

RAINBOW

MUNICIPAL WATER DISTRICT
Committed to Excellence



Fallbrook, California

Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2020

RAINBOW MUNICIPAL WATER DISTRICT
CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

RAINBOW MUNICIPAL WATER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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INTRODUCTORY SECTION

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December 8, 2020

To our Ratepayers, Members of the Budget & Finance Committee, and the Board of Directors of Rainbow Municipal Water District:

We are pleased to present the Rainbow Municipal Water District's (RMWD, District), Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2020. This document, which contains a complete set of basic financial statements, is presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. State law requires that all special-purpose local governments publish these basic financial statements within six months of the close of the agency's fiscal year. This report is published to fulfil that requirement and to provide the Board of Directors (Board), the public, and other interested parties these basic financial statements.

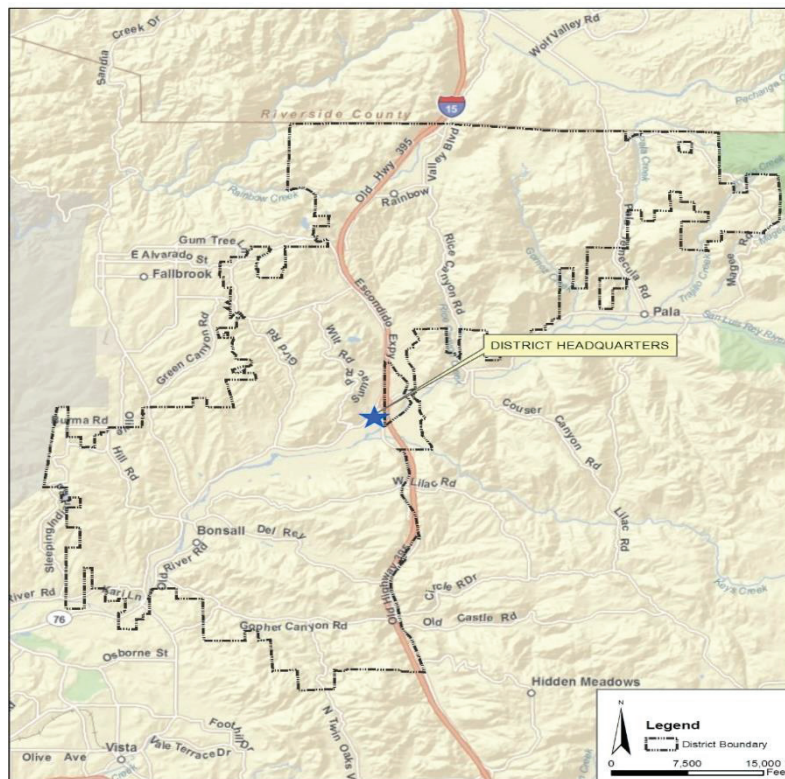
This report contains management's representations concerning the finances of the District. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that have been established for this purpose. These controls are designed to protect the District's assets from loss, theft, or misuse, and to ensure sufficiently reliable information for the preparation of the District's basic financial statements in conformity with GAAP. The District's internal controls have been designed to provide appropriate assurance that the basic financial statements will be free from material misstatements. As management, we assert that this financial report is complete and reliable in all material respects.

The districts basic financial statements have been audited by Lance, Soll & Lunghard, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements for fiscal year ended June 30, 2020 are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor rendered an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2020, are fairly presented, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

A profile of the District is presented in the Introductory Section. In the Financial Section, Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides an overview and analysis of the basic financial statements. The letter of transmittal and introduction is designed to complement the MD&A and should be read in conjunction with it. This report includes all disclosures management believes necessary to enhance your understanding of the financial condition of the District.

DISTRICT PROFILE

The Rainbow Municipal Water District was organized on December 20, 1953, under the Municipal Water District Act of 1911 (commencing with section 71000 of the California Water Code). The Board of Directors is composed of five members who are elected by divisions of the District for four-year alternating terms, with the president being elected by the Board from among its members. Advisory Committees composed of residents from all divisions of the District assist the Board in water issues and financial planning. Operation, maintenance, and administration of the system is carried out by a staff of 57 full time employees under the direction of the General Manager, Thomas Kennedy.



The Rainbow Municipal Water District, comprising a total area of 82 square miles, is located in northeast San Diego County, approximately two hours driving time from Los Angeles and one hour from San Diego. It is approximately 40 miles northeast of downtown San Diego, California and 90 miles southeast of the City of Los Angeles. The District shares common boundaries with Riverside County, Camp Pendleton Marine Corps Base, the unincorporated community of Fallbrook and the City of Oceanside. The District boundaries encompass the unincorporated communities of Rainbow and Bonsall, as well as portions of Pala, Fallbrook and Vista.

The principal activity of the District is the development and operation of a water transmission and distribution system capable of delivering potable water throughout the District. The District's area of service is predominantly agricultural and includes approximately 5,300 homes and a total metered service of 8,566. In addition to water service, the District provides sewerage collection and disposal service to approximately 3,059 accounts.

SERVICE AREA AND LOCAL ECONOMY

San Diego County is the second-most populous county in the state and the fifth-most populous in the United States. The District is located in the north-east region of the county and is rural in character with agriculture being the top industry within the district boundaries. The District borders the U.S. Marine Corps Base Camp Pendleton, making the District's service area a suburb for Camp Pendleton's active military and civilian-service workers as well as commuters that work to the south in San Diego and to the North in Riverside and Orange Counties. The service area's 2018 population is estimated to be 19,944. The District's population has grown recently with the addition of housing developments. The median household income in Bonsall was \$83,750 for 2018, which is higher than the state median of \$71,228 and higher than the national average of \$63,179. Demographics for the District's service area are difficult to quantify due to the various towns and unincorporated areas covered by the District. The San Diego Association of Governments (SANDAG) projects that the County's population will approach 4.4 million residents in 2050, up from 3.3 million in 2016. The District's 2050 housing density is expected to increase slightly as housing demands increase.

DISTRICT POWERS

The District has broad general powers to perform all necessary or proper acts, including but limited to the authority to acquire, plan, construct, maintain, improve, operate and repair necessary works for the transmission and distribution of water for irrigation and other purposes and for reclamation of such water; the right of eminent domain; authority to levy taxes or, in lieu thereof, to fix and collect charges for water, including standby charges made to holders of title to land to which water may be made available, whether or not the water is actually used; authority to establish rules and regulations for the sale and distribution of water including rules for providing that water shall not be furnished to persons against whom there are delinquent water charges; authority to contract with the United States, the State and the agencies of either; and the power to join with one or more public agencies, private corporations or other persons for the purpose of carrying out any of the powers of the District.

FINANCIAL POLICIES

The District maintains certain policies that govern aspects of the District's financial management.

The District's maintains the following policies:

- Debt Management Policy – Defines the District's debt management.
- Investment Policy – Establishes permitted investments in compliance with State Code.
- Fund Balance/Reserve Policies – Set target balances for reserves and working capital.
- Capitalization Policy – Establishes the parameters for defining an operating or capital expenditure.
- Purchasing Policy – Establishes rules and limits for approval of purchases to ensure efficient buying and control of District assets.

These policies can be found on the District's website as part of the District's Administrative Code.

WATER SUPPLY OPERATIONS

Since Rainbow Municipal Water District began water service in 1954, the District's source of supply has been water purchased from the San Diego County Water Authority (SDCWA). About 66% of the water is used for agricultural purposes; all water is of domestic quality.

SDCWA is a County Authority organized on June 9, 1944 under the County Authority Act, California Statutes 1943, Chapter 545, as amended. SDCWA's primary purpose is to supply water to areas in the County for distribution to the SDCWA's member agencies in order to meet their respective needs. SDCWA's service area encompasses 1,418.2 square miles, which represents about one-half of the land acreage of the County. There are currently 24 member agencies served by the SDCWA consisting of 6 cities, 17 special districts and the US Marine Corps base at Camp Pendleton. The SDCWA receives its water from the Metropolitan Water District of Southern California, of which the Authority is a member agency. Delivery of this water is made by San Diego County Water Authority through aqueducts, all of which traverse the District.

Historically, SDCWA depended almost exclusively on water supplies imported from the Colorado River and Northern California by the Metropolitan Water District of Southern California. That changed in 2003 with the start of the largest farm-to-urban water conservation and transfer agreement in the nation with the Imperial Irrigation District, which now accounts for about one-third of San Diego County's water supply. In late 2015, the Water Authority added a new water source to its portfolio with the completion of the nation's largest seawater desalination plant in Carlsbad. Today, the Water Authority and its member agencies have identified potable reuse of recycled water as the next major source of local water supply, while continuing to aggressively promote water conservation as a civic responsibility.

The Water Authority is governed by a 36-member Board of Directors representing the 24-member agencies. A member of the San Diego County Board of Supervisors also serves as a non-voting member to the Water Authority Board.

The Metropolitan Water District is a regional wholesaler that delivers water to 26 member public agencies 14 cities, 11 municipal water districts, one county water authority which in turn provides water to more than 19 million people in Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura counties. The Metropolitan Water District, to supplement its water supply from the Colorado River, has entered into a contract with the State of California for the delivery of water via the State Water Project. Metropolitan is governed by a 38-member board of directors who represent their respective member agencies ensuring each member agency is part of the governance of Metropolitan.

To supply the more than 300 cities and unincorporated areas in Southern California with reliable and safe water, Metropolitan owns and operates an extensive water system including: The Colorado River Aqueduct, 16 hydroelectric facilities, nine reservoirs, 819 miles of large-scale pipes and five water treatment plants. Four of these treatment plants are among the 10 largest plants in the world. In fact, Metropolitan is the largest distributor of treated drinking water in the United States. The District imports water from the Feather River in Northern California and the Colorado River to supplement local supplies. It also helps its member agencies develop water recycling, storage and other local resource programs to provide additional supplies and conservation programs to reduce regional demands.

Metropolitan currently delivers an average of 1.7 billion gallons of water per day to a 5,200-square-mile service area.

WATER SYSTEM DESCRIPTION

RMWD's existing water distribution system is comprised of 12 major pressure zones with storage facilities. Four of the major zones are supplied directly from SDCWA aqueduct connections and the remaining major zones are supplied through pressure reducing stations or booster pump stations. In addition to the major zones, there are 30 reduced pressure areas that are supplied from the major zones through pressure reducing stations. The existing distribution system has over 320 miles of pipelines ranging in size from 4-inches to 42-inches in diameter.

WATER SYSTEM OPERATIONS

Operation of the RMWD water distribution system is very complex due to the large number of pressure zones, supply locations, and large capacity storage facilities which require frequent cycling or turnover to maintain water quality. Furthermore, the water distribution system is flexible in that supply from the eight aqueduct connections can be routed to different parts of the distribution system by making changes to several key valve settings. Reservoir water levels are connected to the RMWD Supervisory Control and Data Acquisition (SCADA) system, such that the water operators are able to monitor the system throughout the day at the water operations center.

Tank water levels in several pumped zones are operated in a fill/drain mode with water levels set low to improve the turnover rate. In addition to normal supply operations, system operators have several documented procedures for alternative supplies to zones. In the event that pump stations fail or when aqueducts are shut down for service, tanks need to be removed from service. During planned shutdowns of the SDCWA Second Aqueduct (Connections 3, 6, 7, 8, 9, and 11), water from the North and Northside Reservoirs is supplied down to the Canonita Zone through bypass valves and pressure reducing stations. The remaining zones normally supplied from the Second Aqueduct are supplied from excess storage capacity in the Morro Reservoir via temporary diesel-powered pumps.

Four portable pumps are utilized to pump water from the Morro Zone to the South Zone. Supply to the South Zone can also be supplemented from the City of Oceanside's Weese Water Filtration Plant from a portable pump. The Northside Zone, North Zone, and all zones that are pumped from the North Zone are normally supplied from Connections 1 and 10 on the First Aqueduct and Connection 9 on the Second Aqueduct. During a shutdown of both aqueducts, these zones rely on water from in-zone tank storage, the North and Northside Reservoirs, and additional supply from FPUD's Red Mountain Reservoir, which is pumped into the North Reservoir. An emergency pump station at the Beck Reservoir site can also be utilized during a shutdown of both aqueducts to supply the Canonita Zone from the Pala Mesa Zone.

WASTEWATER FACILITIES

The District provides sewerage collection and disposal service to approximately 3,059 accounts, maintains 6 lift stations and 60 miles of sewer main. On February 13, 2002, Rainbow Municipal Water District entered into a contract with the City of Oceanside, California to provide for the construction, operation, maintenance, and replacement of a wastewater system to service the needs of both The City and the District. The City owns the wastewater conveyance, treatment, and disposal facilities and the District has the contractual right to discharge wastewater into the City's system.

LONG RANGE PLANNING

At the April 26, 2016 Board Meeting the 2016 Water and Wastewater Master Plan Update was adopted by the Board of Directors. The purpose of the Master Plan Updates is to identify potential system deficiencies, confirm transmission main sizing and identify future capital improvement projects based on updated ultimate demand projections. The District's most recent water and wastewater master plans were prepared in 2006. There is the potential for a considerable amount of new development both within and outside the current District boundaries in the near future. The water and wastewater master plans serve as the basis for critical infrastructure decisions and capital fees. The master plans consider both existing, and ultimate, year 2030, conditions.

The District implemented a Strategic Plan in 2016 with specific Goals. It is a living document as the condition in the area of water supply and reclamation change over time. The Strategic Plan is reviewed by the Board annually along with various goals and objectives presented by staff. At intervals not to exceed five years, the Board will revisit the Mission Statement, Values, and Strategic Focus Areas to ensure that they remain aligned with the needs of the District at that time. A full update of the status of the goals and sub goals is published on the District website annually in the Budget document.

The district is in the process of implementing a strategic capital improvement plan to facilitate prioritization within the District's key focus areas: Water Pipeline Rehabilitation/Replacement,

Wastewater System Upgrades/Expansion, Water System Storage, Water System Pump Stations, District Headquarter Facility, and Wholesale Water Efficiency Projects.

Wholesale Water Efficiency Projects are a major challenge for the district as 100% of our water is imported through the SDCWA. Since the resolution of a lawsuit brought by North County member agencies against the San Diego County Water Authority, the two northernmost districts, Rainbow MWD and the Fallbrook Public Utilities District, have not had to pay the SDCWA transportation charge on water delivered through our direct connections to the MWD Aqueduct system. Currently, that fee is over \$160 per acre foot a substantial sum. Over the last few years, the Districts System Operators have been shifting as much of our demands to those connections as possible. Now, about 60% of our water purchases come from these northerly MWD connections. However, the transportation charge on the remaining 40% of the water amounts to about \$1 Million per year and that cost is going up every year. It is in the best interest of the District's ratepayers to move as much demand as possible onto our northerly MWD connections in order to provide the same water at a lower cost. The challenge is moving water from these connections two on the east of I-15 and two on the west into the southerly service area. A key east/west connector from the Rice Canyon Tank down to the Pardee development is currently in design and will be constructed as part of that project. This pipeline will greatly increase the amount of water that can be delivered from our connection 10 east of Rice Canyon Road into the main service area in Bonsall.

The District is separately pursuing a full detachment from SDCWA and should it be successful we will rely solely on these northerly MWD connections. Savings from detachment are currently estimated at about \$7 Million per year. This process will take a few more years to conclude and the outcome is far from certain at this point.

AWARDS AND ACKNOWLEDGEMENTS

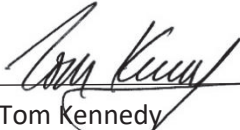
The District was awarded the District of Distinction Accreditation by the Special District Leadership Foundation (SDLF) for its sound governance and fiscal management practices and policies. To receive the award, a special district must undergo regular financial audits and have no major deficiencies. Board members and management staff must undergo extensive training in sound governance practices and management. Their operations must conform to all statutes and regulations under state law as reflected in a clear and robust set of policies and procedures. They must also have completed SDLF's District Transparency Certificate of Excellence which is awarded every other year and was presented to Rainbow MWD in 2015, 2017 and 2019. To receive the Transparency Certificate of Excellence, a special district must demonstrate the completion of essential governance transparency requirements, including conducting ethics training for all board members, properly conducting open and public meetings, and filing financial transactions and compensation reports to the State Controller in a timely manner.

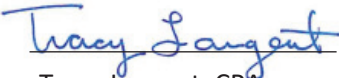
The Government Finance Officers Association of the United States and Canada (GFOA) presented the award of Distinguished Budget Presentation Award to Rainbow Municipal Water District for the annual budget for the fiscal year beginning July 1, 2019. In order to receive this award a governmental unit must publish a budget document of the very highest quality that adheres to the program standards set by the GFOA. The award is valid for a period of one year only. We believe the FY 2021 budget continues to meet the program requirements and will be submitted to the GFOA to determine its eligibility for another award.



This is the first year the district has prepared a CAFR and will be submitting this document to GFOA to determine eligibility for the Distinguished CAFR Presentation Award.

We would like to thank the Board of Directors for providing the direction and support necessary for the preservation of the District's internal controls, financial sustainability, and high standard of financial management.


Tom Kennedy
General Manager


Tracy Largent, CPA
Finance Manager

RAINBOW MUNICIPAL WATER DISTRICT MISSION STATEMENT & CORE VALUES



“To provide our customers reliable, high quality water and water reclamation service in a fiscally sustainable manner.”

