

PINEDALE COUNTY WATER DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE DATA FOR THE YEAR
ENDED JUNE 30, 2020)

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CERTIFIED PUBLIC ACCOUNTANTS

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A Professional Corporation
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American Institute of Certified Public Accountants
California Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Pinedale County Water District
Pinedale, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Pinedale County Water District (the District) as of and for the year ended June 30, 2021, 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

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the State Controller's *Minimum Audit Requirements and Reporting Guidelines for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

INDEPENDENT AUDITORS' REPORT

Continued

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of June 30, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the Pension Plan Contributions on pages 38 through 39, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

2020 Financial Information

We have previously audited the District's basic financial statements for the year ended June 30, 2020, and we expressed an unmodified

INDEPENDENT AUDITORS' REPORT

Continued

audit opinion on those audited financial statements in our report dated February 10, 2021. The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2020 from which such partial information was derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 16, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 40-41.

Berger & Company

Turlock, California
December 16, 2021

PINEDALE COUNTY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2021

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Pinedale County Water District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

In 2021, the District's net position increased 2.32% or \$93,827 from \$4,045,679 to \$4,139,506, as a result of this year's operations.

Required Financial Statements

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

The Statement of Net Position includes all the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, noncapital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

PINEDALE COUNTY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2021

Financial Analysis of the District

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

These two statements report the District's *net position* and changes in them. You can think of the District's net position - the difference between assets and deferred outflow of resources, and liabilities and deferred inflow of resources - as one way to measure the District's financial health, or *financial position*. 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, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

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

PINEDALE COUNTY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2021

Statements of Net Position

Condensed Statements of Net Position:

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Assets:			
Current Assets	\$ 1,840,630	\$ 1,640,066	\$ 200,564
Capital Assets	3,116,860	3,206,350	(89,490)
Restricted Cash	795,137	750,239	44,898
Total Assets	<u>5,752,627</u>	<u>5,596,655</u>	<u>155,972</u>
Deferred Outflows of Resources	<u>271,575</u>	<u>282,694</u>	<u>(11,119)</u>
Liabilities:			
Current Liabilities	536,122	537,685	(1,563)
Net Pension Liability	<u>1,255,883</u>	<u>1,153,248</u>	<u>102,635</u>
Total Liabilities	<u>1,792,005</u>	<u>1,690,933</u>	<u>101,072</u>
Deferred Inflows of Resources	<u>92,691</u>	<u>142,737</u>	<u>(50,046)</u>
Net Position:			
Invested in			
Capital Assets	3,116,860	3,206,350	(89,490)
Restricted for			
Future Capacity	795,137	750,239	44,898
Unrestricted	<u>227,509</u>	<u>89,090</u>	<u>138,419</u>
Total Net Position	<u>\$ 4,139,506</u>	<u>\$ 4,045,679</u>	<u>\$ 93,827</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,139,506 and \$4,045,679 as of June 30, 2021 and 2020, respectively.

One of the largest portions of the District's net position (75.30% as of June 30, 2021 and 79.26% as of June 30, 2020) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt or related deferred outflow of resources or deferred inflow of resources used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending. At the end of fiscal years 2021 and 2020, the District showed a positive balance in its unrestricted net position of \$227,509 and \$89,090, respectively.

PINEDALE COUNTY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2021

Statements of Revenues, Expenses, and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Revenues:			
Operating Revenues	\$ 2,803,368	\$ 2,737,138	\$ 66,230
Non-operating Revenues	<u>4,136</u>	<u>15,665</u>	<u>(11,529)</u>
Total Revenues	<u>2,807,504</u>	<u>2,752,803</u>	<u>54,701</u>
Expenses:			
Operating Expenses	2,542,495	2,583,027	(40,532)
Non-Operating Expenses	0	92,201	(92,201)
Depreciation and Amortization	<u>171,182</u>	<u>165,661</u>	<u>5,521</u>
Total Expenses	<u>2,713,677</u>	<u>2,840,889</u>	<u>(127,212)</u>
Change in Net Position	93,827	(88,086)	181,913
Net Position, Beginning of Year	<u>4,045,679</u>	<u>4,133,765</u>	<u>(88,086)</u>
Net Position, End of Year	<u>\$ 4,139,506</u>	<u>\$ 4,045,679</u>	<u>\$ 93,827</u>

The statement of revenues, expenses, and changes in net position shows how the District's net position changed during the fiscal year. In the case of the District, net position increased from operations by \$93,827 for the fiscal year ended June 30, 2021 and had decreased \$88,086 for the fiscal year ended June 30, 2020.

