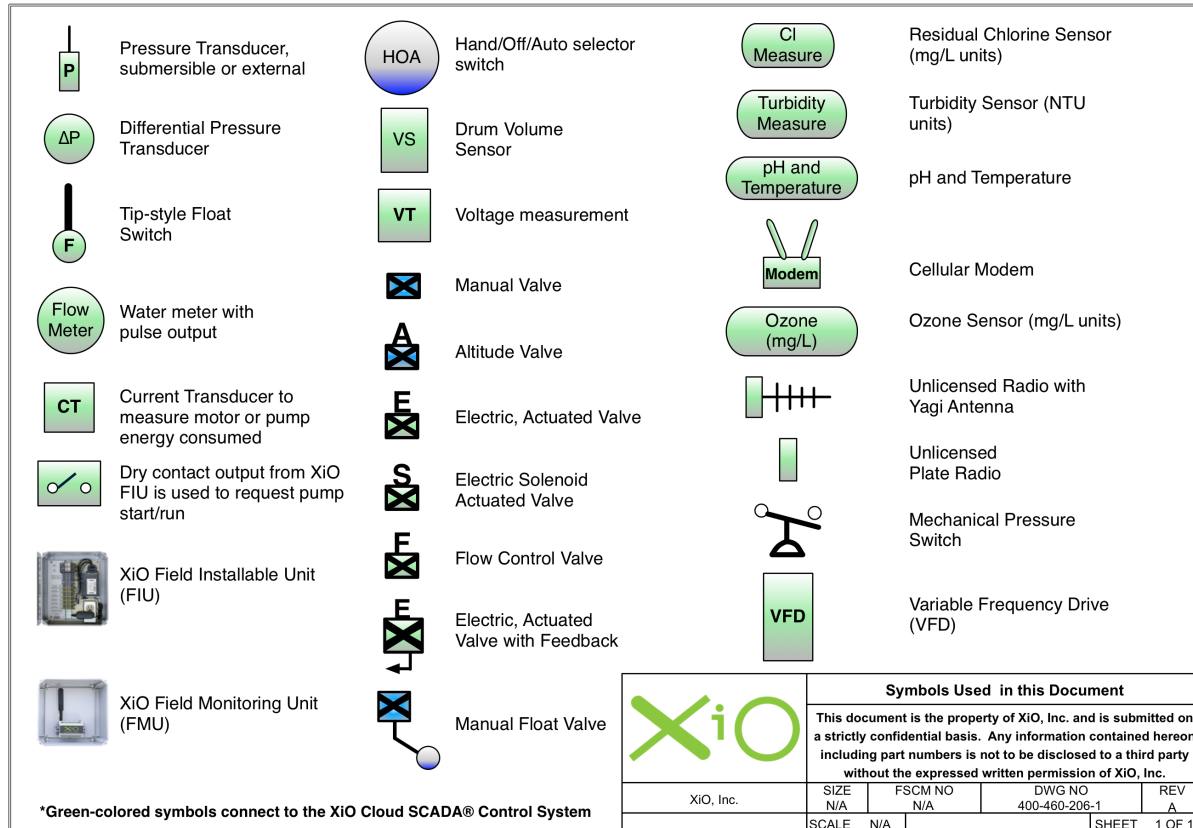
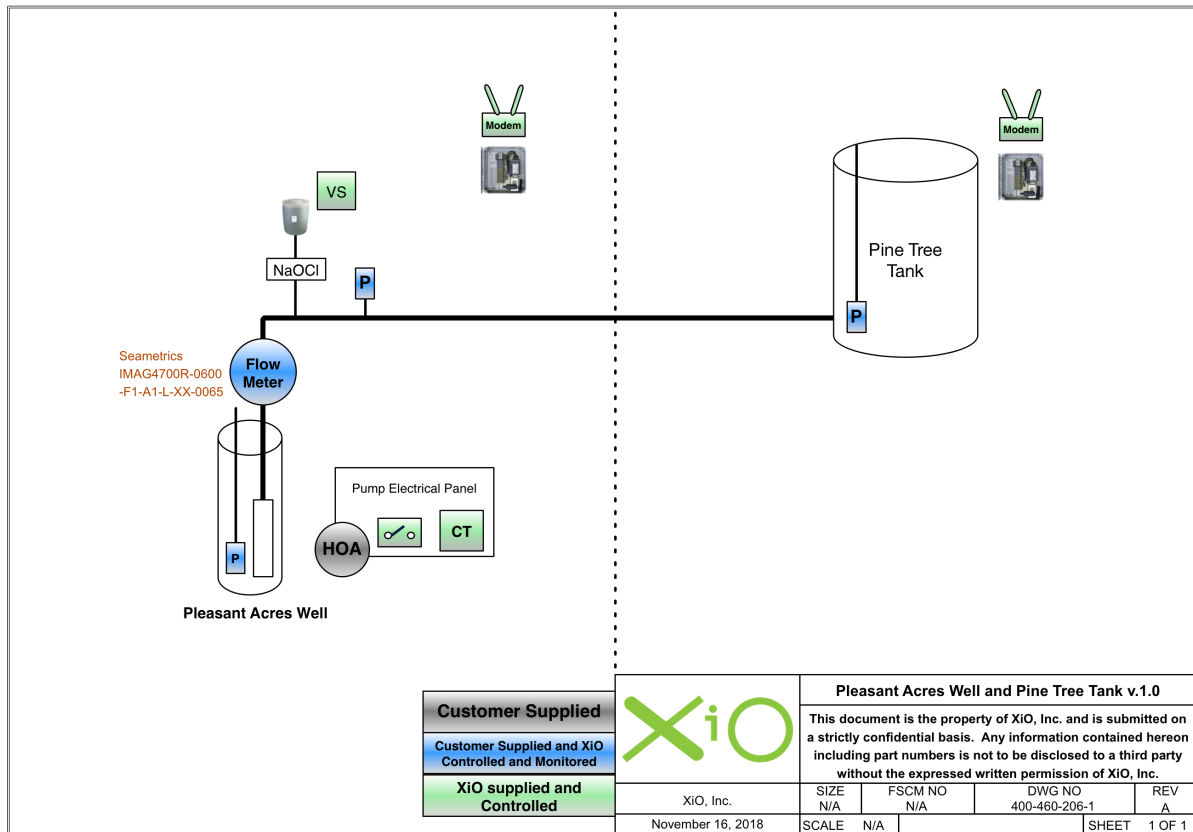
Pleasant Acres Well

- Monitor and control the **Pleasant Acres Well Pump** based on a user defined level in the **Pine Tree Tank**.
- Monitor and report the electrical energy used by **Pleasant Acres Well Pump**.
- Provide signal isolation to monitor and report the **aquifer level** utilizing a customer-supplied submersible water level management sensor.
- Monitor and report the volume of the **sodium hypochlorite** tank utilizing an XiO-supplied chemical drum volume sensor.
- Monitor and report the **flow rate and total flow** through the system utilizing the existing flow meter. This requires that the meter be equipped with a pulse output.
- Provide signal isolation to monitor and report the **system pressure** utilizing a customer-supplied external water pressure sensor.

Pine Tree Tank

- Provide signal isolation to monitor and report the **level of the Pine Tree Tank** utilizing a customer-supplied submersible water level management sensor.