Background

RMWD’s adopted Strategic Plan’s strategic focus area of Workforce Development calls for the implementation of cost-effective employee recognition programs to acknowledge performance, encourage development and improve morale.

The Operations Manager, Human Resources Manager, and Administrative Analyst partnered to design a program that would not only increase pride in serving the District, but also use the design of the coins to reinforce the District’s newly articulated values and strategic focus areas. The program will give employees the ability to recognize one another for performance and behaviors in alignment with these goals.

Overview of the Excellence Coin Program

The program includes a series of six Excellence Coins, each designed to symbolize a particular District focus area. The first coin in the series “Commitment to Excellence” will be issued to all new employees, Board Members, and Citizen Committee members upon joining the District as a tangible welcome gift and reminder of our purpose. Each of the remaining coins will only be issued after nomination and selection by management or peer employee groups.



Innovation:

We realize that good ideas can come from many sources, and we continually encourage new and better ways of doing our work. Our goal is not innovation for innovation's sake, but for finding ways to improve service and lower costs.



Integrity:

We believe in openness, trust, ethics and transparency. We practice direct and honest communication in all of our day-to-day interactions.



Professionalism:

We have open and respectful communication and interactions, both internally and with our customers. Our employees will always exhibit professionalism in all of their day-to-day interactions.



Responsibility:

Individual and organizational responsibility and accountability for accomplishing the District's mission is a core value. We focus on doing our work in an efficient, reliable, and



Teamwork:

Our focus is on supporting one another to collectively be our best. We encourage communication and collaboration. We focus on quality and have pride in the work we do in service to our customers.



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year ending June 30, 2020

Current Board of Directors:

Division 1: Director Helene Brazier

Division 2: Director Hayden Hamilton

Division 3: Director Miguel Gasca

Division 4: Director Carl Rindfleisch

Division 5: Director Michael Mack

Prepared by District Management:

General Manager – Tom Kennedy

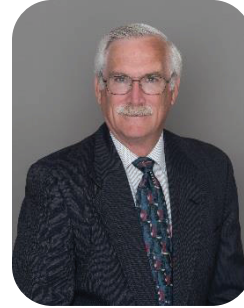
Finance Manager – Tracy Largent, CPA



RAINBOW MUNICIPAL WATER DISTRICT OFFICIALS



Helene Brazier - President



Hayden Hamilton – Vice President



Carl Rindfleisch - Director



Michael Mack - Director



Miguel Gasca - Director



**Tom Kennedy
General Manager**



**Tracy Largent
Finance Manager**



**Robert Gutierrez
Operations Manager**



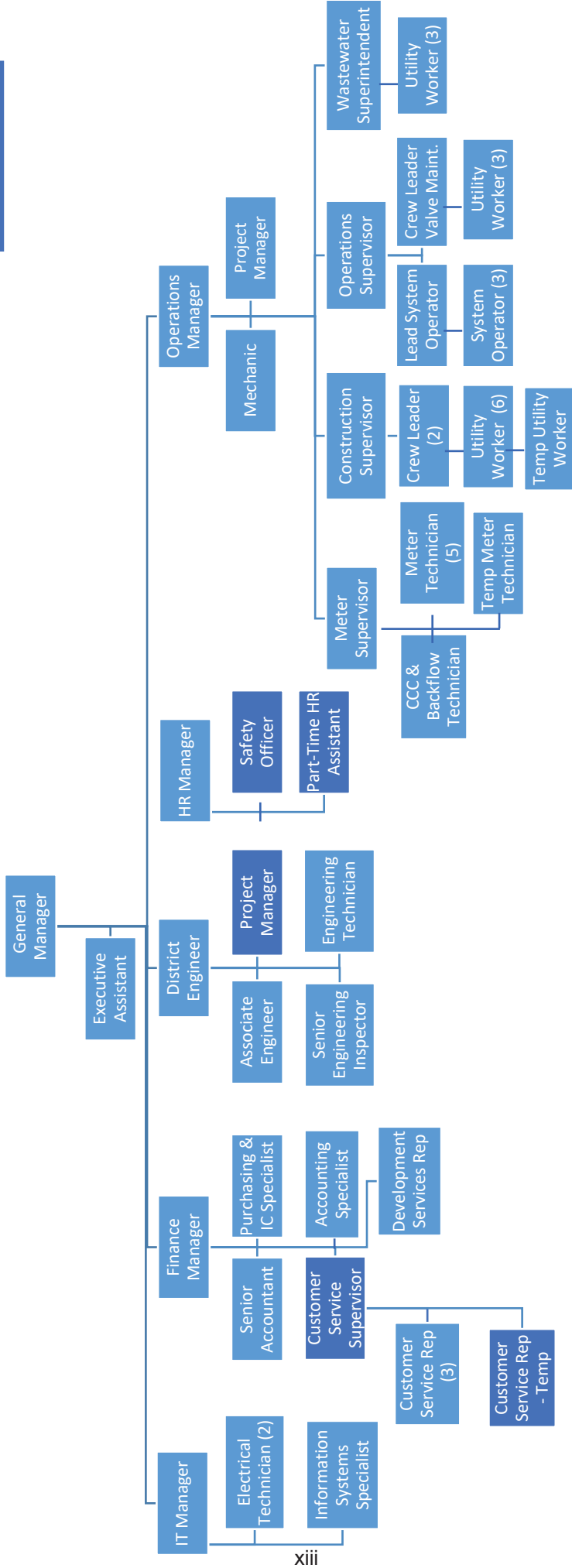
**Karleen Harp
HR Manager**



**Chad Williams
Interim District Engineer**

RAINBOW MUNICIPAL WATER DISTRICT ORGANIZATIONAL CHART

57.5 FTE'S



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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rainbow Municipal Water District
Fallbrook, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Rainbow Municipal Water District (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special District. 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the Board of Directors
Rainbow Municipal Water District
Fallbrook, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rainbow Municipal Water District as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of changes in the total other post-employment benefits liability and related ratio, and the schedule of plan contributions 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Soll & Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California
November 9, 2020

**RAINBOW MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

As management of the Rainbow Municipal Water District (the District), we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements, which begin immediately following this analysis. This annual financial report consists of three main parts (1) Management's Discussion and Analysis, (2) Basic Financial Statements, and (3) Required Supplemental Information.

The financial statements consist of a series of financial statements prepared in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management Discussion and Analysis for State and Local Governments*.

FINANCIAL HIGHLIGHTS

The District's ending net position was \$88,168,656.

The change in net position for the fiscal year was an increase of \$4,596,493.

The District had a loss from operations in the amount of \$7,804,536 in the current year compared to a loss from operations of \$5,286,552 in the previous year. Nonoperating income for the current year was \$1,161,132 compared to \$1,707,817 for the prior year.

This year the District had \$10,807,591 worth of net additions to capital assets compared to \$1,608,606 last year. This increase is largely due to the meter replacement project as well as \$7,963,356 in acceptance of assets resulting from the DR Horton-Horse Creek Ridge agreement.

The District secured Capital Lease financing and Installment Purchase Contract financing for \$5.52M and \$5.25M at 3.09% and 3.18% respectfully in FY 2019. The capital lease financing will be used to replace all of the district meters with new, more accurate meters. This project began ramping up in the second half of FY 19-20 and is projected to have a net positive financial impact by either reducing our cost of unsold water due to water loss or increasing revenue from meters. The forecast is for an increase in revenue of over \$1 Million per year at a cost of approximately \$650,000 per year. The Installment Purchase Contract financing will be used for the second part of the overall project. This part of the project was added to perform upgrades to our existing water services at the time of meter replacement.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's financial statements.

Financial Statements. The financial statements of the District are reported using accounting methods similar to those used by companies in the private sector. These statements offer short-term and long-term financial information about its activities.

**RAINBOW MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

The *Statement of Net Position*, presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position*, presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* provides information regarding the District's cash receipts and cash disbursements during the year. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where cash came from, what was cash used for, and what was the change in cash balance during the reporting period.

The *Notes to the Basic Financial Statements* are included to provide more detailed data and explain some of the information in the statements.

DISTRICT'S FINANCIAL ANALYSIS

Our analysis of the District begins on page 9 of the financial statements. One of the most important questions to ask about the District's finances is "Whether the District, as a whole, is better off or worse off as a result of the year's activities?" The Statement of Net Position, and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that will help answer this question. Measuring the change in the District's net position - the difference between assets and liabilities - is one way to measure financial health. Over time, increases or decreases in the District's net position are 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.

The District's net position from the prior fiscal year increased by \$4,596,493 or 5.5%. Operating revenue for this fiscal year decreased \$311,206 or 0.9% compared to the prior year.

Operating expenses increased by \$2,206,778 or 5.3% from the prior year as a result of increased costs relating to meters and increased pension expenses. Non-operating revenue decreased by \$500,765 due mainly to investment returns declining. Non-operating expenses increased by \$45,920 due to interest expense.

**RAINBOW MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

DISTRICT'S FINANCIAL ANALYSIS (continued)

Statement of Net Position

To begin our analysis, a summary of the District's Condensed Statement of Net Position is presented in Table 1 for the current year and the prior year.

Net Position is the difference between assets acquired, owned, and operated by the District and amounts owed (liabilities). In accordance with Generally Accepted Accounting Principles (GAAP), capital assets acquired through purchase or construction by the District are recorded at historical cost. Capital assets contributed by developers are recorded at developers' bonded cost. Net Position represents the District's net worth including, but not limited to, capital contributions received to date and all investments in capital assets since inception.

Net position may serve over time, as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$88,168,657 as of June 30, 2020.

The fiscal year 2020 net pension liability had an increase of \$627,949 compared to fiscal year 2019. Net pension liability is reported at \$7,527,597 for fiscal year 2020 and it is based on the District's proportionate share of the net pension liability for the Miscellaneous Classic and PEPRA plans under the CalPERS retirement program. The District's net pension liability was \$6,899,648 and \$7,031,525 for fiscal years 2019 and 2018, respectively.

The District's financial position is the product of several financial transactions including the net results of revenue and expense, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**RAINBOW MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

DISTRICT'S FINANCIAL ANALYSIS (continued)

**Table 1
Condensed Statement of Net Position**

Assets	2020	2019	\$ Change	% Change
Current Assets	\$ 41,157,401	\$ 48,460,270	\$ (7,302,869)	-15.1%
Noncurrent Assets	89,895,852	79,088,261	10,807,591	13.7%
Total Assets	<u>131,053,253</u>	<u>127,548,531</u>	<u>3,504,722</u>	<u>2.7%</u>
Deferred Outflows of Resources	<u>1,622,196</u>	<u>2,121,387</u>	<u>(499,191)</u>	<u>-23.5%</u>
Liabilities				
Current Liabilities	6,917,942	7,217,595	(299,653)	-4.2%
Noncurrent Liabilities	37,146,582	38,445,392	(1,298,810)	-3.4%
Total Liabilities	<u>44,064,524</u>	<u>45,662,987</u>	<u>(1,598,463)</u>	<u>-3.5%</u>
Deferred Inflows of Resources	<u>442,269</u>	<u>434,768</u>	<u>7,501</u>	<u>1.7%</u>
Net Position				
Net Investment in Capital Assets	66,925,606	63,739,648	3,185,958	5.0%
Restricted for Capital Projects	11,057,533	3,321,531	7,736,002	232.9%
Restricted for Debt Service	1,129,682	-	1,129,682	100.0%
Unrestricted	9,055,835	16,510,984	(7,455,149)	-45.2%
Total Net Position	<u>\$ 88,168,656</u>	<u>\$ 83,572,163</u>	<u>\$ 4,596,493</u>	<u>5.5%</u>

Statement of Revenues, Expenses and Changes in Net Position

The District's total operating revenues for the fiscal year ended June 30, 2020, excluding inter-fund transfers, decreased by \$311,206 to \$36,203,877. This was primarily due to reduced demand during a wetter than usual winter and spring.

The District's total operating expenses increased by \$2,206,778 to \$44,008,413 as a result of increased costs relating to meters and increased pension expenses.

The loss from operations was \$7,804,536. Nonoperating income for the current year was \$1,161,132 compared to \$1,707,817 for the prior year.

**RAINBOW MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

DISTRICT'S FINANCIAL ANALYSIS (continued)

The following table presents a summary of the Statement of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2020:

**Table 2
Condensed Statement of Revenues, Expenses & Changes in Net Position**

	2020	2019	\$ Change	% Change
Operating Revenues	\$ 36,203,877	\$ 36,515,083	\$ (311,206)	-0.9%
Operating Expenses	(44,008,413)	(41,801,635)	(2,206,778)	5.3%
Non-operating Revenues	1,777,907	2,278,672	(500,765)	-22.0%
Non-operating Expenses	(616,775)	(570,855)	(45,920)	8.0%
Loss Before Capital Cont	(6,643,404)	(3,578,735)	(3,064,669)	85.6%
Capital Contributions	11,239,897	2,941,091	8,298,806	282.2%
Change in Net Position	4,596,493	(637,644)	5,234,137	-820.9%
Total Net Position (Beg)	83,572,163	82,879,978	692,185	0.8%
Prior Period Adjustment	-	1,329,829	(1,329,829)	-100.0%
Net Position (Beg) Restated	83,572,163	84,209,807	(637,644)	-0.8%
Total Net Position, End	\$ 88,168,656	\$ 83,572,163	\$ 4,596,493	5.5%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

**Table 3
Changes in Capital Assets**

	2020	2019	\$ Change	% Change
Land	\$ 1,977,490	\$ 1,977,490	-	0.0%
Construction in Progress	7,796,283	3,894,165	3,902,118	100.2%
Buildings & Improvements	1,026,246	1,026,246	-	0.0%
Reservoirs, Pipelines, & Tanks	151,581,951	143,218,563	8,363,388	5.8%
Meters	1,352,996	1,300,613	52,383	4.0%
Equipment	4,814,128	4,579,015	235,113	5.1%
Invest in Sewer Rights	8,764,700	8,321,043	443,657	5.3%
Less: Accumulated Depreciation	(87,417,942)	(85,228,874)	(2,189,068)	2.6%
Total Capital Assets	\$ 89,895,852	\$ 79,088,261	\$ 10,807,591	13.7%

**RAINBOW MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

DISTRICT'S FINANCIAL ANALYSIS (continued)

Debt

**Table 4
Changes in Debt**

	2020		2019		\$ Change	% Change
Loan Payable Morro	\$ 8,070,736	\$	8,747,804	\$	(677,068)	-7.7%
Loan Payable Beck	6,090,000		6,600,809		(510,809)	-7.7%
Lease Purchase Agreement	4,524,987		5,523,284		(998,297)	100.0%
Installment Purchase Contract	4,284,523		5,249,905		(965,382)	100.0%
Total Debt	<u>\$ 22,970,246</u>	<u>\$</u>	<u>26,121,802</u>	<u>\$</u>	<u>(3,151,556)</u>	<u>-12.1%</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District's Board of Directors and management considered many factors when setting the fiscal year 2020 budget, user fees, and charges. These indicators were taken into consideration when adopting the District's budget for year 2021.

CONTACTING THE DISTRICT

Questions regarding this report should be directed to Tom Kennedy, General Manager, or Tracy Largent, Finance Manager, at (760) 728-1178, or by mail at 3707 Old Highway 395, Fallbrook, California 92028.