Capital Asset Administration

At the end of fiscal years 2021 and 2020, the District's investment in capital assets amounted to \$3,116,860 and \$3,206,350, respectively, (net of accumulated depreciation). This investment in capital assets includes land, distribution systems, wells, pumps, buildings, furniture and fixtures, equipment, and vehicles, etc. The net decrease in capital assets during the fiscal year ended June 30, 2021 was \$89,490.

PINEDALE COUNTY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2021

Changes in Capital asset amounts for 2021 were as follows:

	<u>Balance 6/30/2020</u>	<u>Change</u>	<u>Balance 6/30/2021</u>
Capital Assets:			
Non-Depreciable Assets	\$ 266,354	\$ 0	\$ 266,354
Depreciable Assets	7,137,235	81,691	7,218,926
Accumulated Depreciation and Amortization	<u>(4,197,239)</u>	<u>(171,181)</u>	<u>(4,368,420)</u>
Total Capital Assets, Net	<u>\$ 3,206,350</u>	<u>\$ (89,490)</u>	<u>\$ 3,116,860</u>

Changes in Capital asset amounts for 2020 were as follows:

	<u>Balance 6/30/2019</u>	<u>Change</u>	<u>Balance 6/30/2020</u>
Capital Assets:			
Non-Depreciable Assets	\$ 266,354	\$ 0	\$ 266,354
Depreciable Assets	6,893,483	243,752	7,137,235
Accumulated Depreciation and Amortization	<u>(4,064,049)</u>	<u>(133,190)</u>	<u>(4,197,239)</u>
Total Capital Assets, Net	<u>\$ 3,095,788</u>	<u>\$ 110,562</u>	<u>\$ 3,206,350</u>

Conditions Affecting Current Financial Position

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net assets or operating results in terms of past, present and future.

Other Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition.

PINEDALE COUNTY WATER DISTRICT
Statement of Net Position
June 30, 2021
(with comparative data as of June 30, 2020)

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and Cash Equivalents	\$ 1,535,116	\$ 1,419,937
Accounts Receivable, Net	299,107	214,676
Prepaid Expense	6,407	5,453
Total Current Assets	<u>1,840,630</u>	<u>1,640,066</u>
Capital Assets - Depreciable:		
Shop	59,739	59,739
Improvements	106,291	98,249
Water Lines and Well Equipment	5,201,608	5,127,959
Tools and Water Equipment	104,997	104,997
Office Furniture and Equipment	131,313	131,313
Vehicles	131,551	131,551
Water Mains	267,959	267,959
Sewer Lines	1,215,468	1,215,468
	7,218,926	7,137,235
Less Accumulated Depreciation	<u>4,368,420</u>	<u>4,197,239</u>
Net Depreciable Assets	2,850,506	2,939,996
Capital Assets - Nondepreciable:		
Land	<u>266,354</u>	<u>266,354</u>
Net Capital Assets	<u>3,116,860</u>	<u>3,206,350</u>
Other Assets:		
Restricted Cash - Future Capacity	<u>795,137</u>	<u>750,239</u>
Total Assets	<u>5,752,627</u>	<u>5,596,655</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Amounts Related to Net Pension Liability	<u>271,575</u>	<u>282,694</u>
Total Deferred Outflows	<u>271,575</u>	<u>282,694</u>
 <u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	53,965	76,092
Accrued City Sewer Charges	141,008	130,551
Accrued Compensated Absences	87,468	73,268
Accrued Payroll	7,615	5,830
Retirement Contributions Payable	2,825	4,964
Customer Deposits	23,524	27,263
Legal Judgment Payable	219,717	219,717
Total Current Liabilities	<u>536,122</u>	<u>537,685</u>

See accompanying notes.