System Diagrams



Description of the System

The proposed system consists of two locations. The Pleasant Acres Well operates based on the level of the Pine Tree Tank. An XiO-Supplied cellular modem at the each location will provide a connection to the XiO Cloud Servers for remote monitoring and control.

Alarms

The XiO system can alarm on any value that is monitored via an email or SMS text notification to a list of authorized operators. Examples of these alarm conditions are:

- No communication with the site
- Pump fails to start
- High / Low Tank Level

Verizon Modem

The XiO Cloud SCADA control system requires a minimum of one connection to the Internet. XiO supplies a rugged NEMA4X enclosure with a Verizon modem that connects to the Verizon network. Like all parts of the XiO control system, the modem is shipped to site ready for an electrician to mount, apply 120VAC and power up. The system automatically connects to the Internet and XiO is informed of the event and can assist in system start-up.

Report Generator

Included at no additional cost is a comprehensive report generation system that can produce monthly reports downloadable in Excel format containing required fields, employing any data collected such as pressure levels, pump hours, water pumped, electricity used, cost to pump water—all listed by month, day, hour, minute. The data is organized and can be viewed by any authorized operator on the secure XiO website.

Cloud Based Management

The XiO system will be monitored and managed through an account on XiO's secure cloud servers. The password protected account will provide managers with the following:

- System Overview - Process diagram showing the current state of the system (i.e. tank levels, status of pumps, etc.).
- Levels - Line graphs showing the levels of all monitored parameters.
- Reports - Downloadable reports showing water pumped (gallons), energy used by pumps (kWh), efficiency of pumps (kWh/1000gallons), and pump runtime (hours).
- Alarms - View of all alarms that have been triggered.
- Schedule - Page allowing the user to adjust the set points that affect when the pumps will run.

Features to be Delivered

Qty	Item	Description
Pleasant Acres Well		
1	Well Controller without Submersible Water Level Sensor	<p>Well Controller provides up-to-the-minute views of well operation. Monitors well pump. Provides reports on electrical energy used by well pump, water production reports and pump efficiency reports. Advanced correlation alarms notify users of low flows and pump failures. Historical pump runtimes are included in the package. Provides flow rates and total flow from the well.</p> <p>*water production reports and flow require a water meter to be connected.</p> <p>Pricing includes:</p> <ul style="list-style-type: none"> • One FIU • RMS electrical current sensor with 10 feet of shielded 600V cable, approved for use inside electrical enclosures. • Inputs to monitor a water meter
2	Analog Signal Isolation	<p>Isolated inputs provide galvanic isolation to monitor any externally powered signal or signals that are shared with another device or system. The XiO Cloud SCADA® Control System provides up-to-the-minute views of isolated inputs monitored.</p> <p>Pricing includes:</p> <ul style="list-style-type: none"> • Galvanic Signal Isolation Module to Isolate non-loop powered 4-20mA signals.
1	Chemical Drum Volume Monitoring	<p>Monitors chemical drum level. Provides the XiO Cloud SCADA® system with the ability to monitor drum level and allows users to receive alarms indicating a low drum level. This is a crucial feature in water treatment facilities, ensures operators are always aware of the chemical drum level.</p> <p>Pricing includes:</p> <ul style="list-style-type: none"> • Drum level sensor with 20 feet of water-tight, connectorized, low-loss, shielded cable for easy installation.
1	Cloud-Link Cellular Modem Package	<p>Provides secure access to the XiO Cloud SCADA® servers. Housed in a NEMA-4X enclosure.</p>

Qty	Item	Description
Pine Tree Tank		
1	Custom Controller	<p>The custom controller is pre-configured for up to a total of 12 inputs and outputs. All inputs and outputs provided by the custom controller are managed on the secure cloud server and provide up-to-the-minute-views of system operation.</p> <p>Pricing includes:</p> <ul style="list-style-type: none"> • Pre-configured FIU
1	Analog Signal Isolation	<p>Isolated inputs provide galvanic isolation to monitor any externally powered signal or signals that are shared with another device or system. The XiO Cloud SCADA® Control System provides up-to-the-minute views of isolated inputs monitored.</p> <p>Pricing includes:</p> <ul style="list-style-type: none"> • Galvanic Signal Isolation Module to Isolate non-loop powered 4-20mA signals.
1	Cloud-Link Cellular Modem Package	<p>Provides secure access to the XiO Cloud SCADA® servers. Housed in a NEMA-4X enclosure.</p>

System Installation

XiO does not act as a contractor and does not install the equipment. XiO recommends that the Proposed Control System be installed by a licensed electrician and a water operator. The XiO hardware requires a single 120VAC circuit, fused at 15 amps or less. An individual Field Installable Unit (FIU) draws 3.7 watts, while the supplied cellular modem draws 6 watts. A solid earth ground must be provided, as required by code, but no special precautions need be taken. All connections are clearly marked with UL-recognized label materials. All enclosures are non-metallic rated NEMA4X, and XiO recommends employing water tight conduit especially in near-marine environments.

The customer is responsible for providing a suitable mounting location for the FIU(s) and other XiO-supplied hardware. There are several considerations when selecting a suitable mounting location for the FIU, Uninterruptible Power Supply (UPS) or other XiO supplied hardware:

Temperature- As with all electronics, extreme temperatures, especially heat, can affect the proper operation of the XiO Control System. It is important to consider sources of heat when selecting a suitable mounting location for the FIU.

- Keep the FIU out of direct sunlight
- Do not mount the FIU on a South-facing wall or panel
- Consider constructing a cover to provide shade for the FIU
- Avoid mounting the FIU on a surface that may become hot such as an outdoor metal panel.
- Be sure the Soft-I/O Module is properly seated in its bracket

Environment- Components of the XiO Cloud SCADA® Control System are housed in NEMA-4X enclosures that protect them from many environmental conditions such as rain, solid objects, dust, and some corrosive agents.

- Take additional steps to avoid harsh environmental conditions if possible
- This includes potentially dangerous gasses produced by wastewater
- Be sure to provide a water-tight seal on any enclosure penetrations

Delivery

The preconfigured system will be shipped from XiO **4–6** weeks after receipt of a purchase order.

Quoted Price

The total cost of the system is **\$13,139** (not including tax or actual UPS ground shipping costs). This price includes all XiO-supplied hardware as listed above and all programming.

Recurring Monthly Service Fees

The cloud service fee is \$39/month per Controller (if applicable) and includes all programming, ongoing support, alarms, report generation, unlimited access to the secure website and an extended warranty on the FIU control module--Soft-I/O®--as long as the Cloud service fee is kept current. The warranty referenced in this paragraph is attached to this document. This paragraph specifically modifies the warranty in the favor of the customer. The cloud secure cellular access charge, including Internet, is \$35/month per modem (if applicable). The fee of \$41/month per Field Monitoring Unit (if applicable) includes secure cellular cloud access as well as all programming, ongoing support, alarms, report generation, and unlimited access to the secure website.

Item	Monthly Fee/Unit	Qty	Subtotal
Controller (FIU)	\$39	2	\$78
Cellular Modem with internet	\$35	2	\$70
Field Monitoring Unit (FMU)	\$41	0	\$0
Total Monthly Fees			\$148

Payment of Recurring Monthly Service Fees

When the system has been installed, the customer will receive notice regarding payment for the recurring service fees. A check will be required for the first 90 days of service. Subsequent payments will be made through an automatic payment process.