BASIC FINANCIAL STATEMENTS

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RAINBOW MUNICIPAL WATER DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2020

Assets:

Current Assets:

Cash and cash equivalents	\$ 5,718,182
Restricted cash and cash equivalents	12,187,215
Investments	15,026,875
Accounts receivable - water and sewer, net	4,432,845
Interest receivable	75,228
Taxes and assessments receivable	4,352
Other receivable	22,276
Inventories	3,437,287
Prepaid costs	253,141
Total Current Assets	<u>41,157,401</u>

Noncurrent Assets:

Capital assets:

Land	1,977,490
Construction in progress	7,796,283
Buildings and improvements	1,026,246
Reservoir, pipelines, and tanks	151,581,951
Meters	1,352,996
Equipment	4,814,128
Investment in sewer rights	8,764,700
Less: accumulated depreciation	<u>(87,417,942)</u>
Total Noncurrent Assets	<u>89,895,852</u>

Total Assets

131,053,253

Deferred Outflows of Resources:

Deferred amounts from pension	<u>1,622,196</u>
Total Deferred Outflows of Resources	<u>1,622,196</u>

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

RAINBOW MUNICIPAL WATER DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2020

Liabilities:

Current Liabilities:

Accounts payable	6,042,896
Accrued expenses	310,319
Construction meter deposits	40,150
Developer deposits	71,024
Compensated absences, current portion	49,318
Current portion of notes payable	404,235
Total Current Liabilities	<u>6,917,942</u>

Noncurrent Liabilities:

OPEB liability	708,893
Accrued compensated absences	443,865
Net pension liability	7,527,597
Prepaid capacity fees	5,900,216
Notes payable, net of current portion	22,566,011
Total Noncurrent Liabilities	<u>37,146,582</u>

Total Liabilities **44,064,524**

Deferred Inflows of Resources:

Deferred amounts on pension	<u>442,269</u>
Total Deferred Inflows of Resources	<u>442,269</u>

Net Position:

Net investment in capital assets	66,925,606
Restricted for capital projects	11,057,533
Restricted for debt service	1,129,682
Unrestricted	9,055,835
Total Net Position	<u>\$ 88,168,656</u>

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

RAINBOW MUNICIPAL WATER DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020**

Operating Revenues:	
Water sales	\$ 33,156,919
Wastewater revenue	2,621,433
Other operating revenue	425,525
Total Operating Revenues	<u>36,203,877</u>
Operating Expenses:	
Cost of purchased water	21,917,914
Board of directors	23,336
Pumping	530,815
Operations	2,836,404
Valve maintenance	522,935
Distribution	2,191,712
Meters	1,893,429
Garage	544,451
Administration	3,277,178
Human Resources	298,776
Risk management	455,288
Finance	632,456
Customer Service	718,066
Wastewater	2,268,304
Engineering	1,005,437
Depreciation	2,189,068
Other operating expense	2,702,844
Total Operating Expenses	<u>44,008,413</u>
Operating Income (Loss)	<u>(7,804,536)</u>
Nonoperating Revenues (Expenses):	
Property tax revenue	653,320
Investment income	841,596
Other nonoperating revenue	282,991
Interest expense	(616,775)
Total Nonoperating Revenues (Expenses)	<u>1,161,132</u>
Loss before Capital Contributions	(6,643,404)
Capital contributions	<u>11,239,897</u>
Changes in Net Position	4,596,493
Net Position, Beginning of Year	<u>83,572,163</u>
Net Position, End of Year	<u><u>\$ 88,168,656</u></u>

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

RAINBOW MUNICIPAL WATER DISTRICT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash Flows from Operating Activities:

Cash received from customers	\$ 36,802,698
Cash paid to suppliers for goods and services	(33,473,286)
Cash paid to employees for services	(8,272,260)
Net Cash (Used for) Operating Activities	<u>(4,942,848)</u>

Cash Flows from Non-Capital Financing Activities:

Property taxes received	662,044
Grant subsidies	37,933
Net Cash Provided by Non-Capital Financing Activities	<u>699,977</u>

Cash Flows from Capital and Related Financing Activities:

Acquisition and construction of capital assets	(1,756,762)
Principal paid on capital debt	(3,151,556)
Interest paid on capital debt	(1,021,927)
Other nonoperating	(13,813)
Net Cash (Used for) Capital and Related Financing Activities	<u>(5,944,058)</u>

Cash Flows from Investing Activities:

Purchase of investments	(1,512,668)
Interest received	950,473
Net Cash (Used for) Investing Activities	<u>(562,195)</u>
Net (Decrease) in Cash and Cash Equivalents	(10,749,124)

Cash and Cash Equivalents at Beginning of Year	28,654,521
Cash and Cash Equivalents at End of Year	<u>\$ 17,905,397</u>

Reconciliation of Cash and Cash Equivalents to
Amounts Reported on the Statement of Net Position:

Cash and cash equivalents	\$ 5,718,182
Restricted cash and cash equivalents	12,187,215
Cash and Cash Equivalents, June 30	<u>\$ 17,905,397</u>

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

RAINBOW MUNICIPAL WATER DISTRICT

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

**Reconciliation of Operating (Loss) to Net Cash
(Used for) Operating Activities:**

Operating (loss)	<u>\$ (7,804,536)</u>
Adjustments to reconcile operating (loss) to net cash (used for) operating activities:	
Depreciation	2,189,068
Decrease in accounts receivable - water and sewer, net	324,073
Decrease in other receivable	191,091
(Increase) in inventories	(2,397,914)
(Increase) in prepaid costs	(168,438)
Increase in accounts payable	1,347,455
Increase in accrued expenses	60,029
Increase in deposits	83,657
Increase in compensated absences	54,765
Increase in OPEB obligation	43,261
Increase in pension obligation	<u>1,134,641</u>
Total Adjustments	<u>2,861,688</u>
Net Cash (Used for) Operating Activities	<u><u>\$ (4,942,848)</u></u>

Non-Cash Investing, Capital, and Financing Activities:

Capital contributions	\$ 11,239,897
Unrealized gain on investments	419,991

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

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NOTES TO FINANCIAL STATEMENTS

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RAINBOW MUNICIPAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 1: Summary of Significant Accounting Policies

a. Organization

The Rainbow Municipal Water District (the "District") was established in 1953 and is a Special District, organized under Section 71000 of the California Water Code. The District provides water and sanitation services to the unincorporated communities of Rainbow, Bonsall, and portions of Vista, Oceanside, and Fallbrook.

The District services and maintains approximately 315 miles of water main, 7 pump stations, 4 reservoirs, and 13 storage tanks to deliver water to its customers. It also provides sewer services to parts of the District and maintains 6 lift stations and 60 miles of sewer main located in northern San Diego County.

The District is governed by a Board of Directors made up of five members elected by the voters within the District.

b. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Under the economic measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering water in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses and Changes in Net Position.

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

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 (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

RAINBOW MUNICIPAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

The basic financial statements of the Rainbow Municipal Water District have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting financial reporting purposes.

Net position of the District is classified into three components: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. These classifications are defined as follows:

Net Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or borrowings that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

Restricted Net Position

This component of net position consists of net position with constrained use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

This component of net position consists of net position that does not meet the definition of "net investment in capital assets," or "restricted net position".

RAINBOW MUNICIPAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

c. Deferred Outflows/Inflows of Resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The District has the following items that qualify for reporting in this category:

- Deferred outflow related to pensions for employer contributions made after the measurement date of the net pension liability.
- Deferred outflow related to pensions for changes in proportion. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2019.
- Deferred outflow related to pensions for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2019.
- Deferred outflow related to pensions changes in actuarial assumptions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2019.

Deferred outflows from pensions resulting from the changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has the following that will qualify for reporting in this category:

- Deferred inflow related to pensions for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2019.
- Deferred inflows related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years.
- Deferred inflows from pensions resulting from the changes in assumptions and differences between employer contributions and proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans.

RAINBOW MUNICIPAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

d. Cash, Cash Equivalents, and Investments

Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents include petty cash, demand deposits with financial institutions, deposits in money market mutual funds (SEC registered), and deposits in external investment pools, and marketable securities that mature within 90 days of purchase. Such marketable securities and deposits in money market funds are carried at fair value. Investment pool deposits are carried at the District's proportionate share of the fair value of each pool's underlying portfolio.

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.

Investment Valuation

Investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

e. Water Sales

Water sales revenue is recorded when water is delivered and service is rendered, including an estimated amount for unbilled service.

f. Allowance for Doubtful Accounts

The District recognizes bad debt expense relating to receivables when it is probable that the accounts will be uncollectible. Water and sewer accounts receivable at June 30, 2020 have been reduced by an allowance for doubtful accounts of \$134,138.

g. Inventories

Materials inventory is stated at the lower of current average cost or market. Water inventory is stated at its purchase cost using the first-in, first-out method.

h. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

RAINBOW MUNICIPAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 1: Summary of Significant Accounting Policies (Continued)

i. Restricted Assets

Amounts shown as restricted assets have been restricted by debt agreements, by law or regulations, or by contractual obligations to be used for specified purposes, such as service of debt and construction of capital assets.

j. Capital Assets and Depreciation

Capital assets are valued at cost when constructed or purchased. Donated assets, donated works of art and similar assets, and capital assets received in a service concession arrangement are valued at their acquisition value at the date of acquisition. The District capitalizes all assets with a historical cost of at least \$5,000 and a useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Depreciation on capital assets in service, excluding land, is computed using the straight-line method over the estimated useful lives of such assets and is reported as an operating expense. Capital projects are subject to depreciation or amortization when completed and placed in service. The ranges of estimated useful lives of capital assets are as follows:

Buildings	10-50 years
Water Systems	10-50 years
Improvement of Sites	7-25 years
Equipment	5-10 years
Capacity Rights	17 years

k. Compensated Absences

Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees. Changes in compensated absences for the year ended June 30, 2020, were as follows:

<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
\$ 438,418	\$ 607,122	\$ 552,357	\$ 493,183	\$ 49,318

l. Capital Contributions and Capacity Fee Liability

Capital contributions are recorded when the District receives cash contributions or accepts contributions of capital assets in kind or when governmental construction grants are earned. Capital contributions are reported as a separate line item on the Statement of Revenues, Expenses, and Changes in Net Position. Capacity fees are paid by new customers prior to connecting to the District's system. Such charges are periodically adjusted based upon changes in construction costs and other factors and are intended to compensate the District for a new customer's equitable share of current and future system capacity. Capacity fees are reflected as a liability and are recorded as Capital Contributions on the Statement of Revenues, Expenses, and Changes in Net Position when the customer connects to the District's system.

RAINBOW MUNICIPAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

m. Property Taxes

The County of San Diego (the "County") bills and collects property taxes on behalf of the District. The County's tax calendar year is July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

n. Pensions

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

GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. As of June 30, 2020, the following timeframes are used:

Valuation Date (VD): June 30, 2018

Measurement Date (MD): June 30, 2019

Measurement Period (MP): July 1, 2018 to June 30, 2019

o. Other Post-Employment Benefits

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

RAINBOW MUNICIPAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 1: Summary of Significant Accounting Policies (Continued)

p. Interest Expense

The District incurs interest charges on long-term debt. Interest expense for the year ended June 30, 2020, was \$616,775 and was reflected as nonoperating on the Statement of Revenues, Expenses and Changes in Net Position. The District did not capitalize any interest during the year ended June 30, 2020.

q. Use of Estimates

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

Note 2: Cash, Cash Equivalents, and Investments

Cash and investments at June 30, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Current Assets:

Cash and Cash Equivalents	\$ 5,718,182
Restricted Cash and Cash Equivalents	12,187,215
Investments	15,026,875
Total Cash and Investments	<u>\$ 32,932,272</u>

Cash and Investments Consist of the Following:

Cash on Hand	\$ 500
Deposits with Financial Institutions	3,622,618
Investments	29,309,154
Total Cash and Investments	<u>\$ 32,932,272</u>

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

The table below identifies the investment types that are authorized for the District by 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.

RAINBOW MUNICIPAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 2: Cash, Cash Equivalents, and Investments (Continued)

This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Government Sponsored Entities	5 years	None	None
U.S. Government Agency Callable	5 years	75%	None
Banker's Acceptances	180 days	40%	5%
Commercial Paper	270 days	15%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Time Certificates of Deposit	5 years	25%	5%
Repurchase Agreements	90 days	None	5%
Medium-Term Notes	5 years	30%	15%
Money Market Mutual Funds	N/A	20%	None
Local Agency Investment Funds	N/A	100%	\$30,000,000

Investments Authorized by Debt Agreements:

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. Investments authorized for funds held by bond trustees include US Treasury Bills, Notes and Bonds, US Treasury Obligations, Resolution Funding Corp (REFCORP), Prefunded Municipal Bonds, US Government-Sponsored Agency Securities, Commercial Paper, Money Market Mutual Funds, Certificates of Deposits, Guaranteed Investment Contracts, Banker's Acceptance, Repurchase Agreements, and Local Agency Investment Funds. There are no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed, or the maximum maturity of an investment, except for the maturity of Banker's Acceptances, which are limited to one year and Repurchase Agreements, which are limited to 30 days.

Disclosures Relating to Interest Rate Risk:

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

RAINBOW MUNICIPAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 2: Cash, Cash Equivalents, and Investments (Continued)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2020.

Investment	Type Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund (LAIF)	\$ 2,095,061	\$ 2,095,061	\$ -	\$ -
Money Market Mutual Funds	12,509,431	12,509,431	-	-
Negotiable Certificates of Deposit	5,239,506	744,036	1,270,643	3,224,827
Medium Term Notes	8,223,268	-	1,406,143	6,817,125
U.S. Sponsored Entities	1,241,888	503,915	-	737,973
Total	<u>\$ 29,309,154</u>	<u>\$ 15,852,443</u>	<u>\$ 2,676,786</u>	<u>\$ 10,779,925</u>

Disclosures Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's Investment Policy, or debt agreements, and the Moody's rating for each investment type at June 30, 2020.

Investment Type	Total	Minimum Legal Rating	Moody's Ratings as of June 30			
			Aaa	Aa1 - Aa3	A1 - A3	Not Rated
Local Agency Investment Fund (LAIF)	\$ 2,095,061	N/A	\$ -	\$ -	\$ -	\$ 2,095,061
Money Market Mutual Funds	12,509,431	N/A	-	-	-	12,509,431
Negotiable Certificates of Deposit	5,239,506	N/A	-	-	-	5,239,506
Medium-Term Notes	8,223,268	A2	-	746,663	7,476,605	-
U.S. Sponsored Entities	1,241,888	N/A	1,241,888	-	-	-
Total	<u>\$ 29,309,154</u>		<u>\$ 1,241,888</u>	<u>\$ 746,663</u>	<u>\$ 7,476,605</u>	<u>\$ 19,843,998</u>

RAINBOW MUNICIPAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 2: Cash, Cash Equivalents, and Investments (Continued)

Concentration of Credit Risk:

The investment policy of the District is in accordance with limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. There were no investments held on June 30, 2020 in any one issuer that represent 5% or more of total District investments, except for the Local Agency Investment Fund and mutual funds which are exempt from this stipulation.

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 for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for 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 government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2020, \$3,371,357 of the District's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

Fair Value Measurements:

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices for similar assets in active markets, and Level 3 inputs are significant unobservable inputs. At June 30, 2020, all investments held by the District are valued using Level 2 inputs, with the exception of the Local Agency Investment Fund and money market mutual funds, which are measured at cost or net asset value and are considered uncategorized.

RAINBOW MUNICIPAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 3: Capital Assets

Changes in capital assets for the year ended June 30, 2020, were as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Capital Assets, Not Being Depreciated:				
Land	\$ 1,977,490	\$ -	\$ -	\$ 1,977,490
Construction in Progress	3,894,165	3,902,118	-	7,796,283
Total Capital Assets Not Being Depreciated	<u>5,871,655</u>	<u>3,902,118</u>	<u>-</u>	<u>9,773,773</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,026,246	-	-	1,026,246
Reservoirs Pipelines, and Tanks	143,218,563	8,363,388	-	151,581,951
Meters	1,300,613	52,383	-	1,352,996
Equipment	4,579,015	235,113	-	4,814,128
Investment in Sewer Rights	8,321,043	443,657	-	8,764,700
Total Capital Assets, Being Depreciated	<u>158,445,480</u>	<u>9,094,541</u>	<u>-</u>	<u>167,540,021</u>
Accumulated Depreciation:				
Buildings and Improvements	(934,282)	(9,836)	-	(944,118)
Reservoirs Pipelines, and Tanks	(78,920,477)	(1,803,705)	-	(80,724,182)
Meters	(470,219)	(83,830)	-	(554,049)
Equipment	(3,482,527)	(144,830)	-	(3,627,357)
Investment in Sewer Rights	(1,421,369)	(146,867)	-	(1,568,236)
Total Accumulated Depreciation	<u>(85,228,874)</u>	<u>(2,189,068)</u>	<u>-</u>	<u>(87,417,942)</u>
Total Capital Assets, Being Depreciated, Net	<u>73,216,606</u>	<u>6,905,473</u>	<u>-</u>	<u>80,122,079</u>
Total Capital Assets, Net	<u>\$ 79,088,261</u>	<u>\$ 10,807,591</u>	<u>\$ -</u>	<u>\$ 89,895,852</u>

Depreciation expense for depreciable capital assets was \$2,189,068 for the year ended June 30, 2020.

RAINBOW MUNICIPAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 4: Long Term Debt

Changes in long-term debt for the year ended June 30, 2020 were as follows:

Direct Borrowings:	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Loan Payable SRF Morro	\$ 8,747,804	\$ -	\$ (677,068)	\$ 8,070,736	\$ 230,389
Loan Payable SRF Beck	6,600,809	-	(510,809)	6,090,000	173,846
Lease Purchase Agreement	5,523,284	-	(998,297)	4,524,987	-
Installment Purchase Contract	5,249,905	-	(965,382)	4,284,523	-
Total	<u>\$ 26,121,802</u>	<u>\$ -</u>	<u>\$ (3,151,556)</u>	<u>\$ 22,970,246</u>	<u>\$ 404,235</u>

a. SRF Morro Loan Payable

On October 31, 2012, the District entered into an agreement with the State of California Department of Public Health for a loan in the amount of \$10,246,413 pursuant to the California Safe Drinking Water State Revolving Fund Law of 1997, Part 12, Chapter 4.5, of Division 104 of Health and Safety Code (commencing with Section 116270) to assist in financing construction of a project which will enable the District to meet safe drinking water standards. The rate of interest to be paid on the principal amount of the loan shall be 2.0933% annually. On June 30, 2020, the amount outstanding was \$8,070,736.

b. SRF Beck Loan Payable

On October 31, 2012, the District entered into an agreement with the State of California Department of Public Health for a loan in the amount of \$7,731,716 pursuant to the California Safe Drinking Water State Revolving Fund Law of 1997, Part 12, Chapter 4.5, of Division 104 of Health and Safety Code (commencing with Section 116270) to assist in financing construction of a project which will enable the District to meet safe drinking water standards. The rate of interest to be paid on the principal amount of the loan shall be 2.0933% annually. At June 30, 2020, the amount outstanding was \$6,090,000.

c. Lease Purchase Agreement

On September 21, 2018, the District entered into a lease/purchase agreement with Zion Bank as lessor in the amount of \$5,523,284 to finance water meters. Payments of principal and interest are due annually on July 1st. The rate of interest to be paid on the principal amount of the lease is 3.090%. At June 30, 2020, the amount outstanding was \$4,524,987.

d. Installment Purchase Contract

On October 1, 2018 the District entered into an Installment Purchase Contract with ZMFU II, Inc. in the amount of \$5,249,905 to finance the construction, acquisition, and improvements associated with a District-wide water meter replacement program. Principal payments are due annually on July 1st and interest payments are due semi-annually on July 1st and January 1st. The rate of interest to be paid on the principal amount of the lease is 3.180%. At June 30, 2020, the amount outstanding was \$4,284,523.