PINEDALE COUNTY WATER DISTRICT
Statement of Net Position
June 30, 2021
(with comparative data as of June 30, 2020)

<u>LIABILITIES (CONTINUED)</u>	<u>2021</u>	<u>2020</u>
Noncurrent Liabilities:		
Net Pension Liability	\$ 1,255,883	\$ 1,153,248
Total Liabilities	<u>1,792,005</u>	<u>1,690,933</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Amounts Related to Net Pension Liability	<u>92,691</u>	<u>142,737</u>
Total Deferred Inflows	<u>92,691</u>	<u>142,737</u>
 <u>NET POSITION</u>		
Net Investment in Capital Assets	3,116,860	3,206,350
Restricted for Future Capacity	795,137	750,239
Unrestricted	<u>227,509</u>	<u>89,090</u>
Total Net Position	<u>\$ 4,139,506</u>	<u>\$ 4,045,679</u>

See accompanying notes.

PINEDALE COUNTY WATER DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2021
(with comparative data for the year ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
Operating Revenues:		
Water Sales	\$ 1,459,125	\$ 1,391,313
Sewer Usage	1,172,070	1,167,227
Disposal Sales and Service	169,903	145,825
Delinquency Charges and Other Income	<u>2,270</u>	<u>32,773</u>
Total Operating Revenues	<u>2,803,368</u>	<u>2,737,138</u>
Operating Expenses:		
Direct Expenses (Schedule 1)	1,915,503	1,972,506
Administration and General Expenses (Schedule 2)	<u>798,174</u>	<u>776,182</u>
Total Operating Expenses	<u>2,713,677</u>	<u>2,748,688</u>
Operating Income (Loss)	<u>89,691</u>	<u>(11,550)</u>
Non-operating Revenues (Expenses):		
Gain on Sale of Capital Asset	0	4,700
Interest Income	4,136	10,965
Legal Judgment	<u>0</u>	<u>(92,201)</u>
Total Non-operating Revenues (Expenses) - Net	<u>4,136</u>	<u>(76,536)</u>
Change in Net Position	93,827	(88,086)
Net Position - Beginning of Year	<u>4,045,679</u>	<u>4,133,765</u>
Net Position - End of Year	<u>\$ 4,139,506</u>	<u>\$ 4,045,679</u>

See accompanying notes.

PINEDALE COUNTY WATER DISTRICT
Statement of Cash Flows
Year Ended June 30, 2021
(with comparative data for the year ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Cash Receipts from Customers	\$ 2,715,198	\$ 2,672,154
Cash Payments to Suppliers	(1,678,296)	(1,916,861)
Cash Payments for Employee Salaries and Benefits	(799,270)	(715,265)
Net Cash Provided by Operating Activities	237,632	40,028
Cash Flows from Noncapital Financing Activities	0	0
Cash Flows from Capital and Related Financing Activities:		
Purchases of Capital Assets	(81,691)	(276,225)
Cash Flows from Investing Activities:		
Proceeds from Sale of Capital Asset	0	4,700
Interest Received	4,136	10,965
Net Cash Provided by Investing Activities	4,136	15,665
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	160,077	(220,532)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	2,170,176	2,390,708
Cash, Cash Equivalents, and Restricted Cash - End of Year	<u>\$ 2,330,253</u>	<u>\$ 2,170,176</u>

See accompanying notes.