Terms

This proposal is valid until September 29, 2018. XiO will invoice upon shipment, and payment is due 60 days from invoice date.

Terms and Conditions of Sale

The following Terms & Conditions of Sale are included in this proposal.

Hardware Acceptance:

Print Name _____

Signature _____

Email _____

Hardware Bill To:

Hardware Ship To:

Cloud Fees Acceptance:

Print Name _____

Signature _____

Email _____

Cloud Fees Bill To:

Terms and Conditions

The following Terms and Conditions are incorporated in and are a part of the Purchase Agreement. Where the Product in question is a software product, it is understood that Customer receives only a license to use such product on the terms stated herein. XiO, Inc. ("XiO") retains title to said product.

1. Price; Payment Terms

- A. Prices for all products (hardware and software) will be the price agreed upon in XiO's acknowledgment of Customer's order or at the time of online order placement.
- B. XiO shall provide written acknowledgment of all non-online orders showing price, anticipated delivery date and payment terms. For online orders, Customer is provided with these Terms and Conditions, price, anticipated delivery date and payment terms. As a result, no written acknowledgment is provided for online orders.
- C. Prices are exclusive of all federal, state, municipal or other government, excise, sales, use, occupational, or like taxes or duties now in force or enacted in the future. Any such tax, fee, or charge of any nature whatsoever imposed by any governmental authority on, or measured by, the transaction (including the shipment of goods) between XiO and Customer shall be paid by Customer in addition to the prices quoted or invoiced. In the event XiO is required to pay any such tax, fee, or charge at the time of sale or thereafter, Customer shall reimburse XiO therefore.
- D. Payments shall be made by Customer in accordance with payment terms stated by XiO in written acknowledgment of order, or in an online description for online orders. Amounts not timely paid shall bear interest at the rate of 1-1/2% for each month or portion thereof that payment is late.

2. Delivery

- A. Delivery will be F.O.B. XiO's plant and shall occur on the date of turnover to a common carrier unless, at Customer's option, Product is picked up at the F.O.B. point by Customer.
- B. Title and risk of loss for Products shall pass to Customer on delivery F.O.B. XiO's plant. Customer shall then be responsible for and bear the entire risk of loss or damage to Products. Unless otherwise instructed, by Customer, XiO shall insure each product during shipment for Customer's account and will add the cost of such insurance to Customer's invoice.
- C. Shipment will be scheduled to be made on the date specified on Customer's written purchase order or on the date agreed upon by both parties and specified on the written acknowledgment of XiO, whichever is later, or--in the case of online orders-- based upon the online-stated scheduled date. This date is the scheduled shipment date. XiO reserves the right to extend this date by not more than sixty (60) days upon notification of Customer. If shipment is delayed by XiO more than sixty (60) days, Customer may terminate this Agreement and receive a refund of all money paid hereunder.

3. Change Orders

Any written request from Customer for a change in the order acknowledged by XiO may subject Customer to a price change reflecting XiO's increased or decreased direct costs or an extension of the scheduled shipment date, or both, depending on the change requested. Written acknowledgment by XiO of a change order will specify and confirm any price or delivery impact.

4. Shipment

In the absence of specific shipping instructions from Customer, XiO will ship by the method it deems most advantageous to both parties. Transportation charges may be prepaid and will be subsequently invoiced to Customer. Unless otherwise specified, products shall be shipped in XiO's standard commercial packaging. When special packaging is requested or, in the opinion of XiO, required under the circumstances, the cost of the same will be separately invoiced. If Customer specifies the shipment method on the purchase order, and XiO uses a different method, then XiO shall be liable for the difference, if any, between the cost of freight incurred and the cost of freight which would have been incurred had XiO complied with Customer' shipping instructions.

5. Cancellations

XiO shall have the right to cancel the order and recover possession of and title to a product (if such have passed to Customer) under any of the following circumstances: Customer fails to perform its obligations under any of the material Terms and Conditions hereunder; or Customer's delay directly causes material delay to XiO's performance; or any bankruptcy, arrangement or insolvency proceedings are commenced by or against Customer; or in the event of the appointment of any assignee for the benefit of creditors or of a receiver of Customer or its properties. No such termination shall prejudice any of the rights of XiO arising prior to such termination or shall limit in any way other remedies available to XiO. Customer shall have no right to cancel the purchase of any product after shipment from XiO. Orders for standard products that are canceled within fifteen (15) days prior to the scheduled shipment date from XiO shall be subject to a cancellation charge equal to twenty percent (20%) of the total purchase price. Orders for custom products are not cancelable after order acknowledgment.

6. Warranty

Hardware products and software media are warranted against defects in materials and workmanship for a period of one year from the date of shipment. During the warranty period, XiO will, at its option, either repair or replace (but not install) product or software media which proves to be defective. The Product or media must be returned to XiO for warranty service or repair. Customer shall prepay shipping charges to XiO and XiO shall ship to Customer in accordance with Section 4 of this Agreement, except that shipment by surface transportation to Customer, within the U.S. only, shall be at XiO's expense. XiO warrants that software products will conform to published specifications and will operate properly for one year from the date of shipment. XiO will correct material defects in software products during the warranty period by issuing converted versions of software products.

7. Limitations and Disclaimers of Warranties

Certain products are factory sealed and carry a label stating "warranty void if this seal is broken". In such a case, the foregoing warranty shall not apply if the product seal has been broken or the enclosure has been opened. The foregoing warranties shall not apply to defects resulting from improper connection, improper interfacing, misuse, or operation outside the specified environment.

THE FOREGOING WARRANTIES ARE IN LIEU OF ANY OTHER WARRANTY, EXPRESSED OR IMPLIED. XIO SPECIFICALLY DISCLAIMS THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. THERE ARE NO WARRANTIES WHICH EXTEND BEYOND THE DESCRIPTION CONTAINED HEREIN.

8. Waiver of Certain Damages and Limit of Liability

XIO WILL NOT BE LIABLE FOR ANY SPECIAL, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES, HOWEVER CAUSED, OR ON ANY THEORY OF LIABILITY, NOR WILL XIO BE LIABLE FOR LOSS, DAMAGE OR EXPENSE WHICH DIRECTLY OR INDIRECTLY ARISES FROM CUSTOMER' USE OF OR INABILITY TO USE PRODUCT EITHER SEPARATELY OR IN COMBINATION WITH OTHER EQUIPMENT [EXCEPT FOR DAMAGE TO PERSON OR TANGIBLE PROPERTY], OR FOR COMMERCIAL LOSS OF ANY KIND, OR FOR PROCUREMENT OF SUBSTITUTE GOODS, WHETHER OR NOT XIO HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE OR LOSS. IN NO EVENT SHALL XIO'S LIABILITY ARISING OUT OF THIS AGREEMENT EXCEED THE AMOUNT PAID TO XIO BY CUSTOMER FOR THE PURCHASE OF THE PRODUCT GIVING RISE TO SUCH LIABILITY. THIS LIMITATION IS INTENDED TO LIMIT THE LIABILITY OF XIO AND SHALL APPLY NOTWITHSTANDING ANY FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY.