RAINBOW MUNICIPAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 4: Long Term Debt (Continued)

Future debt service requirements for the above notes payable based on the initial loan rates is as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 404,235	\$ 148,213	\$ 552,448
2022	1,807,203	552,147	2,359,350
2023	1,855,379	503,728	2,359,107
2024	1,904,891	453,967	2,358,858
2025	1,955,772	402,828	2,358,600
2026-2030	9,330,757	1,231,506	10,562,263
2031-2035	5,712,009	339,218	6,051,227
	\$ 22,970,246	\$ 3,631,607	\$ 26,601,853

Note 5: Inventories

Inventories at June 30, 2020, consisted of the following:

Water Inventory	\$ 270,546
Materials Inventory	<u>3,166,741</u>
Total	<u>\$3,437,287</u>

Note 6: Defined Benefit Pension Plans

a. General Information about the Pension Plan

Plan Description

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 63 with statutorily reduced benefits. PEPRAs miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 5 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. Safety members can receive a special

RAINBOW MUNICIPAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 6: Defined Benefit Pension Plans (Continued)

death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Classic Miscellaneous Plan	PEPRA Miscellaneous Plan
Hire Date	Prior to January 1, 2013	On or After January 1, 2013
Benefit Formula	2.5% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50 - 63	52 - 67
Monthly Benefits, as a % of Eligible Compensation	2.0% - 2.5%	1.0% - 2.5%
Required Employee Contribution Rates	7.951%	6.750%
Required Employer Contribution Rates:	11.432%	6.985%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The 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. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements are identified by the pension plan terms.

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

As of June 30, 2020, Rainbow Municipal Water District reported a net pension liability for its proportionate share of the net pension liability of the risk pools in the amount of \$7,527,597.

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2019, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

RAINBOW MUNICIPAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 6: Defined Benefit Pension Plans (Continued)

The Rainbow Municipal Water District's proportionate share of the net pension liability as of the measurement date ended June 30, 2018 and 2019 was as follows:

	<u>Classic & PEPRA Plans</u>
Proportion - June 30, 2018	0.0716%
Proportion - June 30, 2019	0.0735%
Change - Increase (Decrease)	2.5982%

For the year ended June 30, 2020, the District recognized pension expense of \$1,646,676. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions Subsequent to Measurement Date	\$ 512,037	\$ -
Differences Between Actual and Expected Experience	522,823	40,508
Change in Assumptions	358,951	127,245
Changes in Proportions	228,385	
Difference between the Employer's Contributions and the Employer's Proportionate Share of Contributions	-	142,910
Net Differences Between Projected and Actual Earnings on Plan Investments	-	131,606
Total	<u>\$ 1,622,196</u>	<u>\$ 442,269</u>

RAINBOW MUNICIPAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 6: Defined Benefit Pension Plans (Continued)

The \$512,037 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2021	\$ 600,469
2022	(33,751)
2023	74,579
2024	26,593
	<u>\$ 667,890</u>

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement period was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The total pension liability was based on the following assumptions:

	<u>Classic & PEPR Plans</u>
Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

(3) The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter.

RAINBOW MUNICIPAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 6: Defined Benefit Pension Plans (Continued)

Long-term Expected Rate of Return

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.

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 (geometric) 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class (a)	New Strategic Allocation	Real Return Years - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.00% used for this period.

(c) An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the

RAINBOW MUNICIPAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 6: Defined Benefit Pension Plans (Continued)

long-term expected rate of return on plan investments was applied to all periods of benefit payments to determine the total pension liability.

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

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

	<u>Classic & PEPRA PLANS</u>
1% Decrease	6.15%
Net Pension Liability	\$ 11,684,525
Current Discount Rate	7.15%
Net Pension Liability	\$ 7,527,597
1% Increase	8.15%
Net Pension Liability	\$ 4,096,346

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan:

At June 30, 2020, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

Note 7: Other Post-Employment Benefits

Plan Description – Benefits

The District administers its Other Post-Employment Benefits (OPEB), a single employer defined benefit plan, to provide medical, prescription drugs, and dental benefits, in accordance with a resolution approved by the board of Directors. Medical insurance is provided through a choice of a Blue Cross HMO or Blue Cross Classic PPO, both offered through the Association of California Water Agencies Joint Powers Insurance Authority. Dental insurance is provided through Assurant Employee Benefits.

Employees of the District hired before July 1, 2012, retiring after the later of age 50 with 10 consecutive years of District service are eligible to receive a monthly District contribution towards the purchase of health insurance if they have not opted out. The District contribution ends after ten (10) years of benefit payments have been made, even if retiree or spouse are still under age 65 at the time. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

RAINBOW MUNICIPAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 7: Other Post-Employment Benefits (Continued)

Employees Covered

As of the June 30, 2020 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

Measurement Date	<u>June 30, 2020</u>
Total Eligible Active Employees	52
Inactive Employees Currently Receiving Benefit	<u>6</u>
Total	<u><u>58</u></u>

Net OPEB Liability

The District's net OPEB liability of \$708,893 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2018. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions and Other Inputs

The total OPEB liability reported at June 30, 2020 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2018
Measurement Date	June 30, 2020
Actuarial Cost Methods	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	2.21%
Inflation	2.50%
Projected Salary Increase	3.50%
Expected Long Term Investment Rate of Return	N/A
Healthcare Cost Trend Rates	Varies
Pre-Retirement Turnover	Derived from the July 1, 2015 Rainbow Municipal Water District Actuarial Valuation Report
Mortality	Derived from the RP-2014 Study, with Blue Collar Adjustment, improved generationally using MP-2016 Improvement Rules

The discount rate of 2.21 percent was based on The Bond Buyer 20-Bond GO Index and was updated to the current fiscal year end based on changes in market conditions as reflected in the Index.

RAINBOW MUNICIPAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 7: Other Post-Employment Benefits (Continued)

Changes in the Total OPEB Liability

The changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balance at July	\$ 665,632
Changes in the	
Service cost	5,388
Interest on the total OPEB liability	22,545
Changes in assumptions	58,081
Benefit Payments, including refunds of employee contributions	<u>(42,753)</u>
Net Changes	<u>43,261</u>
Balance at June 30, 2020	<u><u>\$ 708,893</u></u>

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

The following presents the total OPEB liability of the District, calculated using the discount rate for the Plan, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.21%) or 1-percentage point higher (3.21%) than the current rate:

	1%	Current	
	Decrease	Discount	1% Increase
	<u>(1.21%)</u>	<u>Rate (2.21%)</u>	<u>(3.21%)</u>
Total OPEB Liability	<u>\$ 761,703</u>	<u>\$ 708,893</u>	<u>\$ 662,805</u>

Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1 % Decrease	Healthcare Cost	
	(Varies)	Trend Rates	1% Increase
	<u>(Varies)</u>	<u>(Varies)</u>	<u>(Varies)</u>
Total OPEB Liability	<u>\$ 643,290</u>	<u>\$ 708,893</u>	<u>\$ 783,688</u>

RAINBOW MUNICIPAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 7: Other Post-Employment Benefits (Continued)

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

The District elected to use the Alternative Measurement Method for reporting GASB 74/75 for fiscal year 2020. According to the implementation guide for GASB 74/75, the changes in the total OPEB liability resulting from differences between expected and actual experience and changes in assumptions or other inputs should be recognized in OPEB expense in the periods in which the effects are first reported in the OPEB liability. Due to this, the District has recognized its deferrals arising from expected and actual experience, as well as changes of assumptions in OPEB expense. For the year ended June 30, 2020, the District recognized OPEB expense of \$86,014.

Note 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; job-related illnesses or injuries to employees; and natural disasters. The District purchases commercial insurance for its exposure to risk other than those under the workers' compensation laws. Commercial insurance expense amounted to \$285,593 for the years ended June 30, 2020.

The District's workers' compensation risk exposure is handled by the District's participation in the Special District Risk Management Authority (SDRMA) established by the California Special Districts Association. SDRMA is a risk pooling joint powers authority formed under the California Government Code to provide workers' compensation coverage for SDRMA's member districts. SDRMA purchases excess insurance from commercial carriers to reduce its exposure to large losses. Workers' compensation expense amounted to \$194,035 for the year ended June 30, 2020.

There were no instances in the past three years where a settlement exceeded the District's coverage provided through SDRMA or through the District's commercial carriers.

General and Auto Liability, Public Officials' and Employees' Errors and Omissions and Employment Practices Liability: Total risk financing limits of \$10 Million combined with single limit at \$10 Million per occurrence, subject to the following deductibles:

- \$100,000 per occurrence for third party general liability property damage.
- \$1,000 per occurrence for third party auto liability property damage.
- 50% co-insurance of cost expended by SDRMA, in excess of \$10,000 up to \$50,000, per occurrence.

Employee Dishonesty Coverage: \$1,000,000 million per loss includes Public Employee Dishonesty, Forgery or Alteration and Theft, Disappearance and Destruction coverage's effective July 1, 2019.

Property Loss: Replacement cost, for property on file, if replaced, and if not replaced within two years after the loss, paid on an actual cash value basis, to a combined total of \$1 Billion per occurrence, subject to a \$1,000 deductible per occurrence, effective July 1, 2019.

RAINBOW MUNICIPAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 8: Risk Management (Continued)

Boiler and Machinery: \$100 Million per occurrence, subject to a \$1,000 deductible per occurrence, effective July 1, 2019.

Public Officials Personal Liability: \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, deductible of \$1,000 per claim, effective July 1, 2019.

Comprehensive and Collision: Comprehensive and Collision limits are the actual cash value or cost of repair with deductibles of \$250/\$500 or \$500/\$1,000, as elected, for comprehensive and collision.

Workers' Compensation Coverage and Employer's Liability: Statutory limits per occurrence for Workers' Compensation and \$5 Million for Employer's Liability Coverage, subject to the terms, conditions and exclusions as provided in the Certificate of Coverage, effective July 1, 2019.

Note 9: Deferred Compensation Plan

The District offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plans, administered by Aspire and Lincoln Financial Group, are available to all regular employees, permits deferral of a portion of current salary to future years. Benefits from the plans are not available to employees until termination, retirement, disability, death, or unforeseeable emergencies.

All assets and income of the plans are held in trust for the exclusive benefit of the participants and their beneficiaries. The District does not meet the criteria for fiduciary fund reporting since it does not have either significant administrative involvement (e.g. custody) or perform the investment function. Therefore, the fair market value of the plan assets at June 30, 2020, in the amount of \$4,194,008, is not included in the District's financial statements.

Note 10: Commitments and Contingencies

Tank Maintenance Commitments

On April 22, 2015, the District entered into a ten (10) year contract with Utility Service Co., Inc. to maintain twelve water tanks. The contract was updated on July 1, 2011 to maintain the tanks at an annual cost of \$615,585. The contract can be cancelled annually if intent to cancel is received with ninety (90) days prior to the anniversary date. Any outstanding balance for completed work would be due and payable within thirty (30) days of cancellation.

Capacity Rights for Sewage Treatment

On February 13, 2002, Rainbow Municipal Water District (the District) entered into a contract with the City of Oceanside, California (the City) to provide for the construction, operation, maintenance, and replacement of a wastewater system to service the needs of both the City and the District. The City owns the wastewater conveyance, treatment, and disposal facilities and the District has the contractual right to discharge wastewater into the City's System. The City and the District have previously entered into agreements on January 2, 1973, September 10, 1989, and February 16, 2019. This agreement reflects the

RAINBOW MUNICIPAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 10: Commitments and Contingencies (Continued)

planned expansion and rehabilitation of facilities built from those previous agreements. Under the agreement, the District's share of cost for planned expansion and rehabilitation of the facilities would be 10% of the total cost of expansion.

Construction Project Commitments

The following construction projects had remaining commitments outstanding at June 30, 2020:

<u>Project Name/Description</u>	<u>PO Amount</u>	<u>Expenditures as of June 30, 2020</u>	<u>Remaining Commitments</u>
Olive Hill Estates Transmission Line Reconnection Project	\$ 1,128,075	\$ 140,915	\$ 987,160
Vista Valley Villas PRS Project	334,700	-	334,700
North River Road Sewer Point Repairs	444,000	357,259	86,741
Nella Lane Water Main Replacement Project	301,734	-	301,734
Rainbow Heights Pump Station Rehabilitation	2,637,397	334,179	2,303,218
Sagewood Road Water Pipeline Improvements	280,399	-	280,399

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REQUIRED SUPPLEMENTARY INFORMATION

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RAINBOW MUNICIPAL WATER DISTRICT

MISCELLANEOUS RISK POOL
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS ¹

Measurement Date	2020	2019	2018	2017	2016	2015
	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the Net Pension Liability	0.0735%	0.0716%	0.0709%	0.0694%	0.0668%	0.0552%
Proportionate Share of the Net Pension Liability	\$ 7,527,597	\$ 6,899,648	\$ 7,031,525	\$ 6,009,026	\$ 4,584,303	\$ 3,435,302
Covered Payroll	\$ 5,212,648	\$ 3,887,469	\$ 4,118,123	\$ 3,679,407	\$ 3,829,237	\$ 3,873,095
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	144.4%	177.5%	170.7%	163.3%	119.7%	88.7%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.3%	75.3%	73.3%	74.1%	78.4%	79.8%

Notes to Schedule of Proportionate Share of the Net Pension Liability:

Benefit Changes:

None

Changes of Assumptions:

2020: None

2019: Demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

2018: The accounting discount rate reduced from 7.65 percent to 7.15 percent.

2017: None

2016: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

2015: None

¹ Fiscal year 2015 was the first year of implementation; therefore, only six years are shown.

RAINBOW MUNICIPAL WATER DISTRICT

MISCELLANEOUS RISK POOL
 SCHEDULE OF PLAN CONTRIBUTIONS
 AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS¹

	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 512,037	\$ 865,241	\$ 743,649	\$ 656,639	\$ 369,170	\$ 570,649
Contribution in Relation to the Actuarially Determined Contribution	(512,037)	(865,241)	(743,649)	(656,639)	(369,170)	(570,649)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,935,944	\$ 5,212,648	\$ 3,887,469	\$ 4,118,123	\$ 3,679,407	\$ 3,829,237
Contributions as a Percentage of Covered Payroll	10.4%	16.6%	19.1%	15.9%	10.0%	14.9%

Notes to Schedule of Plan Contributions:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2019-20 were derived from the June 30, 2017 funding valuation report.

- Actuarial Cost Method: Entry Age Normal
- Amortization Method/Period: For details, see June 30, 2017 Funding Valuation Report
- Inflation: 2.625%
- Salary Increases: Varies by Entry Age and Service
- Payroll Growth: 2.875%
- Investment Rate of Return: 7.25% compounded annually (net of investment and administrative expenses)
- Retirement Age: The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period of 1997 to 2015.
- Mortality: The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period of 1997 to 2015. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

¹ Fiscal year 2015 was the first year of implementation; therefore, only six years are shown.

RAINBOW MUNICIPAL WATER DISTRICT

**OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS ¹**

	2020	2019	2018
Measurement Date	6/30/2020	6/30/2019	6/30/2018
Total OPEB Liability:			
Service cost	\$ 5,388	\$ 5,027	\$ 7,607
Interest	22,545	24,801	26,991
Differences between expected and actual experience	-	(108,804)	-
Changes in assumptions	58,081	68,033	-
Benefit payments	(42,753)	(43,026)	(24,866)
Net Change in Total OPEB Liability	43,261	(53,969)	9,732
Total OPEB Liability - Beginning of Year	665,632	719,601	709,869
Total OPEB liability - End of Year	\$ 708,893	\$ 665,632	\$ 719,601
Plan fiduciary net position as a percentage of the total OPEB liability ²	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 5,395,091	\$ 5,212,648	\$ 4,346,367
Net OPEB liability as a percentage of covered-employee payroll	13.1%	12.8%	16.6%

Notes to Schedule of Changes in the Total OPEB Liability and Related Ratios:

Changes in Assumptions:

2020: The discount rate was decreased by 1.29% from 3.50% in fiscal year 2019 to 2.21% in fiscal year 2020 due to changes in market conditions.

2019: The discount rate was decreased by 0.37% from 3.87% in fiscal year 2018 to 3.50% in fiscal year 2019 due to changes in market conditions.

2018: None

¹ Fiscal year 2018 was the first year of implementation; therefore, only three years are shown.

² The Total OPEB Liability is an unfunded obligation. The District does not have a trust dedicated exclusively to the payment of OPEB benefits.