PINEDALE COUNTY WATER DISTRICT
Statement of Cash Flows
Year Ended June 30, 2021
(with comparative data for the year ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income	\$ 89,690	\$ (11,550)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	171,182	165,661
Change in Assets and Deferred Outflows of Resources:		
(Increase) Decrease in Receivables, Net	(84,431)	(65,419)
(Increase) Decrease in Prepaid Expense	(954)	927
(Increase) Decrease in Pension Related Deferred Outflows	11,119	4,563
Changes in Liabilities and Deferred Inflows of Resources:		
Increase (Decrease) in Pension Liability	102,635	105,280
Increase (Decrease) in Pension Related Deferred Inflows	(50,046)	(9,654)
Increase (Decrease) in Accrued Salaries and Benefits	13,846	17,355
Increase (Decrease) in Accounts and Other Payables	(11,670)	(167,570)
Increase (Decrease) in Customer Deposits	(3,739)	435
Net Cash Provided by Operating Activities	<u>\$ 237,632</u>	<u>\$ 40,028</u>

See accompanying notes.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2021

Note 1 - Significant Accounting Policies:

The Reporting Entity

Pinedale County Water District was organized in October 1954, upon the approval of the Board of Supervisors of the County of Fresno. The District was organized to provide for the acquisition, construction, and operation of wells, pipelines, and various equipment to provide water, sewer and waste disposal service in the greater Pinedale area. Division 16 of the Water Code of the State of California governs the District. Effective January 1, 1994, the City of Fresno took over the garbage service for customers within the Pinedale County Water District that reside in the incorporated areas of the City of Fresno. All customers within the Pinedale County Water District that are in unincorporated areas continue to be served by the District.

Basis of Accounting and Measurement Focus

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

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

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2021

Note 1 - Significant Accounting Policies (Continued):

Financial Reporting

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

Cash and Equivalents

The District considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents, including restricted assets, along with all pooled deposits and investments in the Local Agency Investment Fund, which are available upon demand. Restricted cash relates to Board-restricted funds set aside for the specific purpose of covering the cost of future system updates.

Compensated Absences

Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees.

Investments

Investments are stated at their fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool. All investments are stated at their fair value, the District has not elected to report certain investments at amortized cost.

Estimates

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

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2021

Note 1 - Significant Accounting Policies (Continued):

Capital Assets

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Office Equipment	5-10 Years
Transportation Equipment	5
Tools and Water Equipment	4-20
Water Main, Well Equipment And Sewer Lines	25-55
Water Meters	15
Improvements	10-20
Computer Equipment	5-10

Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- *Net Investment in capital assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, 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. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* - This component of net position consists of constraints placed on net position 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* - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2021

Note 1 - Significant Accounting Policies (Continued):

Net Position (Continued)

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

Subsequent Events

The District has evaluated subsequent events through December 16, 2021, the date which the financial statements were available to be issued. No events requiring disclosure were discovered.

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 Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2019
- Measurement Date: June 30, 2020
- Measurement Period: July 1, 2019 to June 30, 2020

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 investments.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2021

Note 1 - Significant Accounting Policies (Continued):

Fair Value Measurements (Continued)

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

- Level 1: This valuation level is based on quoted prices in active markets for identical assets.
- Level 2: This valuation level is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3: This valuation level is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

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 resources applicable to future periods and therefore will not be recognized as an outflow of resources (expenditure) until that time.

In addition to liabilities, the statements 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 pension related items that qualify for reporting in this category:

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2021

Note 1 - Significant Accounting Policies (Continued):

Deferred Outflows/Inflows of Resources (Continued)

- Deferred outflow/inflow for the net differences between the actual and expected experience which will be 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 Plan.
- Deferred outflow/inflow for the net changes in assumptions which will be 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 Plan.
- Deferred outflow for the net difference in projected and actual earnings on investments of the pension plan's fiduciary net position. This amount is amortized over a 5 year period.
- Deferred outflow/inflow for the net differences in actual and proportionate share of employer contribution and net changes in proportion which will be 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 Plan.
- Deferred inflow for the net adjustment due to differences in the changes in proportions of the net pension liability which will be 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 Plan.