9. Security Interest

Customer hereby grants to XiO a security interest in each product, to secure payment of the purchase price. XiO shall have the rights of a secured party under the Uniform Commercial Code in effect in the state where the premises at which the product is installed are located, including the right to retake possession of, or inhibit the use of product on any default by Customer. XiO's security interest shall expire upon the payment to XiO of the full purchase price. Customer agrees to execute such other documents as XiO shall reasonably require to perfect XiO's security interest.

10. Patent and Copyright Indemnity

- A. XiO will defend at its expense any action brought against Customer to the extent based upon the claim that a product constitutes direct infringement of any duly issued United States patent or copyright and shall pay any settlements or judgments to the extent based thereon, provided XiO shall have sole control of any such action or settlement negotiations, provided further that Customer notifies XiO promptly in writing of such claim, suit or proceeding and, at XiO's expense (except the value of time of Customer' employees), gives XiO adequate information and uses its best efforts to settle and/or defend any such claim, suit or proceeding.

- B. If a product becomes, or in the opinion of XiO may become, subject to any claim of infringement for any United States patent or copyright, XiO may, at its option: (i) procure for Customer the right to use or sell the product; (ii) replace or modify the product, or part thereof; or (iii) remove the product, or part thereof, and refund the aggregate payments paid therefor to XiO less a reasonable sum for use and damage. XiO shall not be liable for any costs or expenses incurred without its prior written authorization.
- C. XiO assumes no liability for (i) infringement of patent or copyright claims resulting from completed products of Customer into which a product is incorporated; (ii) any assembly, circuit, combination, method or process of Customer in which any product may be used; (iii) any compliance with Customer' specifications; or (iv) the modification of a product, or any part thereof, unless such modification was made by XiO or with the written approval of XiO.
- D. THE FOREGOING STATES THE SOLE AND EXCLUSIVE LIABILITY OF XIO, AND THE EXCLUSIVE REMEDY OF CUSTOMER, FOR PATENT, COPYRIGHT AND OTHER INTELLECTUAL PROPERTY RIGHTS INFRINGEMENT OR CLAIMS OF INFRINGEMENT.

11. Substitutions and Modifications

XiO reserves the right to make substitutions and modifications in the specifications of products designed by XiO providing that such substitutions or modifications will not materially negatively affect performance in the intended application, and that upon written request, XiO will provide a brief explanation of the change.

12. Entire Agreement

The Purchase Agreement and Terms and Conditions as set forth herein shall govern and constitute the entire agreement between XiO and Customer. XiO shall not be bound by any terms of Customer' order which are inconsistent with or additional to the Terms and Conditions herein set forth.

13. Software Products Restriction

Products delivered to Customer pursuant to these Terms and Conditions may embody and include certain software programs in object code (machine-readable but not human-readable form). In some cases, the only product delivered will be a software product. The software may be contained on disk drives or CD's, erasable programmable read-only memories (EPROMS), non-volatile random access memories (NVRAM), electrically erasable programmable read-only memories (EEPROMS or flash memory), programmable array logic devices (PALS or FPGAS), disk cartridges, may be embodied in Application Specific Integrated Circuits (ASIC's) or in other electronic or mechanical forms. Such software constitutes either the copyrighted property of XiO or the proprietary trade secret information of XiO, or both, and shall be held in confidence by Customer. XiO retains title to the software (excluding media on which recorded) and all intellectual property rights, and no title to software or intellectual property rights is transferred to Customer. Unless Customer is granted greater rights by written amendment to these Terms and Conditions executed by XiO, Customer is hereby granted a personal, non-transferable, non-exclusive perpetual license to use only the number of copies of the software which are provided by

XiO, and to use such copies only on (i) the hardware on which it is originally mounted by XiO, or (ii) on a single hardware product identified by Customer in its purchase order and confirmed by XiO in its order acknowledgment. Without XiO's prior written consent, Customer may not copy the software for any purpose, nor may Customer remove the software or attempt to execute the software on any hardware other than the authorized hardware. Customer shall not, whether through use of disassemblers or any other means whatsoever (including but not limited to manual, mechanical or electrical means), reverse engineer, decompile, disassemble or derive source code from the software, or attempt to or permit any third party to do any of the foregoing, including causing the software to be destroyed or disabled. Any attempt to do any of these things shall be material breach of these Terms and Conditions which shall immediately entitle XiO to exercise any remedies set forth herein, as well as any remedy that may exist at law or in equity. The provisions of this Section 13 shall survive this Agreement in perpetuity.

14. Conditions of Operation

THE PRODUCTS PROVIDED BY XIO ARE INTENDED TO BE USED ONLY WHEN SUPPLEMENTAL PROTECTION IS PROVIDED TO PREVENT DAMAGE TO CUSTOMER' PROPERTY OR INJURY TO PERSONNEL. BECAUSE OF THE HIGH COMPLEXITY OF A COMPUTER-CONTROLLED MACHINE CONTROL OR INPUT/OUTPUT SYSTEM, UNINTENDED MOTION AND ACTIONS CAN OCCUR. CUSTOMER ACCEPTS ALL RESPONSIBILITY FOR INTEGRATING XIO PRODUCTS INTO MECHANISMS OR PROCESSES. LIMIT SWITCHES MUST BE A PART OF A MACHINE CONTROL OR INPUT/OUTPUT SYSTEM. OPERATOR GUARDS AND OTHER PROTECTION FOR OPERATORS MUST UNILATERALLY ACT TO PROTECT PERSONNEL AND PROPERTY. CUSTOMER ACCEPTS ALL RESPONSIBILITY FOR INSURING THAT MECHANISMS OR PROCESSES OF WHICH XIO PRODUCTS ARE A PART COMPLY WITH APPLICABLE SAFETY AND HEALTH STANDARDS, MUNICIPAL CODES, AND ANY SIMILAR REQUIREMENTS.

Staff Report



To: Board of Directors

Re: Item IX.C ó Consider receiving an update on the annexation of one parcel in the Rancho Larios area into the Aromas Water District boundary.

Date: November 20, 2018

Summary / Discussion

A request for water service has been made by Mr. Patrick Eilert, APN #012-014-019, who resides within the Rancho Larios subdivision, though his parcel is not a part of the Rancho Larios development. Due to this unique situation, his parcel was not included in the agreement to deliver water to the Rancho Larios development. He does have a well on his property, which, through the use of tanks has been sufficient for his needs over the years. Recently though, the well's yield has gone down (from 3 gallons per minute to 1 gallon per minute); therefore, for health and safety reasons, Mr. Eilert is looking to be served by the Aromas Water District (District).

The District Board of Directors (BOD) approved the initiation of the annexation process at their September meeting. This is an update of the progress within the process.

The Pajaro Valley Water Management Agency (PVWMA) BOD met on October 17, 2018, and approved the request for an exemption from Ordinances 98-01 and 98-02, allowing water to be exported out of the Pajaro Basin for health and safety reasons.

The next step will be a presentation to the Local Area Foundation Commission (LAFCO) for specific actions and tasks to be completed. Attached to this report is a listing of the filing requirements for submitting boundary change applications to LAFCO. This list is not one that can be filled out quickly, given current staff resources, so this effort may get referred to a consultant to complete; with costs borne by the Mr. Eilert. Once a completed application gets to LAFCO, there is a minimum two-month wait before the item will make it on their agenda.