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Statistical Section

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STATISTICAL SECTION

This section of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

NET POSITION BY COMPONENT

Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net Investment in Capital Assets	\$ 71,079,002	\$ 82,599,783	\$ 87,646,849	\$ 85,350,581	\$ 84,652,584	\$ 84,881,107	\$ 65,217,530	\$ 65,399,076	\$ 63,739,648	\$ 66,925,606
Restricted for Capital Projects	-	-	-	-	-	6,827,952	894,491	894,491	3,321,531	11,057,533
Restricted for Debt Service	-	-	-	-	-	-	-	-	-	1,129,682
Unrestricted	23,136,304	10,318,763	5,446,280	6,697,491	2,119,562	1,544,992	17,174,049	16,586,411	16,510,984	9,055,835
Total Net Position	\$ 94,215,306	\$ 92,918,546	\$ 93,093,129	\$ 92,048,072	\$ 86,772,146	\$ 93,254,051	\$ 83,286,070	\$ 82,879,978	\$ 83,572,163	\$ 88,168,656
<i>Percent Change</i>		-1.38%	0.19%	-1.12%	-5.73%	7.47%	-10.69%	-0.49%	0.84%	5.50%

Source: Rainbow Municipal Water District Audited Financial Statements

REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Last Ten Fiscal Years

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Revenues:										
Direct Operating Revenues:										
Water Sales	24,602,344	30,152,259	34,505,228	36,497,373	34,037,432	32,156,844	33,091,641	38,105,712	32,810,988	33,156,919
Wastewater Revenue	3,465,747	2,500,803	2,573,273	2,553,801	2,677,130	2,632,902	2,548,647	2,520,622	2,843,256	2,621,433
Other Operating Revenue	-	-	-	-	-	-	501,019	991,390	860,839	425,525
Total Direct Operating Revenues	<u>28,068,091</u>	<u>32,653,062</u>	<u>37,078,501</u>	<u>39,051,174</u>	<u>36,714,562</u>	<u>34,789,746</u>	<u>36,141,307</u>	<u>41,617,724</u>	<u>36,515,083</u>	<u>36,203,877</u>
Indirect Operating Revenues:										
Grant Revenue	684,942	193,439	64,447	34,158	-	-	-	-	-	-
Other	1,755,775	855,131	673,910	710,843	514,415	439,807	331,842	-	-	-
Total Indirect Operating Revenues	<u>2,440,717</u>	<u>1,048,570</u>	<u>738,357</u>	<u>745,001</u>	<u>514,415</u>	<u>439,807</u>	<u>331,842</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Revenues	<u>30,508,808</u>	<u>33,701,632</u>	<u>37,816,858</u>	<u>39,796,175</u>	<u>37,228,977</u>	<u>35,229,553</u>	<u>36,473,149</u>	<u>41,617,724</u>	<u>36,515,083</u>	<u>36,203,877</u>
Operating Expenses:										
Water Purchases	17,328,605	20,655,653	24,346,557	26,649,303	24,532,468	22,381,393	23,282,393	27,040,873	22,449,449	21,917,914
Water Pumping	473,421	613,958	566,443	3,836,825	3,816,915	631,056	580,556	591,529	558,989	530,815
Transmission and Distribution	5,203,680	4,490,435	3,902,699	1,113,721	1,037,420	4,284,981	4,876,960	4,777,964	4,421,571	-
Operations ¹	-	-	-	-	-	-	-	-	-	2,836,404
Valve Maintenance ¹	-	-	-	-	-	-	-	-	-	522,935
Distribution ¹	-	-	-	-	-	-	-	-	-	2,191,712
Meter Services	962,265	872,146	984,327	768,966	804,140	1,044,631	1,085,553	1,003,899	868,927	1,893,429
Sewer Services	1,782,654	1,764,356	1,613,567	1,763,824	1,708,779	1,566,845	1,735,473	1,646,593	1,738,948	2,268,304
Administrative and General	1,943,841	3,232,712	2,062,840	3,987,687	3,924,311	2,683,658	2,855,623	4,272,246	4,467,521	-
Administration ²	-	-	-	-	-	-	-	-	-	3,277,178
Garage ²	-	-	-	-	-	-	-	-	-	544,451
Human Resources ²	-	-	-	-	-	-	-	-	-	298,776
Risk Management ²	-	-	-	-	-	-	-	-	-	455,288
Board of Directors ²	-	-	-	-	-	-	-	-	-	23,336
Engineering	734,752	780,744	906,026	-	24,364	999,844	1,279,194	1,254,293	1,551,506	1,005,437
Finance	537,603	474,869	580,941	-	-	612,800	545,976	601,322	568,091	632,456
Customer Service	300,430	318,768	448,088	148,438	816	339,948	430,850	549,822	1,519,984	718,066
Depreciation	2,448,105	2,734,068	3,062,584	3,295,219	3,318,247	3,110,968	3,445,476	3,648,435	3,656,649	2,189,068
Other Operating Expense	-	-	-	-	-	-	-	-	-	2,702,844
Total Operating Expenses	<u>31,715,356</u>	<u>35,937,709</u>	<u>38,474,072</u>	<u>41,563,983</u>	<u>39,167,460</u>	<u>37,656,124</u>	<u>40,118,054</u>	<u>45,386,976</u>	<u>41,801,635</u>	<u>44,008,413</u>
Gain (Loss) from Operations	<u>(1,206,548)</u>	<u>(2,236,077)</u>	<u>(657,214)</u>	<u>(1,767,808)</u>	<u>(1,938,483)</u>	<u>(2,426,571)</u>	<u>(3,644,905)</u>	<u>(3,769,252)</u>	<u>(5,286,552)</u>	<u>(7,804,536)</u>

REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Last Ten Fiscal Years

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Non-operating Revenues:										
Property Tax Revenue	859,741	825,995	858,884	831,294	850,802	870,642	595,250	616,027	638,539	653,320
Investment income	501,910	239,524	40,687	-	89,981	721,408	-	-	1,134,118	841,596
Other	-	-	-	-	-	-	-	358,026	506,015	282,991
Total Non-operating Revenues	1,361,651	1,065,519	899,571	831,294	940,783	1,592,050	595,250	974,053	2,278,672	1,777,907
Non-operating Expenses:										
Interest	-	126,202	67,774	108,543	403,969	667,939	361,037	370,175	570,855	616,775
Total Non-operating Expenses	-	126,202	67,774	108,543	403,969	667,939	361,037	370,175	570,855	616,775
Miscellaneous:										
Capital Contribution	-	-	-	-	294,192	1,091,515	156,302	2,972,963	2,941,091	11,239,897
Loss on Abandonment of Capital Assets	-	-	-	-	-	-	(1,933,240)	-	-	-
Total Miscellaneous	-	-	-	-	294,192	1,091,515	(1,776,938)	2,972,963	2,941,091	11,239,897
Change in Net Position	\$ 155,103	\$ (1,296,760)	\$ 174,583	\$ (1,045,057)	\$ (1,107,477)	\$ (410,945)	\$ (5,187,630)	\$ (192,411)	\$ (637,644)	\$ 4,596,493
Net Position, Beginning	94,060,203	94,215,306	92,918,546	93,093,129	92,048,072	86,772,146	93,254,051	83,286,070	82,879,978	83,572,163
Prior Period Adjustment	-	-	-	-	(4,168,449)	6,892,850	(4,780,351)	(213,681)	1,329,829	-
Net Position, Beginning Restated	94,060,203	94,215,306	92,918,546	93,093,129	87,879,623	93,664,996	88,473,700	83,072,389	84,209,807	83,572,163
Net Position, Ending	\$ 94,215,306	\$ 92,918,546	\$ 93,093,129	\$ 92,048,072	\$ 86,772,146	\$ 93,254,051	\$ 83,286,070	\$ 82,879,978	\$ 83,572,163	\$ 88,168,656
<i>Percentage Change</i>		-1.38%	0.19%	-1.12%	-5.73%	7.47%	-10.69%	-0.49%	0.84%	5.50%

Source: Rainbow Municipal Water District Audited Financial Statements

Footnotes:

¹Prior to FY 2020 Departments were included in Transmission and Distribution.

²Prior to FY 2020 Departments were included in Administration and General.

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Last Ten Fiscal Years

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Revenues	\$ 30,508,808	\$ 33,701,632	\$ 37,816,858	\$ 39,796,175	\$ 37,228,977	\$ 35,229,553	\$ 36,473,149	\$ 41,617,724	\$ 36,515,083	\$ 36,203,877
Operating Expenses	31,715,356	35,937,709	38,474,072	41,563,983	39,167,460	37,656,124	40,118,054	45,386,976	41,801,635	44,008,413
Gain (Loss) from Operations	(1,206,548)	(2,236,077)	(657,214)	(1,767,808)	(1,938,483)	(2,426,571)	(3,644,905)	(3,769,252)	(5,286,552)	(7,804,536)
Non-operating Revenue Less Expenses	1,361,651	939,317	831,797	722,751	536,814	924,111	(1,699,027)	603,878	1,707,817	1,161,132
Income Before Capital Contributions	155,103	(1,296,760)	174,583	(1,045,057)	(1,401,669)	(1,502,460)	(5,343,932)	(3,165,374)	(3,578,735)	(6,643,404)
Capital Contributions	-	-	-	-	294,192	1,091,515	156,302	2,972,963	2,941,091	11,239,897
Prior Period Adjustment	-	-	-	-	(4,168,449)	6,892,850	(4,780,351)	(213,681)	1,329,829	-
Changes in Net Position	\$ 155,103	\$ (1,296,760)	\$ 174,583	\$ (1,045,057)	\$ (5,275,926)	\$ 6,481,905	\$ (9,967,981)	\$ (406,092)	\$ 692,185	\$ 4,596,493

Source: Rainbow Municipal Water District Audited Financial Statements

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Last Ten Fiscal Years

	Operating Revenues	Operating Expenses	Gain (Loss) from Operations	Non-operating Revenue Less Expenses	Income Before Capital Contributions	Capital Contributions	Prior Period Adjustment	Changes in Net Position
2011	\$ 30,508,808	\$ 31,715,356	\$ (1,206,548)	\$ 1,361,651	\$ 155,103	\$ -	\$ -	\$ 155,103
2012	33,701,632	35,937,709	(2,236,077)	939,317	(1,296,760)	-	-	(1,296,760)
2013	37,816,858	38,474,072	(657,214)	831,797	174,583	-	-	174,583
2014	39,796,175	41,563,983	(1,767,808)	722,751	(1,045,057)	-	-	(1,045,057)
2015	37,228,977	39,167,460	(1,938,483)	536,814	(1,401,669)	294,192	(4,168,449)	(5,275,926)
2016	35,229,553	37,656,124	(2,426,571)	924,111	(1,502,460)	1,091,515	6,892,850	6,481,905
2017	36,473,149	40,118,054	(3,644,905)	(1,699,027)	(5,343,932)	156,302	(4,780,351)	(9,967,981)
2018	41,617,724	45,386,976	(3,769,252)	603,878	(3,165,374)	2,972,963	(213,681)	(406,092)
2019	36,515,083	41,801,635	(5,286,552)	1,707,817	(3,578,735)	2,941,091	1,329,829	692,185
2020	\$ 36,203,877	\$ 44,008,413	\$ (7,804,536)	\$ 1,161,132	\$ (6,643,404)	\$ 11,239,897	\$ -	\$ 4,596,493

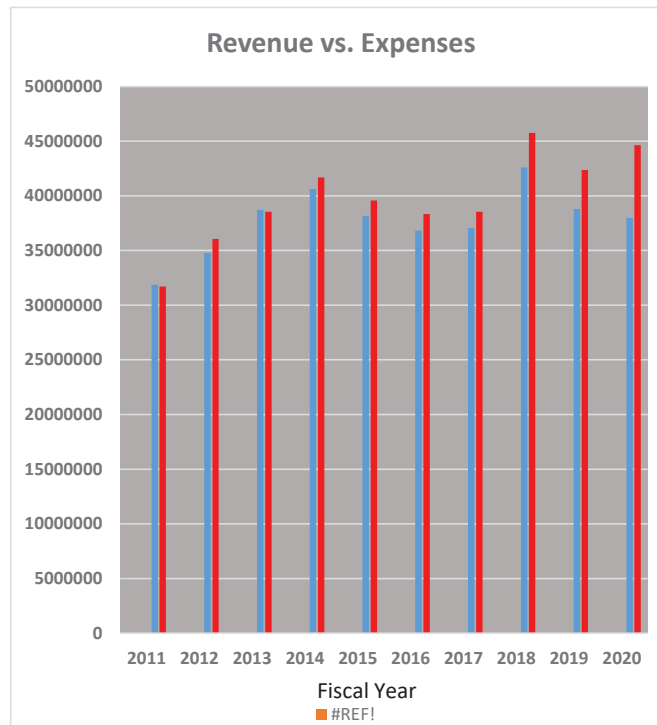
Source: Rainbow Municipal Water District Audited Financial Statements

SUMMARY OF REVENUES AND EXPENSES

Last Ten Fiscal Years

Fiscal Year	Total Revenues	Total Expenses	Gain (Loss)
2011	\$ 31,870,459	\$ 31,715,356	\$ (1,206,548)
2012	34,767,151	36,063,911	(2,236,077)
2013	38,716,429	38,541,846	(657,214)
2014	40,627,469	41,672,526	(1,767,808)
2015	38,169,760	39,571,429	(1,938,483)
2016	36,821,603	38,324,063	(2,426,571)
2017	37,068,399	38,545,851	(3,644,905)
2018	42,591,777	45,757,151	(3,769,252)
2019	38,793,755	42,372,490	(5,286,552)
2020	<u>\$ 37,981,784</u>	<u>\$ 44,625,188</u>	<u>\$ (6,643,404)</u>

Source: Rainbow Municipal Water District Audited Financial Statements



REVENUES BY SOURCE

Last Ten Fiscal Years

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Revenues:										
Water Sales	\$ 24,602,344	\$ 30,152,259	\$ 34,505,228	\$ 36,497,373	\$ 34,037,432	\$ 32,156,844	\$ 33,091,641	\$ 38,105,712	\$ 32,810,988	\$ 33,156,919
Wastewater Revenue	3,465,747	2,500,803	2,573,273	2,553,801	2,677,130	2,632,902	2,548,647	2,520,622	2,843,256	2,621,433
Other Operating Revenue	-	-	-	-	-	-	501,019	991,390	860,839	425,525
Grant Revenue	684,942	193,439	64,447	34,158	-	-	-	-	-	-
Other	1,755,775	855,131	673,910	710,843	514,415	439,807	331,842	-	-	-
Total Operating Revenues	30,508,808	33,701,632	37,816,858	39,796,175	37,228,977	35,229,553	36,473,149	41,617,724	36,515,083	36,203,877
Non-operating Revenues:										
Property Tax Revenue	859,741	825,995	858,884	831,294	850,802	870,642	595,250	616,027	638,539	653,320
Investment income	501,910	239,524	40,687	-	89,981	721,408	-	-	1,134,118	841,596
Other	-	-	-	-	-	-	-	358,026	506,015	282,991
Total Non-operating Revenues	1,361,651	1,065,519	899,571	831,294	940,783	1,592,050	595,250	974,053	2,278,672	1,777,907
Total Revenues	\$ 31,870,459	\$ 34,767,151	\$ 38,716,429	\$ 40,627,469	\$ 38,169,760	\$ 36,821,603	\$ 37,068,399	\$ 42,591,777	\$ 38,793,755	\$ 37,981,784

Source: Rainbow Municipal Water District Audited Financial Statements

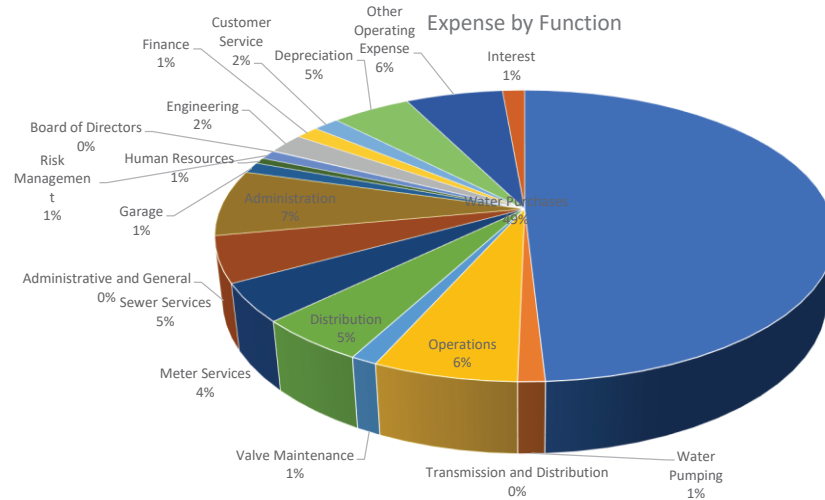
EXPENSES BY FUNCTION

Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Expenses:										
Water Purchases	17,328,605	20,655,653	24,346,557	26,649,303	24,532,468	22,381,393	23,282,393	27,040,873	22,449,449	21,917,914
Water Pumping	473,421	613,958	566,443	3,836,825	3,816,915	631,056	580,556	591,529	558,989	530,815
Transmission and Distribution	5,203,680	4,490,435	3,902,699	1,113,721	1,037,420	4,284,981	4,876,960	4,777,964	4,421,571	-
Operations	-	-	-	-	-	-	-	-	-	2,836,404
Valve Maintenance	-	-	-	-	-	-	-	-	-	522,935
Distribution	-	-	-	-	-	-	-	-	-	2,191,712
Meter Services	962,265	872,146	984,327	768,966	804,140	1,044,631	1,085,553	1,003,899	868,927	1,893,429
Sewer Services	1,782,654	1,764,356	1,613,567	1,763,824	1,708,779	1,566,845	1,735,473	1,646,593	1,738,948	2,268,304
Administrative and General	1,943,841	3,232,712	2,062,840	3,987,687	3,924,311	2,683,658	2,855,623	4,272,246	4,467,521	-
Administration	-	-	-	-	-	-	-	-	-	3,277,178
Garage	-	-	-	-	-	-	-	-	-	544,451
Human Resources	-	-	-	-	-	-	-	-	-	298,776
Risk Management	-	-	-	-	-	-	-	-	-	455,288
Board of Directors	-	-	-	-	-	-	-	-	-	23,336
Engineering	734,752	780,744	906,026	-	24,364	999,844	1,279,194	1,254,293	1,551,506	1,005,437
Finance	537,603	474,869	580,941	-	-	612,800	545,976	601,322	568,091	632,456
Customer Service	300,430	318,768	448,088	148,438	816	339,948	430,850	549,822	1,519,984	718,066
Depreciation	2,448,105	2,734,068	3,062,584	3,295,219	3,318,247	3,110,968	3,445,476	3,648,435	3,656,649	2,189,068
Other Operating Expense										2,702,844
Total Operating Expenses	31,715,356	35,937,709	38,474,072	41,563,983	39,167,460	37,656,124	40,118,054	45,386,976	41,801,635	44,008,413
Non-operating Expenses:										
Interest	-	126,202	67,774	108,543	403,969	667,939	361,037	370,175	570,855	616,775
Loss on Abandonment of Capital Assets	-	-	-	-	-	-	(1,933,240)	-	-	-
Total Non-operating Expenses	-	126,202	67,774	108,543	403,969	667,939	(1,572,203)	370,175	570,855	616,775
Total Expenses	\$ 31,715,356	\$ 36,063,911	\$ 38,541,846	\$ 41,672,526	\$ 39,571,429	\$ 38,324,063	\$ 38,545,851	\$ 45,757,151	\$ 42,372,490	\$ 44,625,188