Adoption of New Accounting Standard

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The District adopted the new standard effective July 1, 2020, the first day of the District's fiscal year using the modified retrospective approach.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2021

Note 1 - Significant Accounting Policies (Continued):

Adoption of New Accounting Standard (Continued)

As part of the adoption of the ASU, the District elected the following transition practical expedients: to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and to apply the standard only to contracts that are not completed at the initial date of application.

There was no significant effect on the financial statements related to the adoption of this new standard which would require a cumulative effect adjustment to net position at the date of adoption under the modified retrospective method.

Revenue Recognition Policy

Water, sewer and garbage processing services are accounted for under ASC Topic 606, Revenues from Contracts with Customers, recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied. ASC 606 defines a performance obligation as a contractual promise to transfer a distinct good or service to a customer. A contract's transaction price is allocated to each distinct performance obligation, and recognized as revenue when, or as, the performance obligation is satisfied. The majority of the District's contracts have a single performance obligation, as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contract and therefore, is not distinct. Revenues from these performance obligations are satisfied over time as services are rendered, in an amount that reflects the consideration the District expects to be entitled to in exchange for those services. Generally, the expected amount of consideration is fixed at inception of the contracts (typically using an input method such as quantity, type and/or weight of waste products.) Incidental items that are immaterial in the context of the contract are recognized as expenses. The District does not have any significant financing components as payment is received shortly after the service is provided. The District generally bills customers on a monthly basis with payments due within thirty days.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2021

Note 1 - Significant Accounting Policies (Continued):

Disaggregation of Revenue from Contracts with Customers

Disaggregated revenue from contracts with customers is shown on the Statement of Revenues, Expenses, and Changes in Net Position and is recognized over time as the related performance obligations are satisfied. The total amount of revenues from contracts with customers recognized over time for the fiscal year ended June 30, 2021 and 2020, is \$2,803,368 and \$2,737,138, respectively.

Contract Assets and Liabilities

The District receives payments from customers based on a billing schedule as established in their contracts. Contract assets relate to the District's conditional right to consideration for their completed performance under the contracts. Accounts receivable are recorded when the right to consideration becomes unconditional. At June 30, 2021 and 2020, Accounts Receivable amounted to \$299,107 and \$214,676, respectively. Contract liabilities relate to payments received in advance of performance under the contract. Contract liabilities are recognized as revenue as (or when) performance requirements under the contract are satisfied. At June 30, 2021 and 2020, contract liabilities amounted to \$34,421 and \$30,187, respectively. There were no contract assets at those dates.

Note 2 - Cash and Investments:

Cash and Investments as of June 30, 2021 and 2020 are classified in the accompanying financial statements as follows:

	<u>2021</u>	<u>2020</u>
Statement of Net Position:		
Cash	\$ 1,854,573	\$ 1,698,488
Imprest Cash	500	500
Temporary Investments	<u>475,180</u>	<u>471,188</u>
Total Cash and Investments	<u>\$ 2,330,253</u>	<u>\$ 2,170,176</u>

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2021

Note 2 - Cash and Investments (Continued):

Cash and investments as of June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Cash on Hand	\$ 1,855,073	\$ 1,698,988
Temporary Investments	<u>475,180</u>	<u>471,188</u>
Total Cash and Investments	<u>\$ 2,330,253</u>	<u>\$ 2,170,176</u>

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of net position that sum to the total of the same amounts shown in the statement of cash flows.

	<u>06/30/21</u>
Cash and cash equivalents	\$ 1,535,116
Restricted cash included in other assets	<u>795,137</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 2,330,253</u>

Restricted cash included in other assets on the statement of net position represents amounts set aside by the Board of Directors to cover future improvements and repairs.

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

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

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2021

Note 2 - Cash and Investments (Continued):

<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
Federal agency and bank obligations	5 years	None	None
Certificates-of-deposit(negotiable or placed)	5 years	30%	10%
Commercial paper (prime)	270 days	10%	10%
Money market mutual funds	N/A	20%	None
State and local bonds, notes and warrants	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

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

At June 30, 2021, the District's investments held to maturity were categorized as twelve months or less.