Submitted by:

Robert Johnson
General Manager

FILING REQUIREMENTS FOR SUBMITTING BOUNDARY CHANGE APPLICATIONS

An application submitted to the San Benito Local Agency Formation Commission should contain the following components:

1. _____ **Cover letter listing the materials being submitted (1 copy)**
2. _____ **Either a Resolution of Application or a signed Petition (1 copy)**
3. _____ **Completed Proposal Questionnaire (5 copies)**
4. _____ **Assessor Parcel Map with application area outlined in color (1 copy)**
5. _____ **Map and legal description (5 copies)**
6. _____ **Certified EIR or Negative Declaration (9 copies) or
Notice of Determination or Notice of Exemption (1 copy) or
Environmental Questionnaire if LAFCO is to be the lead agency
(1 copy)**
7. _____ **(EIRs & NDs) Verification Fish and Game Fees have been paid
(1 copy)**
8. _____ **List of current and any known future landowners or lessees for any
boundary change related to land use development projects (1 copy)**
9. _____ **LAFCO Processing fee (in accordance with LAFCO fee schedule)**
10. _____ **Pertinent reports, studies and other information to assist the LAFCO
staff and Commission in understanding the application. (1 copy)**

Staff Report



To: Board of Directors

Re: Item IX.D ó Consider receiving a report regarding the possible annexation of parcels along Cole Road, and providing direction to Staff

Date: November 20, 2018

Summary / Discussion

A request for water service has been made by Mr. Seth Capron and Ms. Jane Rekedal; Mr. Glenn Skogen and Ms. Lynn Mello; and Mr. and Mrs. Brian Ford. These individuals own parcels 011-016-033, 011-016-034, and 011-016-032 respectively. Each of these properties is just less than five acres each, and each property has a well from which they historically have used to get water.

Recently though, the respective wells have not been yielding sufficiently for the respective owners' basic needs; therefore, for health and safety reasons, the owners of these three parcels are looking into being served by the Aromas Water District (District) (see letters attached to this report). These three parcels are currently within the District's sphere of influence, though none are annexed into the District; the boundary of the annexed area is Cole Road in this area (see map attached to this report).

Since these parcels are not annexed into the District, the Board of Directors (BOD) could take the action of initiating the annexation process for these parcels. If that is the direction the BOD chooses to take, and approves of this request moving forward, then the process would involve going to the Pajaro Valley Water Management Agency (PVWMA) BOD, and the Local Area Foundation Commission (LAFCO) for specific actions and tasks to be completed. The entire process is the same, though slightly different than the Eilert Annexation. As with the Eilert Annexation, costs related to completing this process would be borne by the applicants.

Staff Recommendation

Receive the report and direct staff to go through the annexation process with PVWMA and LAFCO, keeping the BOD apprised of the progress.

Submitted by:

Robert Johnson
General Manager

Robert Johnson
General Manager
Aromas Water District
P.O. Box 388
Aromas, CA 95004

November 11, 2018

Dear Robert –

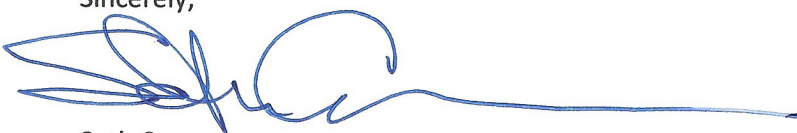
Per our earlier conversations, I am writing this letter to request that the Aromas Water District annex the property that my wife and I own at 1811 Cole Road, Aromas, San Benito County APN 011-016-033. I have discussed this with my neighbors on either side of our property, and they both would like to be included in this annexation request. Letters from each of them are attached. We understand that all parcels involved will be share equally in the cost of annexation, including the approval processes for the Pajaro Valley Water Management and the San Benito County LAFCO.

The AWD has a pipeline in the Cole Road right-of-way along our property frontage, and the parcels across the street from us and our adjacent neighbors are already inside the AWD. The parcels to the north of us on our side of Cole Road are also already in the District. Our parcel and our two neighbors' parcels are all within the AWD Sphere of Influence.

I moved to Aromas in 1970 and my wife and I bought our property in 1980. At that time we built our home and drilled a 275' deep water well that produced 8 gpm. The steel casing in this well failed in 1993 and we drilled a 265' replacement well that produced 9 gpm at the time it was constructed. During the recent drought years the production in this well started declining. This year my immediate neighbor replaced a nearby 275' deep well with a new 520' well with marginal production. Another close neighbor recently drilled a well that is 690' deep, also with limited production. In our well, the static water level has decreased dramatically this summer and fall from 68' below the ground surface to 212' now. I am currently pumping 300 gallons from our well once or twice a day to meet our basic water needs.

Please agendize this request to go before the AWD Board at the earliest possible meeting. I understand that annexation will take many months, with approvals also needed from the Pajaro Valley Water Management Agency and the San Benito County LAFCO.

Sincerely,



Seth Capron



Jane Rekedal

1811 Cole Road
Aromas, CA 95004
408-592-9666

Robert Johnson
General Manager
Aromas Water District
P.O. Box 388
Aromas, CA 95004

November 11, 2018

Dear Robert –

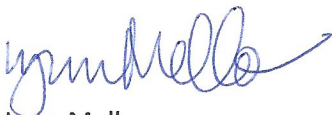
We live on the property that we own at 1600 Cole Road, San Benito County APN 011-016-034. We are writing this letter to petition the Aromas Water District to include our parcel in the annexation request being submitted by our immediate neighbors at 1811 Cole Road, Seth Capron and Jane Rekedal. We understand that the fees associated with annexation, including approval by the AWD, the Pajaro Valley Water Management District and the San Benito County LAFCO, will be shared equally by the three parcels requesting inclusion in this petition for annexation.

We currently have a well on our property that supplies our water needs, but we would like to be annexed into the district as insurance against possible future declines in our well's production

Sincerely,



Glenn Skogen



Lynn Mello

1600 Cole Road
Aromas, CA 95004

Robert Johnson
General Manager
Aromas Water District
P.O. Box 388
Aromas, CA 95004

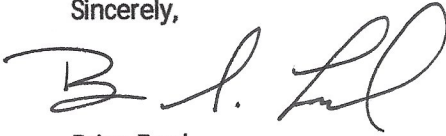
November 11, 2018

Dear Robert –

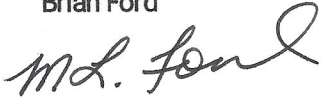
We live on the property that we own at 1879 Cole Road, San Benito County APN 011-016-032. We are writing this letter to petition the Aromas Water District to include our parcel in the annexation request being submitted by our immediate neighbors at 1811 Cole Road, Seth Capron and Jane Rekedal. We understand that the fees associated with annexation, including approval by the AWD, the Pajaro Valley Water Management District and the San Benito County LAFCO, will be shared equally by the three parcels requesting inclusion in this petition for annexation.

We currently have a well on our property that supplies our water needs, but we would like to be annexed into the district as insurance against possible future declines in our well's production.