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Source: Rainbow Municipal Water District Audited Financial Statements



COMPUTATION OF LEGAL DEBT MARGIN

Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assessed Value	\$ 3,594,374,698	\$ 3,557,009,604	\$ 3,614,670,550	\$ 3,817,371,326	\$ 4,003,578,488	\$ 4,185,857,090	\$ 4,387,417,362	\$ 4,660,295,704	\$ 4,994,381,001	\$ 5,283,549,089
Conversion Percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 898,593,675	\$ 889,252,401	\$ 903,667,638	\$ 954,342,832	\$ 1,000,894,622	\$ 1,046,464,273	\$ 1,096,854,341	\$ 1,165,073,926	\$ 1,248,595,250	\$ 1,320,887,272
Debt Limit Percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Legal Debt Limit	\$ 134,789,051	\$ 133,387,860	\$ 135,550,146	\$ 143,151,425	\$ 150,134,193	\$ 156,969,641	\$ 164,528,151	\$ 174,761,089	\$ 187,289,288	\$ 198,133,091
Outstanding Debt	-	-	-	\$ 14,135,186	\$ 17,978,129	\$ 17,615,446	\$ 16,875,544	\$ 16,119,968	\$ 15,348,493	\$ 14,160,736
Less: Amount Reserved for Debt Service										\$ 1,129,683
Net Applicable to Limit	\$ -	\$ -	\$ -	\$ 14,135,186	\$ 17,978,129	\$ 17,615,446	\$ 16,875,544	\$ 16,119,968	\$ 15,348,493	\$ 13,031,053
Legal Debt Margin	<u>\$ 134,789,051</u>	<u>\$ 133,387,860</u>	<u>\$ 13,550,146</u>	<u>\$ 129,016,238</u>	<u>\$ 132,156,064</u>	<u>\$ 139,354,194</u>	<u>\$ 147,652,607</u>	<u>\$ 158,641,121</u>	<u>\$ 171,940,795</u>	<u>\$ 185,102,038</u>

Total Debt applicable to the limit as a percentage of debt limit	0%	0%	0%	10%	12%	11%	10%	9%	8%	7%
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Note: The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above, reflect a conversation of assessed valuation of data for each fiscal year from the current full valuation perspective, to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Total Assessed Value

Last Ten Fiscal Years

	Assessed Value	Percent Increase/ Decrease	Tax Collected
2011	3,594,374,698	N/A	N/A
2012	3,557,009,604	(0.01)	327,294
2013	3,614,670,550	1.62%	346,947
2014	3,817,371,326	5.61%	352,946
2015	4,003,578,488	4.88%	374,542
2016	4,185,857,090	4.55%	395,119
2017	4,387,417,362	4.82%	414,535
2018	4,660,295,704	6.22%	434,870
2019	4,994,381,001	7.17%	456,171
2020	5,283,549,089	5.79%	478,689

Notes: Data for 2011 is unavailable.

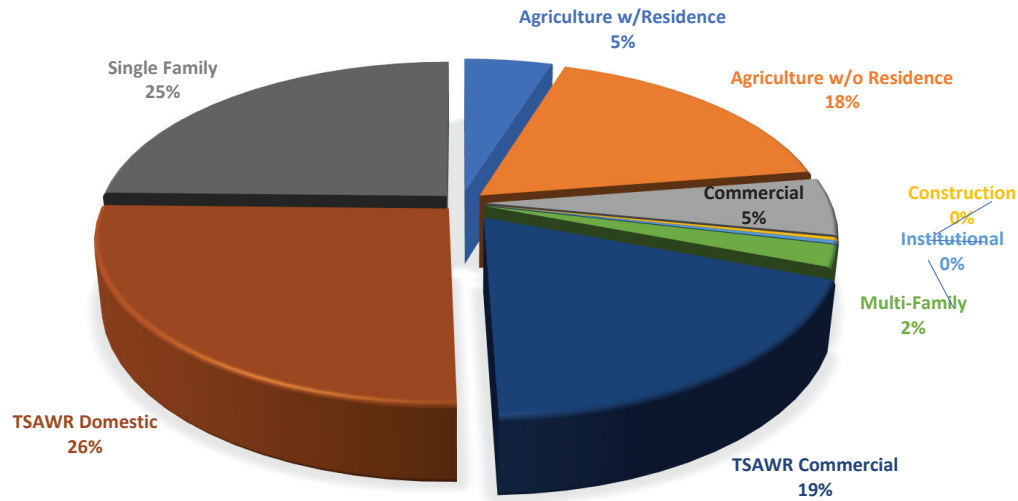
CONSUMPTION BY CUSTOMER CLASS

Last Ten Fiscal Years
Acre Feet

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Agriculture w/Residence	\$ 4,486	\$ 4,302	n/a	n/a	n/a	\$ 624	\$ 624	\$ 769	\$ 636	\$ 637
Agriculture w/o Residence	n/a	n/a	2,636	2,708	2,295	2,804	2,717	2,886	2,233	2,343
Commercial	1,938	1,861	1,879	1,970	2,003	571	629	845	791	745
Construction	82	69	12	45	64	104	94	158	118	37
Institutional	n/a	n/a	n/a	n/a	n/a	65	62	52	63	43
Multi-Family	n/a	262	320	367	332	254	267	284	288	280
TSAWR Commercial	3,522	3,433	4,642	4,784	4,189	3,239	3,268	3,731	2,726	2,486
TSAWR Domestic	4,381	4,261	6,335	6,508	5,823	4,743	4,530	5,292	3,681	3,410
Single Family	4,723	4,210	4,509	4,846	4,224	3,154	3,428	3,900	3,236	3,266
Total Consumption	\$ 19,131	\$ 18,398	\$ 20,333	\$ 21,227	\$ 18,929	\$ 15,558	\$ 15,620	\$ 17,917	\$ 13,771	\$ 13,247

TSAWR-Transitional Special Agriculture Water Rate

CONSUMPTION BY CUSTOMER CLASS

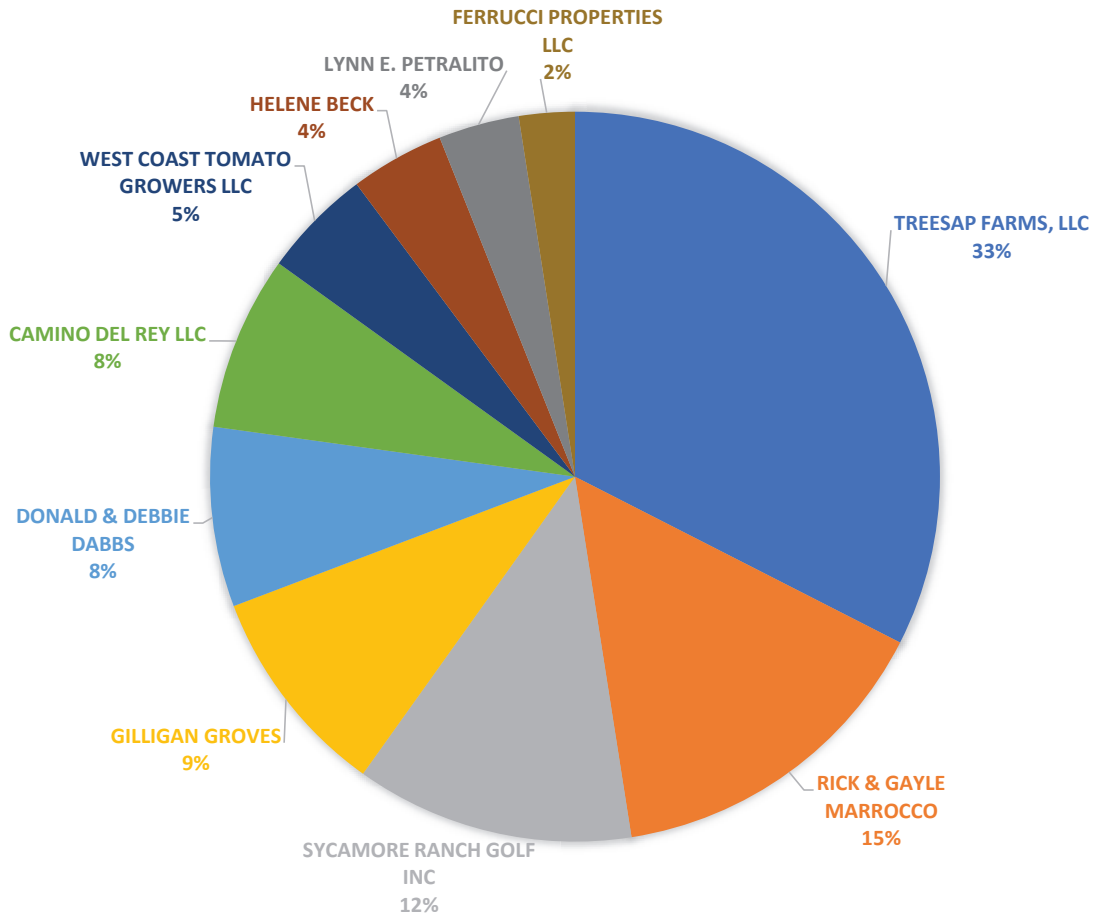


TSAWR-Transitional Special Agriculture Water Rate

TOP TEN WATER CONSUMERS
Fiscal Year 2020

CUSTOMER	ANNUAL USAGE	PERCENTAGE
TREESAP FARMS, LLC	166,258	2.83%
RICK & GAYLE MARROCCO	76,788	1.31%
SYCAMORE RANCH GOLF INC	63,109	1.07%
GILLIGAN GROVES	47,908	0.82%
DONALD & DEBBIE DABBS	40,690	0.69%
CAMINO DEL REY LLC	39,610	0.67%
WEST COAST TOMATO GROWERS LLC	24,840	0.42%
HELENE BECK	21,309	0.36%
LYNN E. PETRALITO	18,276	0.31%
FERRUCCI PROPERTIES LLC	12,634	0.22%
TOTAL COMBINED WATER CONSUMPTION	511,422	8.71%
ALL OTHER WATER CONSUMPTION	5,359,679	91.29%
TOTAL WATER CONSUMPTION	5,871,101	100.00%

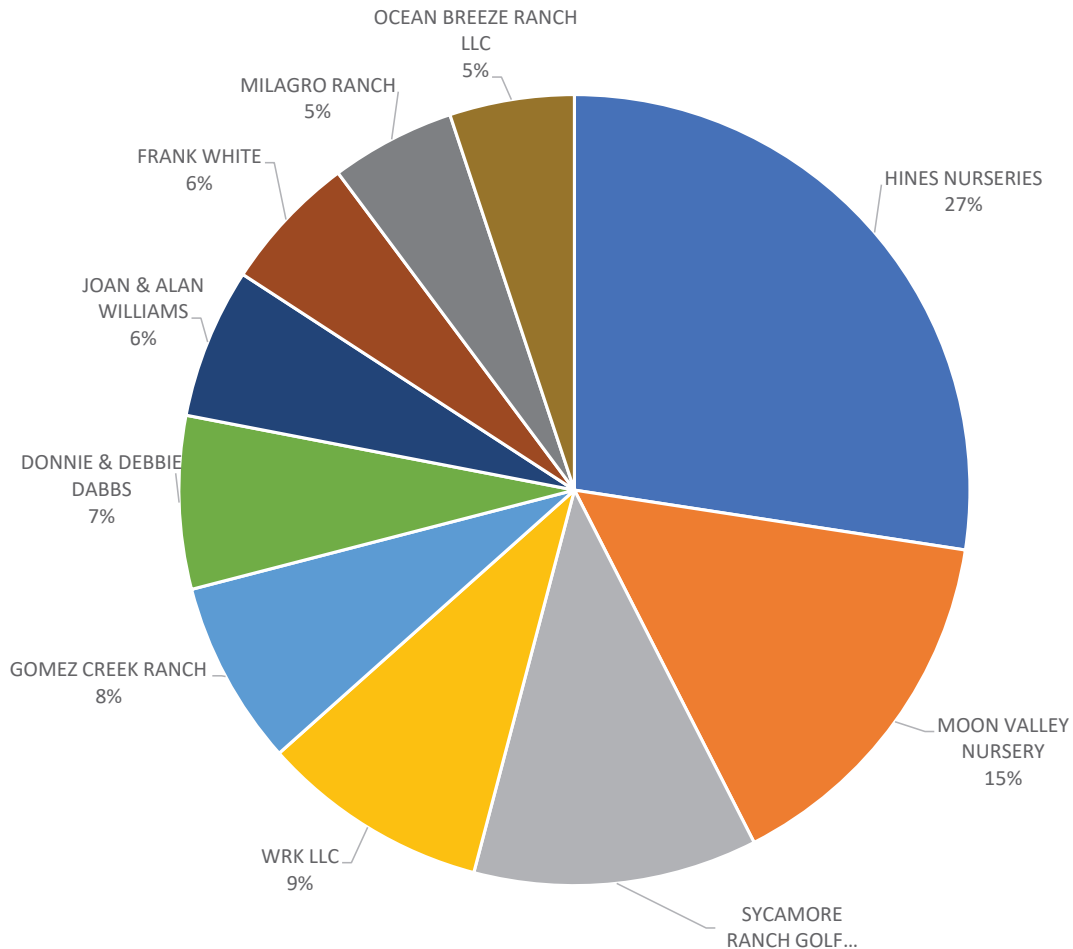
TOP TEN WATER CUSTOMERS AND THEIR RELATIVE CONSUMPTION
FISCAL YEAR 2020



TOP TEN WATER CONSUMERS
Fiscal Year 2009

CUSTOMER	ANNUAL USAGE	PERCENTAGE
HINES NURSERIES	137,930	2.18%
MOON VALLEY NURSERY	75,827	1.20%
SYCAMORE RANCH GOLF INC	58,351	0.92%
WRK LLC	46,887	0.74%
GOMEZ CREEK RANCH	37,962	0.60%
DONNIE & DEBBIE DABBS	35,563	0.56%
JOAN & ALAN WILLIAMS	30,921	0.49%
FRANK WHITE	28,297	0.45%
MILAGRO RANCH	25,644	0.41%
OCEAN BREEZE RANCH LLC	25,637	0.41%
TOTAL COMBINED WATER CONSUMPTION	503,019	7.96%
ALL OTHER WATER CONSUMPTION	5,813,109	92.04%
TOTAL WATER CONSUMPTION	6,316,128	100.00%

TOP TEN WATER CUSTOMERS AND THEIR RELATIVE CONSUMPTION FISCAL YEAR 2009



RATE SUMMARIES

Water Variable Rates²

	Single Family Residential			Multi Family	Commercial	Institutional	Construction		
	Tier 1	Tier 2	Tier 3						
2011	2.55	2.60	2.6	2.55/2.6	2.55	n/a			2.60
2012	2.55	2.60	2.6	2.55/2.6	2.55	n/a			2.60
2013	2.95	3.00	3.00	2.95/3.00	2.95	n/a			3.00
2014	3.00	3.15	3.15	3.00/3.15	3.00/3.15	n/a			3.15
2015	3.00	3.15	3.15	3.00/3.15	3.15	n/a			3.15
2016	3.31	3.48	3.81	3.40	3.51	3.58			3.51
2017	3.42	3.60	3.94	3.52	3.63	3.70			4.44
2018	3.64	3.86	4.27	3.76	3.89	3.98			4.87
2019	3.73	3.99	4.48	3.87	4.03	4.14			5.20
2020	3.73	3.99	4.48	3.87	4.03	4.14			5.20