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. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2021

Note 2 - Cash and Investments (Continued):

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer as of June 30, 2021, (other than external investment pools) that represent 5% or more of the District's investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

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

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

As of June 30, 2021, the District's bank balances, up to \$250,000, are federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2021

Note 2 - Cash and Investments (Continued):

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The LAIF is a special fund of the California State Treasury through which local governments may pool investments. Each district may invest up to \$65,000,000 in the Fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. Investments in LAIF are secured by the full faith and credit of the State of California, LAIF's (and the District's) exposure to risk (credit, market or legal) is not currently available.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. The District's investment in the Local Agency Investment Fund of \$475,180 is valued using level 3 inputs by the Local Agency Advisory Board.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2021

Note 3 - Capital Assets:

Capital assets activity for the year ended June 30, 2021 was as follows:

Business-Type Activities:	Balance at June 30, 2020	Increases (Decreases)	Balance at June 30, 2021
Shop	\$ 59,739	\$ 0	\$ 59,739
Improvements	98,249	8,042	106,291
Water Lines and Well Equipment	5,127,959	73,649	5,201,608
Office Furniture and Equipment	131,313	0	131,313
Tools and Water Equipment	104,997	0	104,997
Vehicles	131,551	0	131,551
Water Mains	267,959	0	267,959
Sewer Lines	1,215,468	0	1,215,468
Land	266,354	0	266,354
	<u>\$ 7,403,589</u>	<u>\$ 81,691</u>	<u>\$ 7,485,280</u>
Less Accumulated Depreciation:			
Shop	38,448	1,222	39,670
Improvements	98,182	111	98,293
Water Lines and Well Equipment	2,650,466	128,601	2,779,067
Office Furniture and Equipment	123,413	2,024	125,437
Tools and Water Equipment	85,153	5,750	90,903
Vehicles	99,893	15,789	115,682
Water Mains	109,839	5,359	115,198
Sewer Lines	991,845	12,325	1,004,170
	<u>4,197,239</u>	<u>171,181</u>	<u>4,368,420</u>
Net Capital Assets	<u>\$ 3,206,350</u>	<u>\$ (89,490)</u>	<u>\$ 3,116,860</u>

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2021

Note 4 - Defined Benefit Pension Plans:

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Plan, cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website under Forms and Publications, 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 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The State passed the California Employee's Pension Reform Act (PEPRA), which became effective on January 1, 2013. PEPRA changes include the classification of active employees into two distinct classifications: classic members and new members. Classic members represent active members hired before January 1, 2013, and retain the pension plan benefits then in effect. New members are active members hired on or after January 1, 2013, and are subject to PEPRA.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2021

Note 4 - Defined Benefit Pension Plans (Continued):

Benefits Provided (Continued)

The Plan's provisions and benefits in effect at June 30, 2021 are summarized as follows:

	<u>Classic</u>	<u>PEPRA</u>
	Prior to <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>
Hire Date		
Benefit Formula	2.0% @ 60	2.0% @ 62
Benefit Vesting		
Schedule	5 years service	5 years service
Benefit Payments	Monthly for life	Monthly for life
Minimum Retirement Age	50	52
Monthly Benefits, as a % of Eligible		
Compensation	1.092% to 2.418%	1.0% to 2.5%
Required Employee		
Contribution Rate	7%	7.75%
Required Employer		
Contribution Rates	10.482%	7.918%

Contributions

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

For the year ended June 30, 2021, the District's employer contributions reduced its net pension liability by \$120,280.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2021

Note 4 - Defined Benefit Pension Plans (Continued):

Net Pension Liability

As of the fiscal year ended June 30, 2021, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan was as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous Plan	<u>\$ 1,255,883</u>

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of June 30, 2021, the net pension liability of the Plan is measured as of June 30, 2020. The total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 (the valuation date), rolled forward to June 30, 2020, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's change in proportionate share of the net pension liability for the District's Plan between the measurement dates of June 30, 2019 and 2020 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2019	0.028799%
Proportionate - June 30, 2020	<u>0.029774%</u>
Change - Increase (Decrease)	<u>0.000975%</u>

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2021

Note 4 - Defined Benefit Pension Plans (Continued):

Deferred Pension Outflows (Inflows) of Resources

For the year ended June 30, 2021, the District recognized pension expense of \$180,634.