Sincerely,

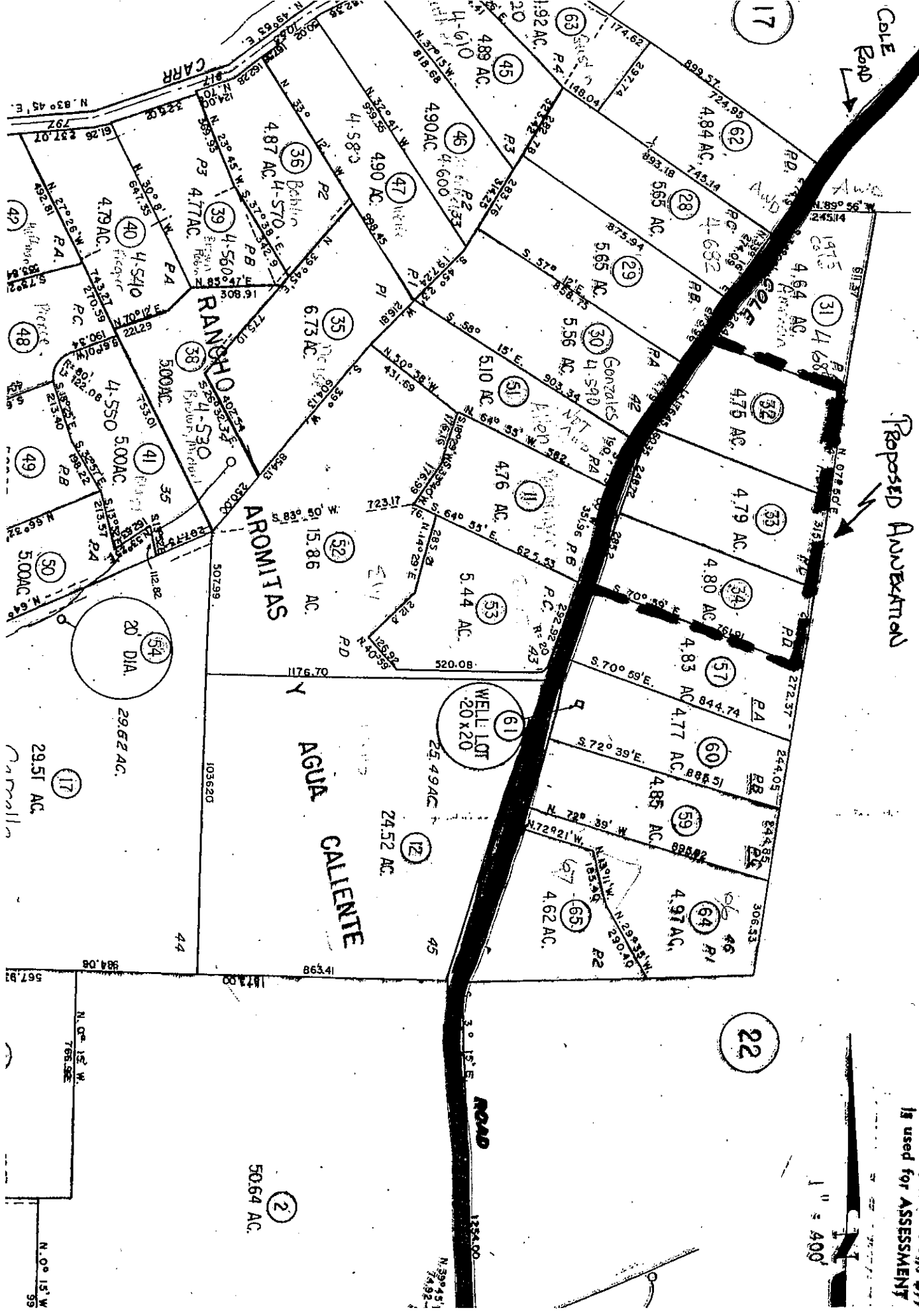


Brian Ford

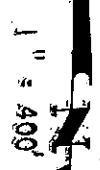


Michelle Ford

1879 Cole Road
Aromas, CA 95004



Is used for ASSESSMENT



Aromas Water District
 Balance Sheet Prev Year Comparison
 As of October 31, 2018

	Oct 31, 18	Oct 31, 17
ASSETS		
Current Assets		
Checking/Savings		
UB Checking	89,610.12	70,710.49
UB Bk Money Market xxxx7853	192,661.71	132,226.69
LAIF-State of Ca xx-05	800,836.85	786,812.05
Petty Cash	100.00	100.00
Assessment District Banks		
OAWA Union Bank Checking 7741	21,153.97	21,282.54
OAWA Union Bank 101 Redemption	4.56	9,901.87
OAWA Union Bank 102 Reserve	35,637.78	35,549.40
Oakridge Union Checking 5587	299,617.88	373,804.39
CFD Union Bank CFD98-1	50.00	10,361.54
CFD 02 Provident T Fund Reserve	0.00	-59.62
Total Assessment District Banks	356,464.19	450,840.12
Total Checking/Savings	1,439,672.87	1,440,689.35
Accounts Receivable		
1200 · Accounts Receivable - Other	980.00	0.00
Total Accounts Receivable	980.00	0.00
Other Current Assets		
1292 · Accounts Rec - USDA Loan	2,329,859.60	2,329,859.60
1291 · Accounts Rec - Orchard Acres	339,708.47	339,708.47
Prepaid Insurance	22,842.28	19,638.26
128 · Inventory	22,913.50	23,913.50
1200.1 · Accounts Receivable--UBMax	162,562.82	130,734.73
1201.9 · Less Allowance for doubtful ...	-500.00	-500.00
Total Other Current Assets	2,877,386.67	2,843,354.56
Total Current Assets	4,318,039.54	4,284,043.91
Fixed Assets		
1900 · Water System	11,735,715.85	11,645,613.45
1915 · Office Building & Improvements	387,260.80	387,260.80
1970 · Office Equipment & Fixtures	102,915.30	93,467.05
1980 · District Vehicles	117,577.39	75,349.31
1990 · Land and Easements	330,195.78	330,195.78
1995 · Idle Assets	43,400.00	43,400.00
1998 · Less Accum Depr Idle Assets	-42,400.00	-42,400.00
1999 · Less Accumuated Depreciation	-5,507,694.00	-5,054,460.75
Total Fixed Assets	7,166,971.12	7,478,425.64
Other Assets		
Deferred Outflow of Resources	174,771.00	174,771.00
Deposits		
ACWA Deposit	2,080.80	2,080.80
Total Deposits	2,080.80	2,080.80
Total Other Assets	176,851.80	176,851.80
TOTAL ASSETS	11,661,862.46	11,939,321.35

Aromas Water District
 Balance Sheet Prev Year Comparison
 As of October 31, 2018