	Agriculture w/Residence			Agriculture w/o Residence	TSAWR ¹ Domestic			TSAWR ¹ Commercial
	Tier 1	Tier 2	Tier 3		Tier 1	Tier 2	Tier 3	
2011	2.60	2.60	2.60	2.43	n/a	n/a	n/a	n/a
2012	2.60	2.60	2.60	2.43	n/a	n/a	n/a	n/a
2013	2.95	3.00	2.72	2.43	n/a	n/a	n/a	n/a
2014	3.00	3.15	2.83	n/a	n/a	n/a	n/a	n/a
2015	3.00	3.15	3.15	n/a	3.00	3.15	2.83	2.83
2016	3.31	3.48	3.24	3.24	3.31	3.48	2.77	2.77
2017	3.42	3.60	3.35	3.35	3.42	3.60	2.87	2.87
2018	3.64	3.86	3.56	3.56	3.7	3.92	3.04	3.04
2019	3.73	3.99	3.63	3.63	3.94	4.21	3.15	3.15
2020	3.73	3.99	3.63	3.63	3.94	4.21	3.15	3.15

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¹TSAWR-Transitional Special Agriculture Water Rate

²1 unit of water = 748 gallons

Water Fixed Rates

Single Family, Multi-Family, Commercial, & Institutional								
	Capacity Calss-Meter Size							
	A-5/8"	B-3/4"	C-1"	D-1 1/2"	E-2"	F-3"	G-4"	H-6"
2011	54.68	63.38	88.36	138.67	230.58	386.42	654.05	1,276.37
2012	54.68	63.38	88.36	138.67	230.58	386.42	654.05	1,276.37
2013	62.23	70.93	100.44	161.33	269.85	454.39	774.89	1,548.24
2014	58.83	65.93	94.87	162.34	282.54	487.01	842.16	1,699.84
2015	58.83	65.93	94.87	162.34	282.99	487.01	842.16	1,699.84
2016	58.84	58.84	95.57	187.39	297.57	646.47	1,160.65	2,391.02
2017	61.14	61.14	99.35	194.85	309.45	672.36	1,207.19	2,486.94
2018	61.46	61.46	99.37	194.12	307.82	667.85	1,198.46	2,468.09
2019	65.56	65.56	105.59	205.62	325.67	705.81	1,266.04	2,606.55
2020	65.56	65.56	105.59	205.62	325.67	705.81	1,266.04	2,606.55

RATE SUMMARIES

Agriculture

Capacity Calss-Meter Size								
	A-5/8"	B-3/4"	C-1"	D-1 1/2"	E-2"	F-3"	G-4"	H-6"
2011	48.19	56.89	77.98	119.22	196.86	328.07	550.31	1,042.93
2012	48.19	56.89	77.98	119.22	196.86	328.07	550.31	1,042.93
2013	49.71	58.41	80.41	123.78	204.76	341.74	574.61	1,097.61
2014	44.52	51.62	71.97	119.40	208.12	358.20	613.16	1,184.59
2015	44.52	51.62	71.97	119.40	208.12	358.20	613.16	1,184.59
2016	78.28	78.28	127.96	252.19	401.24	873.25	1,568.86	3,233.34
2017	81.06	81.06	132.53	261.23	415.66	904.69	1,625.39	3,349.88
2018	85.37	85.37	139.18	273.77	435.27	946.65	1,700.30	3,503.62
2019	94.25	94.25	153.36	301.20	478.61	1,040.37	1,868.25	3,849.18
2020	94.25	94.25	153.36	301.20	478.61	1,040.37	1,868.25	3,849.18

TSAWR¹

Capacity Calss-Meter Size								
	A-5/8"	B-3/4"	C-1"	D-1 1/2"	E-2"	F-3"	G-4"	H-6"
2011	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2013	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2015	58.83	65.93	94.87	162.34	215.94	304.14	445.94	694.04
2016	60.31	60.31	98.01	192.28	305.39	663.57	1,191.44	2,454.53
2017	61.37	61.37	99.71	195.59	310.64	674.94	1,211.84	2,496.52
2018	68.01	68.01	110.25	215.89	342.67	744.10	1,335.70	2,751.27
2019	77.36	77.36	125.21	244.89	388.52	843.30	1,513.53	3,117.21
2020	77.36	77.36	125.21	244.89	388.52	843.30	1,513.53	3,117.21

¹TSAWR-Transitional Special Agriculture Water Rate

Sewer Rates per Dwelling Unit

	Single Family	Multi Family	Sewer Only	Commercial
2011	25.76-68.54	25.76-68.54	25.76-68.54	68.54
2012	25.76-68.54	25.76-68.54	25.76-68.54	68.54
2013	25.76-68.54	25.76-68.54	25.76-68.54	68.54
2014	28.70-75.50	28.70-75.50	28.70-75.50	75.50
2015	28.7-75.50	28.7-75.50	28.7-75.50	75.50
2016	28.7-75.50	28.7-75.50	28.7-75.50	75.50
2017	28.7-75.50	28.7-75.50	28.7-75.50	75.50
2018	55.07	40.51	54.40	40.51
2019	55.07	40.51	54.40	40.51
2020	55.07	40.51	54.40	40.51

HISTORICAL WATER DEMAND AND RECENT TRENDS

For 25 years following its founding in 1954, total SDCWA water deliveries to the District service area steadily increased, as agricultural acreage and population increased. By 1984, demands had climbed to almost 34,000-acre feet per year (AFY). Demands then dropped sharply during the drought restrictions of 1991-93, as mandatory cutbacks led to the stumping of avocado groves and other water use reductions, but by 2002 had rebounded to almost pre- 1991 conditions.

Beginning in 2008, demands again declined sharply, this time in response to economic recession, water price increases, a new round of drought restrictions, and increased adoption of water conservation measures. These factors have combined to produce a fundamental downward shift in per capita water use, with per account use declining by **35 percent** from 2006 to 2013. Per capita use reached a minimum during the period from 2010 to 2012, but this was in response to economic recession, cooler than normal summer weather, and other impermanent conditions.

Considering factors of economic equilibrium, average weather conditions, and normal water supply conditions (without water use restrictions in place), the Master Plan has judged calendar year 2018 to be representative of normal water use conditions in the current era and has defined calendar year 2018 water use as an appropriate baseline condition for use in demand forecasting.

Calendar Year	Deliveries (AF)
1982	24,843
1983	23,746
1984	33,806
1985	28,886
1986	29,298
1987	27,382
1988	32,028
1989	34,828
1990	34,920
1991	24,567
1992	26,460
1993	22,997
1994	22,832
1995	20,872
1996	23,223
1997	24,906
1998	19,924
1999	28,721
2000	29,203
2001	26,803
2002	32,125
2003	30,472
2004	30,336
2005	28,911
2006	29,929
2007	31,865
2008	24,128
2009	26,894
2010	18,322
2011	19,276
2012	21,918
2013	21,526
2014	22,625
2015	17,868
2016	18,151
2017	18,123
2018	17,910
2019	13,720



Top 10 Employers

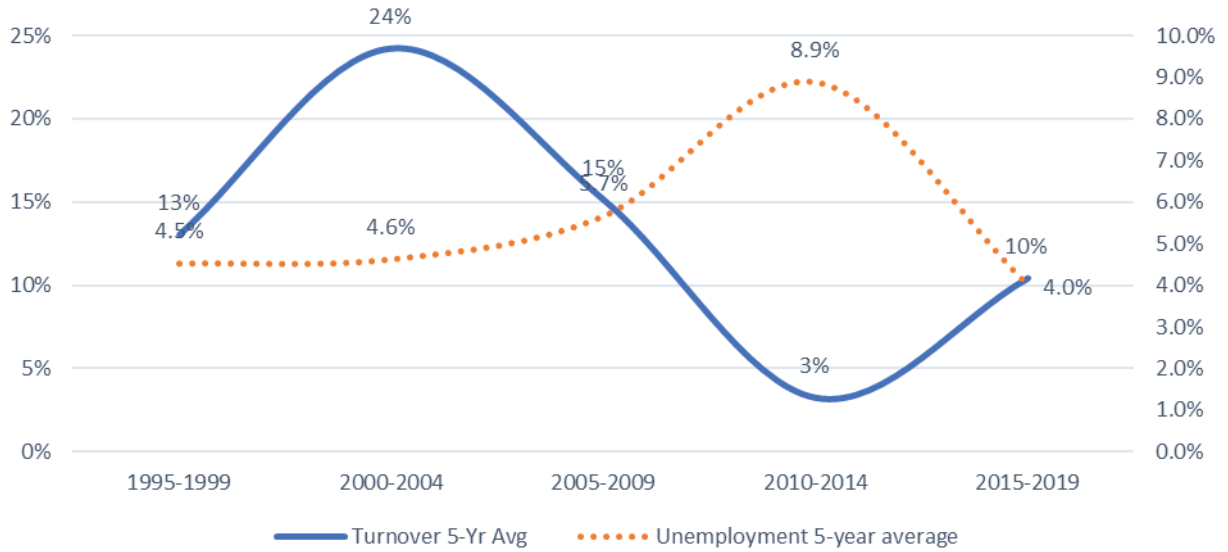
Employers	# of Employees
Bonsall Unified School District	123
Rainbow Municipal Water District	57
Vallecitor School District	30
Pala Mesa Resort	20
Z Café	15
Daniel's Market	10
Armstrong Growers	less than 10
West Coast Tomatoe Growers	less than 10
Rainbow Oaks Restaurant	less than 10
Pala Mesa Market	less than 10
Village Pizza	less than 10
Tekila Cocina	less than 10
Fresco Grill	less than 10
Jack in the Box	less than 10
Subway	less than 10
McDonalds	less than 10
Cortez Mexican	less than 10
Quality Inn	less than 10
Nessy Burget	less than 10
Fallbrook Rib Shack	less than 10
Randy Carlson DMD	less than 10

FULL-TIME EQUIVALENT EMPLOYEES BY DEPARTMENT

Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administration	3	3	3	3	3	3	3	4	3	2
Information Technology	0	0	0	0	0	0	0	0	2	4
Human Resources	3	3	3	3	2	3	2	2	2.5	2.5
Engineering	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	6.5	5
Finance	4	4	4	4	4	4	4	4	3	5
Customer Service	3	3	3	3	3	3	3	3	5	5
Operations Support	6	5	5	5	3	5	5	5	4.5	3
Operations	11.5	11.5	10.5	10.5	9.5	10.5	10.5	10.5	9	9
Wastewater	4	4	4	4	4	4	4	4	4	4
Construction & Maintenance	10	9	9	9	8	9	9	9	9	9
Meters	4	4	4	4	4	4	4	4	9	9
Total	54	52	51	51	46	51	50	51	57.5	57.5
Less Temporary Employees	0	0	0	0	0	0	0	0	3	3
Total Permanent Employees	54	52	51	51	46	51	50	51	54.5	54.5

Historical Turnover (5-year rates, all reasons)

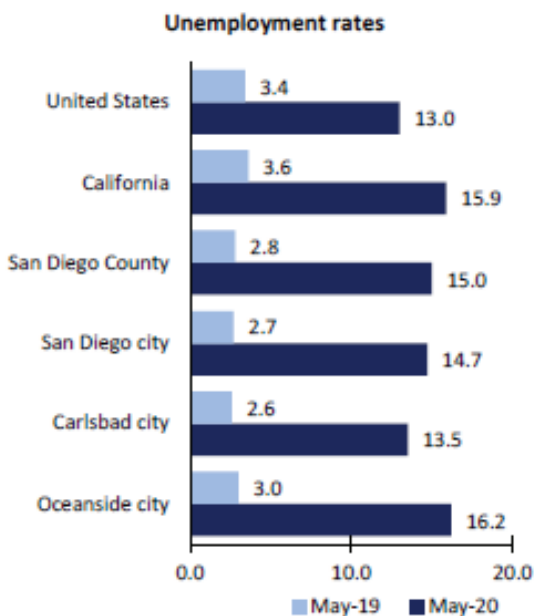


San Diego Area Economic Summary

Updated July 01, 2020

This summary presents a sampling of economic information for the area; supplemental data are provided for regions and the nation. Subjects include unemployment, employment, wages, prices, spending, and benefits. All data are not seasonally adjusted and some may be subject to revision. Area definitions may differ by subject. For more area summaries and geographic definitions, see www.bls.gov/regions/economic-summaries.htm.

Unemployment rates for the nation and selected areas



Source: U.S. BLS, Local Area Unemployment Statistics.

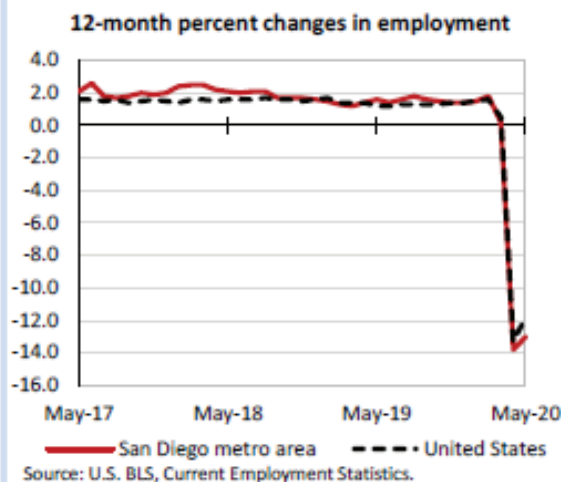
Average weekly wages for all industries by county

San Diego metro area, fourth quarter 2019

(U.S. = \$1,185; Area = \$1,311)



Over-the-year changes in employment on nonfarm payrolls and employment by major industry sector



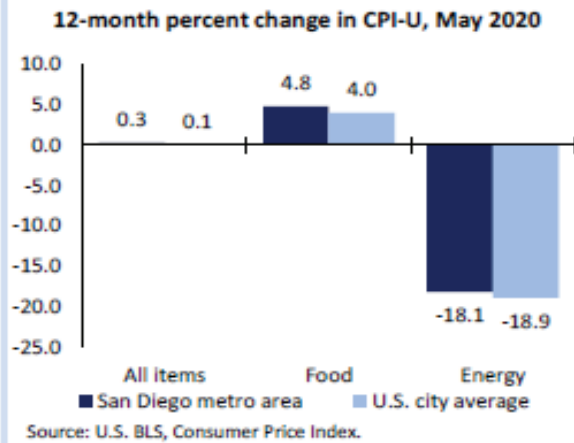
Source: U.S. BLS, Current Employment Statistics.

San Diego metro area employment (number in thousands)	May 2020	Change from May 2019	
		Number	Percent
Total nonfarm	1,309.0	-195.8	-13.0
Mining and logging	0.2	-0.2	-50.0
Construction	77.2	-6.7	-8.0
Manufacturing	106.8	-7.6	-6.6
Trade, transportation, and utilities	190.3	-31.6	-14.2
Information	19.6	-3.9	-16.6
Financial activities	72.9	-3.3	-4.3
Professional and business services	251.0	-3.8	-1.5
Education and health services	199.3	-16.4	-7.6
Leisure and hospitality	112.7	-91.2	-44.7
Other services	39.0	-17.2	-30.6
Government	240.0	-13.9	-5.5

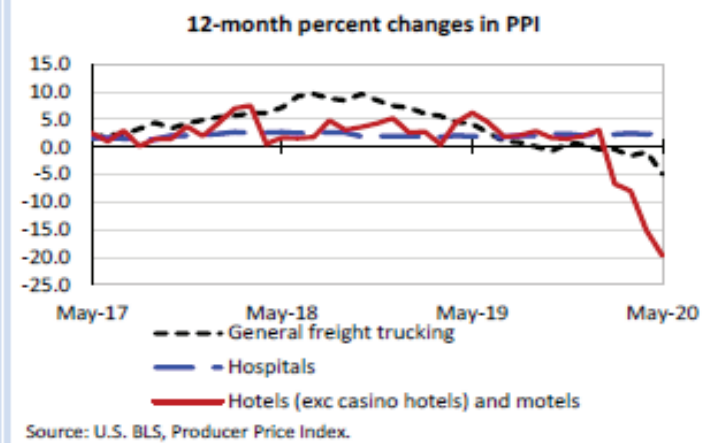
Source: U.S. BLS, Current Employment Statistics.