As of the fiscal year ended June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 64,719	\$ 0
Changes of Assumptions	0	(8,957)
Net Difference between projected and actual investment	37,308	0
Change in Employer's proportion	50,226	0
Difference between Employer's Contributions and proportionate share of Contributions	0	(83,734)
Pension Contributions subsequent to measurement date	120,280	0
Total	<u>\$ 272,533</u>	<u>\$ (92,691)</u>

For the year ended June 30, 2021, the District's deferred outflows of resources related to contributions subsequent to the measurement date totaled \$120,280; and other amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized as pension expense as follows:

<u>Fiscal year Ended June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ (3,847)
2023	22,736
2024	22,779
2025	17,894
2026	0
Remaining	0

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2021

Note 4 - Defined Benefit Pension Plans (Continued):

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation report was determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68

Actuarial Assumptions:

Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return (1)	7.15%
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

- (1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries 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) found on the CalPERS' website.

Discount Rate

The discount rate used by CalPERS to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the CalPERS' website under the GASB 68 section.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2021

Note 4 - 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:

<u>Asset Class¹</u>	<u>Assumed Asset Allocation</u>	<u>Real Return² Years 1-10</u>	<u>Real Return³ Years 11+</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92%)
Total	<u>100.0%</u>		

- (1) In the System's 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.
 (2) An expected inflation of 2.0% used for this period
 (3) An expected inflation of 2.92% used for this period

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2021

Note 4 - Defined Benefit Pension Plans (Continued):

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

The following table presents the District's proportionate share of the net pension liability for the Plan calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate.

At June 30, 2021, the discount rate comparison was as follows:

	<u>Discount Rate -1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate + 1% (8.15%)</u>
District's Net Pension Liability	\$ 1,907,250	\$ 1,255,883	\$ 717,678

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website under Forms and Publication, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the District's GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

See pages 38 and 39 for the Required Supplementary Schedules.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2021

Note 4 - Defined Benefit Pension Plans (Continued):

Payable to the Pension Plan

At June 30, 2021, the District had \$2,478 of legally required contributions payable to the pension plan.

Note 5 - Risk Management:

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Authority). The Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Section 6500 et. seq. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

At June 30, 2021, the District participated in the self-insurance program of the Authority as follows:

Property Loss - Insured up to the insurable value with a \$25,000 deductible for buildings, personal property, and fixed equipment and a \$1,000 deductible for mobile equipment; the Authority is self-insured up to \$100,000 per occurrence and excess insurance coverage has been purchased.

General and Auto Liability - Insured up to \$60,000,000 with aggregate policy limits; the Authority is self-insured up to \$5,000,000 and excess insurance coverage has been purchased.

Public Officials' Liability - Insured up to \$60,000,000 with aggregate policy limits; the Authority is self-insured up to \$5,000,000 and excess insurance coverage has been purchased.

Fidelity Bonds -The Authority is self-insured up to \$100,000 and excess insurance coverage has been purchased.

The District pays annual premiums for these coverages. They are subject to retrospective adjustments based on claims experience. The nature and amounts of these adjustments cannot be estimated and are charged to expense as invoiced. There were no instances in the past three years where a settlement exceeded the District's coverage.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2021

Note 6 - Legal Settlement Payable:

On or about January 15, 2015, a final judgment was entered against the District in Madera County Superior Court. The judgment in the amount of \$127,516 represents an award for legal fees incurred by the City of Fresno ("the City") in defense of a contract between the City and the District. The case was then transferred to Kings County, where during the current fiscal year, an additional \$92,201 in legal fees was awarded to the City of Fresno. Management believes there is a possibility of avoiding the judgment in its entirety. However, due to uncertainty, the judgment has been accrued as a liability on the statement of net position. As of the date these financial statements were issued, the case had not yet been settled.