	Oct 31, 18	Oct 31, 17
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
2000 · Accounts Payable	18,822.29	89,189.95
Total Accounts Payable	18,822.29	89,189.95
Credit Cards		
First Bankcard - E Giron #86	189.19	0.00
First Bankcard - R. Johnson #31	162.97	-420.00
ACE Hardware	39.85	39.85
First Bankcard - L Coombes #92	141.45	-11.99
First Bankcard -- T. Zelmar #67	0.00	273.64
Valero - Fuel	438.30	424.28
First Bankcard -- D DeAlba #35	424.84	298.42
First Bankcard -- #24 (VM)	0.00	92.24
Total Credit Cards	1,396.60	696.44
Other Current Liabilities		
2100 · Payroll Liabilities	165.65	-24.60
City National Bank - Current	111,781.03	105,477.00
Deferred Inflows- Actuarial	17,463.00	17,463.00
CUSTOMER DEPOSITS		
Connection Deposits Payable	4,000.00	4,000.00
Hydrant Meter Deposit	3,200.00	150.00
Total CUSTOMER DEPOSITS	7,200.00	4,150.00
Accrued Vacation Payable	19,106.97	22,769.14
Interest Payable	52,480.90	52,480.90
PVWMA Payable	18,180.56	14,071.18
Total Other Current Liabilities	226,378.11	216,386.62
Total Current Liabilities	246,597.00	306,273.01
Long Term Liabilities		
2590 · Unearned Revenue - CFD 98-1	5,545.71	13,436.52
2392 · Long-term Debt - USDA (Oakr...	2,629,000.00	2,693,000.00
2391 · Long-term Debt - Orchard Acres	400,000.00	420,000.00
GASB 68 Pension Liability	501,054.00	501,054.00
City National Bank	1,041,901.30	1,158,375.84
Total Long Term Liabilities	4,577,501.01	4,785,866.36
Total Liabilities	4,824,098.01	5,092,139.37
Equity		
Investment in Capital Assets	6,420,006.53	6,420,006.53
Unrestricted Net Assets	2,999,665.90	3,019,748.84
Allocation of Net Assets	-2,637,407.62	-2,637,407.62
Net Income	55,499.64	44,834.23
Total Equity	6,837,764.45	6,847,181.98
TOTAL LIABILITIES & EQUITY	11,661,862.46	11,939,321.35

Aromas Water District
Profit & Loss Budget Performance

Accrual Basis

October 2018

	Oct 18	Budget	Jul - Oct 18	YTD Budget	Annual Budget
Ordinary Income/Expense					
Income					
303 · Water Revenue	116,612.65	100,000.00	509,471.84	440,000.00	1,092,000.00
307 · Bulk Water	3,010.36	500.00	12,375.54	2,000.00	6,000.00
302 · Connection	0.00	0.00	0.00	0.00	13,300.00
301 · Taxes Rcvd					
3090 · Oakridge / OAWA Assess...	0.00		0.00		160,140.73
301 · Taxes Rcvd - Other	0.00	0.00	0.00	1,500.00	66,000.00
Total 301 · Taxes Rcvd	0.00	0.00	0.00	1,500.00	226,140.73
304 · Other Office Income & Reimbu...	0.00	0.00	412.13	500.00	3,000.00
306 · Interest	1,490.49	900.00	5,990.09	3,300.00	12,000.00
312 · Grant Revenue	1,000.00	1,000.00	1,625.00	1,750.00	2,600.00
Total Income	122,113.50	102,400.00	529,874.60	449,050.00	1,355,040.73
Gross Profit	122,113.50	102,400.00	529,874.60	449,050.00	1,355,040.73
Expense					
Operations					
403 · Fuel	1,317.10	830.00	4,184.98	3,320.00	10,000.00
404 · Truck Maint	288.94	1,000.00	2,865.61	2,000.00	5,000.00
431 · System Repair & Maint	4,743.50	5,000.00	17,500.37	20,000.00	60,000.00
463 · Water Analysis	707.00	500.00	2,632.00	2,000.00	6,000.00
464 · Water Treatment	797.87	792.00	5,485.34	3,164.00	9,500.00
468 · Tools	0.00	800.00	544.34	2,600.00	7,500.00
470 · Public Outreach / Annexation	0.00	330.00	-60.00	1,320.00	4,000.00
Total Operations	7,854.41	9,252.00	33,152.64	34,404.00	102,000.00
Power					
449.75 · 388 Blohm, # C	-53.44	17.00	-1.64	66.00	200.00
449.5 · 388 Blohm, A & B Office	129.50	130.00	448.87	520.00	1,600.00
461.5 · RLS Tank Booster	9.86	11.00	36.14	44.00	125.00
447 · Leo Ln Booster	35.69	35.00	137.03	139.00	400.00
448 · Aimee Mdws Well	9.86	11.00	35.49	44.00	125.00
451 · Marshall Corp Yard	35.66	42.00	127.09	168.00	500.00
452 · Rea Booster @ Seely	39.20	34.00	141.16	135.00	400.00
454 · Carr Booster	500.04	390.00	1,929.69	1,560.00	4,500.00
458 · Pleasant Acres Well	2,098.25	1,200.00	7,348.31	4,700.00	12,000.00
459 · Seely Booster @ Carpenteria	19.71	30.00	71.64	125.00	300.00
460 · San Juan Well	4,767.23	4,000.00	18,032.19	15,500.00	45,000.00
461 · Cole Tank	12.75	16.00	45.90	62.00	175.00
462 · Rea Tank	12.68	16.00	45.46	62.00	175.00
465 · Lwr Oakridge Boost	111.30	90.00	4,415.48	350.00	1,000.00
465.5 · Upper Oakridge Booster	150.00	50.00	300.00	200.00	600.00
466 · Pine Tree Tank	12.80	12.50	46.04	50.00	150.00
Total Power	7,891.09	6,084.50	33,158.85	23,725.00	67,250.00
Payroll					
Gross	33,948.07	33,700.00	134,632.21	134,800.00	405,740.00
Comp FICA	2,104.79	2,096.00	8,347.20	8,384.00	25,156.00
Comp MCARE	492.27	490.00	1,952.18	1,960.00	5,883.00
Comp SUI	74.15	195.00	250.23	775.00	2,335.00
Total Payroll	36,619.28	36,481.00	145,181.82	145,919.00	439,114.00
Employee / Labor Costs					
407 · Outside Services	156.52	500.00	2,780.72	2,000.00	6,000.00
408 · Uniform Allowance	0.00	0.00	319.07	375.00	1,500.00
409 · Workers Comp	935.55	1,058.00	4,502.55	4,232.00	12,702.00
410 · Health Ins	3,994.61	5,852.00	23,492.74	23,408.00	70,224.00
474 · Education	565.30	500.00	1,124.29	2,000.00	6,000.00
477 · Retirement	6,121.93	6,159.00	24,273.99	24,636.00	73,914.00
Total Employee / Labor Costs	11,773.91	14,069.00	56,493.36	56,651.00	170,340.00