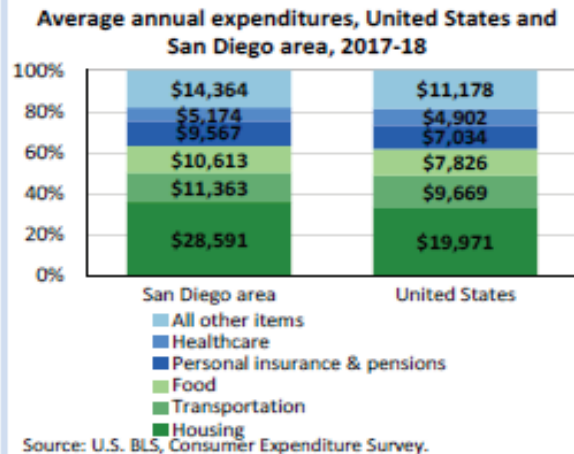
Over-the-year change in the prices paid by urban consumers for selected categories



Over-the-year changes in the selling prices received by producers for selected industries nationwide



Average annual spending and percent distribution for selected categories



Average hourly wages for selected occupations

Occupation	San Diego metro area	United States
All occupations	\$23.61	\$25.72
Lawyers	61.92	69.86
Registered nurses	35.85	37.24
Accountants and auditors	34.55	38.23
Chefs and head cooks	23.08	27.07
Electricians	22.76	29.02
Construction laborers	16.62	20.06

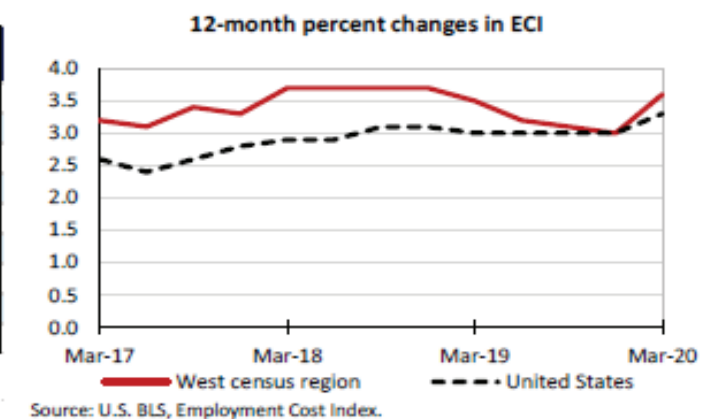
Source: U.S. BLS, Occupational Employment Statistics, May 2019.

Employer costs per hour worked for wages and selected employee benefits by geographic division

Private industry, March 2020	West census region	United States
Total compensation	\$40.20	\$35.34
Wages and salaries	28.28	24.82
Total benefits	11.91	10.53
Paid leave	3.03	2.58
Vacation	1.55	1.32
Supplemental pay	1.12	1.19
Insurance	3.18	2.80
Retirement and savings	1.46	1.25
Legally required benefits	3.12	2.70

Source: U.S. BLS, Employer Costs for Employee Compensation.

Over-the-year changes in wages and salaries



CLIMATE AND TOPOGRAPHY

The Fallbrook, Bonsall and Rainbow region has an average year-round temperature of 61 degrees. Due to the prevailing ocean breezes, the humidity is relatively low and constant. The average daytime high in Fallbrook is 76 degrees, although in the summer, temperatures sometimes exceed 100 degrees. Most of the area is frost-free; during the coldest periods, the average nighttime temperature is about 42 degrees. Due to its proximity to the ocean, days often start with early morning fog; afternoons can be breezy.

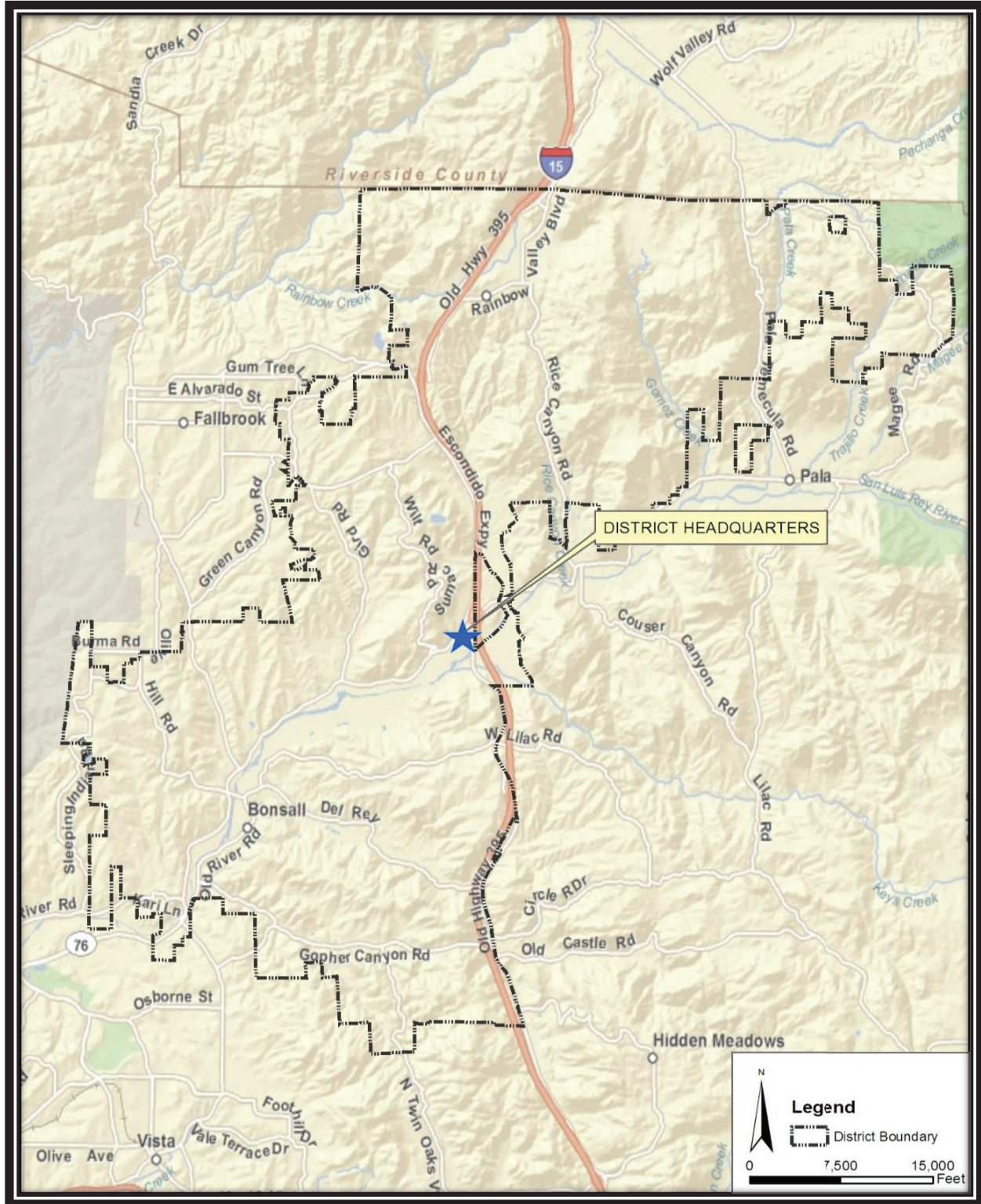
Annual rainfall is roughly 10 inches (25 cm) and comes mostly between November and April. Rainfall is higher in the surrounding hills, up to 20 inches (51 cm). The area is ideal for avocados, strawberries, tomatoes and many other sub-tropical fruits, vegetables, and flowers.

The topography of the District ranges from relatively level valley lands to steeply sloping ridges with long, narrow canyons. Elevations vary from 120 feet in the San Luis Rey River basin to mountains over 2,200 feet high. This configuration of land enables dense, cool air to slide off the valley sides, creating a continuous mild turbulence on the valley floor, which results in a low incidence of frost essential to the growth of avocados and citrus, the major crops grown in the District.

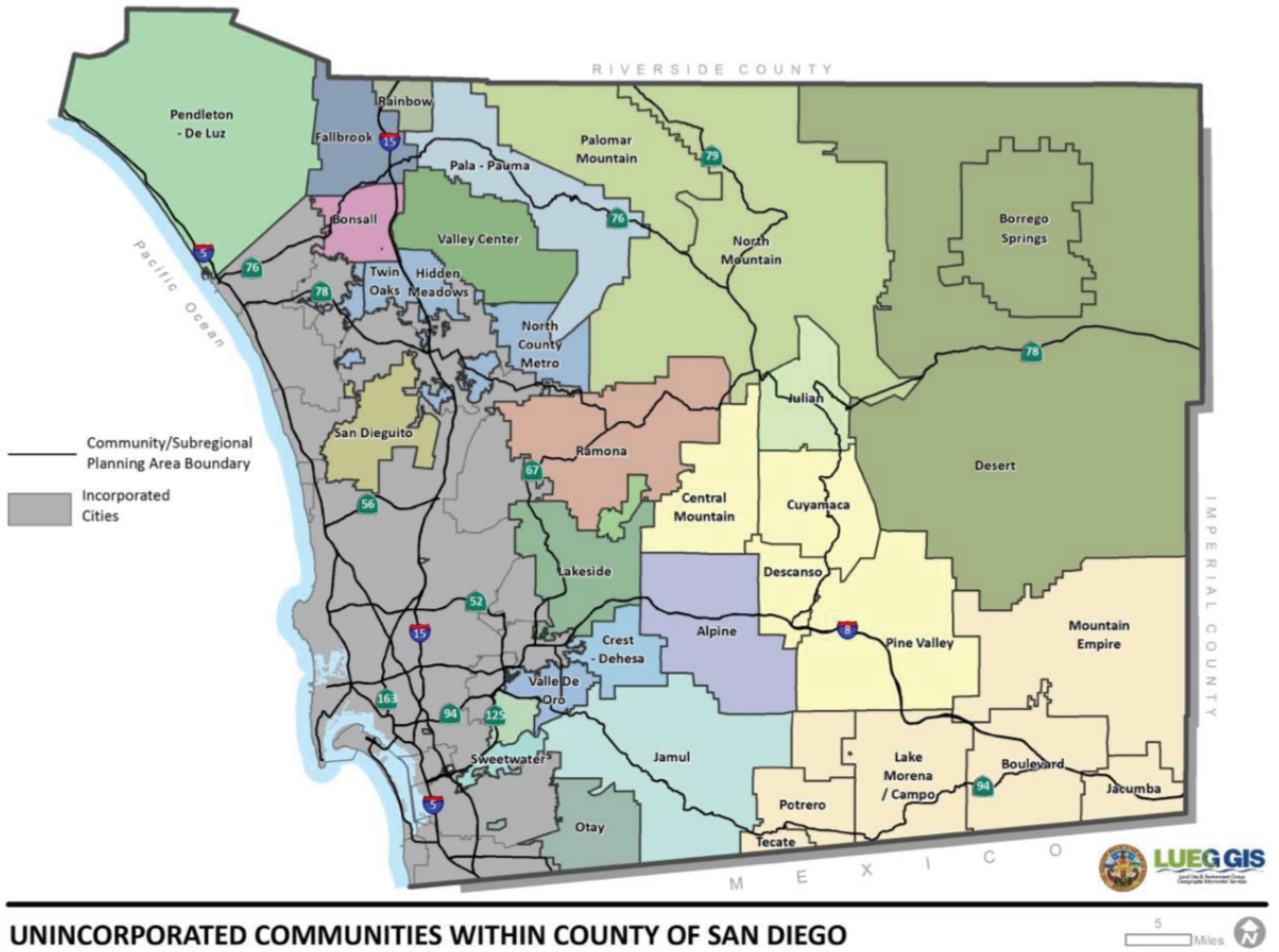
THE DISTRICT OFFICE



MAP OF DISTRICT SERVICE AREA

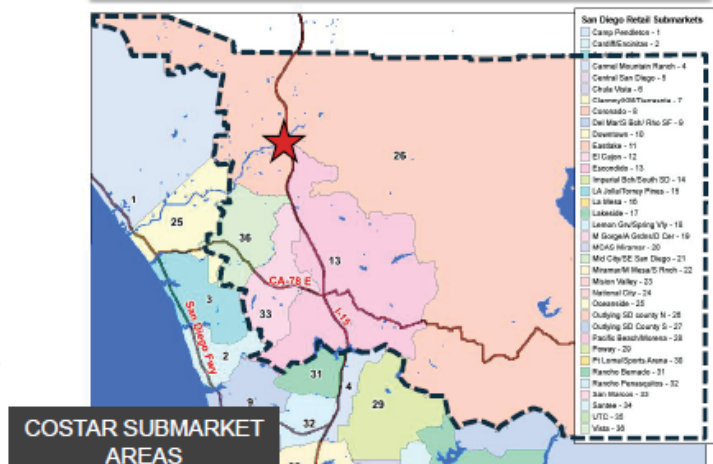


MAP OF DISTRICT LOCATION



SANDAG AND COSTAR SUBMARKETS

- The Rainbow property is in the SANDAG North County East Major Statistical Area (MSA 5). To estimate future demand for the land uses being evaluated for the Rainbow property we are utilizing SANDAG's SR13 forecasts for population and housing unit growth and SANDAG's upcoming SR14 preliminary forecasts for job growth.
- For information on supply and demand trends for retail, office, industrial and multi-family uses, we are utilizing data from the commercial data provider CoStar. The CoStar submarkets that most closely match with the SANDAG North County East MSA include four areas (which we are collectively referring to as the "Inland North" market):
 - 26 – Outlying SD County North
 - 13 – Escondido
 - 33 – San Marcos
 - 36 – Vista
- The SANDAG and CoStar areas do not 100% align. The primary difference between the CoStar Inland North submarket and the SANDAG North County East MSA is that the CoStar area includes the community of Ramona, while SANDAG does not. The population of Ramona is only about 20K and represents only about 4% of the 460K population in the SANDAG North County East MSA (480K if Ramona is added). We have concluded that the aggregate CoStar Inland North and SANDAG North County East MSA areas are similar enough for our analytical purposes.
- CoStar submarket boundaries can vary for different land uses, particularly for Multi-Family. CoStar submarket maps are provided for each use at the beginning of each section of the report for that particular use.



SANDAG PROJECTIONS – COUNTY POPULATION

- Population growth from 2020 to 2035 in the county is projected at about 27.9K per year.
- Occupied housing unit growth from 2020 to 2035 is projected at about 9.9K per year (SF 1.8K per year, MF 8.1K per year).

POPULATION AND HOUSING

	2012	2020	2035	2050	2012 to 2050 Change*	
					Numeric	Percent
Total Population	3,143,429	3,435,713	3,853,698	4,068,759	925,330	29%
Household Population	3,039,937	3,325,715	3,738,048	3,949,115	909,178	30%
Group Quarters Population	103,492	109,998	115,650	119,644	16,152	16%
Civilian	61,597	68,103	73,755	77,749	16,152	26%
Military	41,895	41,895	41,895	41,895	0	0%
Total Housing Units	1,165,818	1,249,684	1,394,783	1,491,935	326,117	28%
Single Family	703,101	731,693	758,622	763,226	60,125	9%
Multiple Family	420,147	477,258	597,762	692,709	272,562	65%
Mobile Homes	42,570	40,733	38,399	36,000	-6,570	-15%
Occupied Housing Units	1,103,034	1,178,091	1,326,445	1,407,869	304,835	28%
Single Family	672,496	697,416	730,471	730,020	57,524	9%
Multiple Family	391,534	443,213	560,793	645,548	254,014	65%
Mobile Homes	39,004	37,462	35,181	32,301	-6,703	-17%
Vacancy Rate	5.4%	5.7%	4.9%	5.6%	0.2	4%
Single Family	4.4%	4.7%	3.7%	4.4%	0.0	0%
Multiple Family	6.8%	7.1%	6.2%	6.8%	0.0	0%
Mobile Homes	8.4%	8.0%	8.4%	10.3%	1.9	23%
Persons per Household	2.76	2.82	2.82	2.81	0.1	2%

Source: SANDAG SR13 Regional Growth Forecast, released in 2013. The forecast is in the process of being updated with new estimates to be available by the end of 2020 (SR14). According to SANDAG, the new forecast numbers for population and housing units are not expected to be substantially different than forecast in SR13.

SANDAG PROJECTIONS – NORTH COUNTY EAST/MSA5 POPULATION

- Population growth from 2020 to 2035 in MSA 5 is projected at about 4.0K per year.
- Occupied housing unit growth from 2020 to 2035 is projected at about 1.3K per year (SF 664 per year, MF 634 per year).
- MSA 5 currently represents 14% of the countywide population and 13% of the countywide supply of housing units.

POPULATION AND HOUSING

	2012	2020	2035	2050	2012 to 2050 Change*	
					Numeric	Percent
Total Population	438,503	487,700	547,881	573,295	134,792	31%
Household Population	432,566	482,109	541,229	565,889	133,323	31%
Group Quarters Population	5,937	5,591	6,652	7,406	1,469	25%
Civilian	5,937	5,591	6,652	7,406	1,469	25%
Military	0	0	0	0	0	0%
Total Housing Units	148,823	163,094	181,744	191,439	42,616	29%
Single Family	96,104	103,348	112,619	115,143	19,039	20%
Multiple Family	40,869	48,064	57,514	64,837	23,968	59%
Mobile Homes	11,850	11,682	11,611	11,459	-391	-3%
Occupied Housing Units	142,516	155,935	175,276	183,758	41,242	29%
Single Family	93,001	99,720	109,680	111,556	18,555	20%
Multiple Family	38,687	45,507	55,018	61,990	23,303	60%
Mobile Homes	10,828	10,708	10,578	10,212	-616	-6%
Vacancy Rate	4.2%	4.4%	3.6%	4.0%	-0.2	-5%
Single Family	3.2%	3.5%	2.6%	3.1%	-0.1	-3%
Multiple Family	5.3%	5.3%	4.3%	4.4%	-0.9	-17%
Mobile Homes	8.6%	8.3%	8.9%	10.9%	2.3	27%
Persons per Household	3.04	3.09	3.09	3.08	0.0	1%

Source: SANDAG SR13 Regional Growth Forecast, released in 2013. The forecast is in the process of being updated with new estimates to be available by the end of 2020 (SR14). According to SANDAG, the new forecast numbers for population and housing units are not expected to be substantially different than forecast in SR13.