Aromas Water District
Profit & Loss Budget Performance

October 2018

	Oct 18	Budget	Jul - Oct 18	YTD Budget	Annual Budget
Office					
440 · Misc Exp	562.00	330.00	1,255.72	1,320.00	4,000.00
444 · Postage	255.52	280.00	1,041.78	1,120.00	4,000.00
445 · Office Supplies	25.09	330.00	464.54	1,320.00	4,000.00
446 · Office Eqpmt and Maint	1,319.85	780.00	2,223.86	3,120.00	10,000.00
Total Office	2,162.46	1,720.00	4,985.90	6,880.00	22,000.00
Communications					
455 · Phone, Off	347.07	290.00	1,352.84	1,160.00	3,500.00
456 · Telemetry	299.15	300.00	1,198.28	1,200.00	3,600.00
457 · Answ Serv/Cellular Phone	241.47	300.00	993.64	1,200.00	3,600.00
Total Communications	887.69	890.00	3,544.76	3,560.00	10,700.00
Administrative & General					
4593 · Bond Issue Cost	0.00	0.00	0.00	0.00	11,875.00
4592 · Professional Fees	0.00	0.00	0.00	0.00	2,215.68
4591 · Admin Fee (Bond Admin N...	0.00	0.00	1,707.24	840.00	8,423.16
4590 · Bond Interest Exp - Assess...	0.00	0.00	65,065.19	68,588.00	137,176.42
Int Pymts LoansCapital Projects	0.00	0.00	0.00	0.00	3,393.35
417 · Capital Loan Interest	18,006.11	18,410.00	18,006.11	18,410.00	36,820.00
467.5 · Amortization Exp	0.00	0.00	0.00	0.00	1,500.00
467 · Depreciation Reserve	22,000.00	22,000.00	88,000.00	88,000.00	266,352.00
405 · Election	0.00	0.00	0.00	0.00	5,200.00
406 · Liability Ins	1,556.24	1,600.00	6,062.96	6,400.00	20,000.00
420 · Legal Fees	1,300.00	1,340.00	5,200.00	5,280.00	16,000.00
422 · Bank Charges	183.44	80.00	677.27	320.00	1,000.00
423 · Litigation Contingency	0.00	0.00	0.00	0.00	10,000.00
425 · Audit	0.00	2,500.00	8,311.00	5,000.00	11,625.00
471 · Bad Debts	0.00	0.00	0.00	0.00	500.00
473 · Memberships	4,139.00	6,000.00	4,827.86	7,700.00	16,000.00
Total Administrative & General	47,184.79	51,930.00	197,857.63	200,538.00	548,080.61
Total Expense	114,373.63	120,426.50	474,374.96	471,677.00	1,359,484.61
Net Ordinary Income	7,739.87	-18,026.50	55,499.64	-22,627.00	-4,443.88
Net Income	7,739.87	-18,026.50	55,499.64	-22,627.00	-4,443.88

11/16/18

Aromas Water District
Monthly Expenditures
 October 17 through November 16, 2018

Date	Num	Name	Amount
UB Checking			
10/17/2018	NSF	Bill Adjustment Report	-222.94
10/23/2018	16931	Varela (P), Sandra	-594.75
10/24/2018	16932	Andrew Russell	-121.17
10/24/2018	16933	Planned Environments	-220.14
10/24/2018	16934	Val King	-4.90
10/24/2018	16935	Underground Construction Co, Inc.	-319.74
10/24/2018	16936	ACE Hardware Prunedale	-169.16
10/24/2018	16937	ACWA JPIA, Emp. Ben. Prog.	-3,994.61
10/24/2018	16938	Aromas Water District (Petty Cash)	-387.35
10/24/2018	16939	CSSC	-90.85
10/24/2018	16940	David DeAlba	-51.38
10/24/2018	16941	Iflow Energy Solutions Inc.	-4,460.00
10/24/2018	16942	Mid Valley Supply	-797.87
10/24/2018	16943	Powers Electric Products Co	-997.08
10/24/2018	16944	R & B Company	-756.50
10/24/2018	16945	Sage Software Inc	-1,107.00
10/24/2018	16946	USA BlueBook	-365.67
10/24/2018	16947	Valero	-897.06
10/24/2018	16948	Verizon Wireless	-100.62
10/24/2018	16949	Xerox Corp	-19.16
10/29/2018	E-pay	Employment Development Dept	-6.99
10/29/2018	E-pay	United States Treasury (EFTPS)	-106.92
10/29/2018	E-pay	Employment Development Dept	-770.04
10/29/2018	E-pay	United States Treasury (EFTPS)	-4,137.08
10/29/2018	Paid Online	P G & E	-111.30
10/30/2018	EFT	QuickBooks Payroll Service	-6,947.73
10/31/2018	DD1286	Coombes (P), Louise P	0.00
10/31/2018	DD1287	Giron (P), Ester	0.00
10/31/2018	DD1288	Johnson (P), Robert L	0.00
10/31/2018	DD1289	Zelmar (P), Trevor J	0.00
10/31/2018	16950	DeAlba (P), David	-3,405.51
10/31/2018	EFT	CalPERS	-2,359.08
10/31/2018	EFT	CalPERS	-1,098.47
10/31/2018	EFT	Bank Service Fees	-192.44
11/02/2018	EFT	CalPERS	-3,495.42
11/02/2018	NSF	Bill Adjustment Report	-86.20
11/05/2018	16951	USPO	-50.00
11/05/2018	16952	A T & T U-verse	-69.25
11/05/2018	16953	CALNET3	-576.97
11/05/2018	16954	David DeAlba	-21.80
11/05/2018	16955	Louise Coombes	-477.05
11/05/2018	16956	Monterey Bay Analytical Services Inc	-707.00
11/05/2018	16957	Rob Johnson	-50.00
11/05/2018	16958	Sandra Varela	-28.08
11/05/2018	16959	Simonds Machinery Co. Inc	-1,755.86
11/05/2018	16960	Streamline	-100.00
11/05/2018	16961	United Way serving San Benito County	-38.00
11/05/2018	16962	USA BlueBook	-477.98
11/05/2018	16963	USPO	-205.52
11/08/2018	NSF	Bill Adjustment Report	-84.07
11/08/2018	NSF	Bill Adjustment Report	-73.54

11/16/18

Aromas Water District
Monthly Expenditures
 October 17 through November 16, 2018

Date	Num	Name	Amount
11/08/2018	NSF	Bill Adjustment Report	-886.80
11/08/2018	Paid Online	P G & E	-7,683.23
11/08/2018	Paid credit	P G & E	0.00
11/08/2018	Paid Online	First Bankcard	-1,303.27
11/14/2018	16964	Granite Drilling	-584.68
11/14/2018	16965	Seth Capron	-761.60
11/14/2018	16966	ACE Hardware Prunedale	-65.68
11/14/2018	16967	ACWA JPIA, Emp. Ben. Prog.	-5,940.95
11/14/2018	16968	AWWA	-433.00
11/14/2018	16969	Brigantino Irrigation	-282.92
11/14/2018	16970	California Special Districts Assoc	-3,587.00
11/14/2018	16971	Monterey Bay Analytical Services Inc	-154.00
11/14/2018	16972	Pajaro Valley Lock Shop	-39.88
11/14/2018	16973	Recology San Benito County	-34.66
11/14/2018	16974	Robert E. Bosso	-1,300.00
11/14/2018	16975	USA BlueBook	-105.61
11/14/2018	16976	Xerox Corp	-20.02
11/14/2018	E-pay	Employment Development Dept	-692.10
11/14/2018	E-pay	United States Treasury (EFTPS)	-4,062.10
11/15/2018	EFT	QuickBooks Payroll Service	-10,638.66
11/16/2018	DD1293	Coombes (P), Louise P	0.00
11/16/2018	DD1294	DeAlba (P), David	0.00
11/16/2018	DD1295	Giron (P), Ester	0.00
11/16/2018	DD1296	Johnson (P), Robert L	0.00
11/16/2018	DD1297	Zelmar (P), Trevor J	0.00
11/16/2018	16977	Dutra (P), Marcus	-214.68
11/16/2018	16978	Holman (P), Wayne R	-214.67
11/16/2018	DD1290	Leap (P), James E	0.00
11/16/2018	DD1291	Norton (P), K W	0.00
11/16/2018	DD1292	Smith (P), Richard	0.00
11/16/2018	EFT	CalPERS	-882.93
11/16/2018	EFT	CalPERS	-2,156.27
Total UB Checking			-85,154.96
TOTAL			<u>-85,154.96</u>