Note 7 - Related Party Transactions:

The following related party transactions occurred during the year:

1. Each Board Member of Pinedale County Water District (the District) is compensated \$100 for each board meeting attended. Meetings are held monthly. During the fiscal year ended June 30, 2021, the District paid a total of \$6,000 in board fees which was paid in full as of June 30, 2021.
2. Several board members reside within Pinedale County Water District. As such, they transact with the District during the normal course of business. The District receives payments from board members for utilities supplied to them. During the year, the board members were billed a total of \$2,434, which was paid in full at June 30, 2021.

PINEDALE COUNTY WATER DISTRICT
Statement of Direct Expenses
Year Ended June 30, 2021
(with comparative data for the year ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
Direct Expenses:		
City Sewer Charges	\$ 787,142	\$ 823,723
Contracted Service Fees	160,075	155,674
Depreciation	171,182	165,661
Engineering Fees	26,056	11,320
Payroll Taxes	18,808	16,850
Pension Expense	89,810	97,092
Pumping	274,980	281,654
Repairs and Maintenance	115,672	117,555
Small Tools	1,185	1,464
Supplies	12,242	45,715
Transmission and Distribution	11,755	11,385
Wages	222,187	221,460
Water Treatment	24,409	22,953
Total Direct Expenses	<u>\$ 1,915,503</u>	<u>\$ 1,972,506</u>

PINEDALE COUNTY WATER DISTRICT
Statement of General and Administrative Expenses
Year Ended June 30, 2021
(with comparative data for the year ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
General and Administrative Expenses:		
Auto and Truck	\$ 14,600	\$ 14,066
Back Flow Test and Repair	0	294
Bank Charges	18,720	18,644
Computer	13,493	11,989
Directors' Fees	6,000	6,800
Dues and Subscriptions	36,744	31,698
Equipment Repair and Rental	856	0
Insurance - General	42,125	38,834
Insurance - Health	198,746	159,511
Maintenance Contract	7,704	15,692
Miscellaneous	17,224	19,593
Office Supplies	16,637	28,050
Other Supplies	3,094	1,040
Payroll Taxes	15,693	16,636
Pension Expense	92,342	95,857
Professional Fees	64,188	74,296
Safety Equipment and Testing	347	245
Seminars	0	5,044
Telephone and Utilities	16,423	19,290
Travel and Entertainment	0	0
Wages	<u>233,238</u>	<u>218,603</u>
Total General and Administrative Expenses	<u>\$ 798,174</u>	<u>\$ 776,182</u>

REQUIRED SUPPLEMENTARY INFORMATION

PINEDALE COUNTY WATER DISTRICT
District's Proportionate Share of the Net Pension Liability
As of June 30, 2021
Last 10 years*

Miscellaneous Plan:	Fiscal Years						
	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
District's Proportion of the Net Pension Liability	0.029774%	0.028799%	0.027807%	0.026934%	0.002591%	0.01181%	N/A
District's Proportionate Share of the Net Pension Liability	\$ 1,255,883	\$ 1,153,248	\$ 1,047,970	\$ 1,061,755	\$ 757,084	\$ 682,133	\$ 716,044
District's Covered-Employee Payroll	\$ 416,000	\$ 402,208	\$ 422,224	\$ 402,820	\$ 374,950	\$ 326,830	\$ 302,889
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	301.90%	286.73%	248.21%	263.58%	201.92%	208.71%	236.40%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.35%	75.70%	75.69%	75.39%	N/A	N/A	N/A

Notes:

Changes in Benefit Terms - For the measurement date June 30, 2020 (fiscal year 6/30/21), there were no changes in the benefit terms.

Changes of Assumptions - For the measurement date June 30, 2020 (fiscal year 6/30/21), the discount rate was not changed.

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

PINEDALE COUNTY WATER DISTRICT
Schedule of the Pension Plan Contributions
as of June 30, 2021
Last 10 years*

Miscellaneous Plan:	Fiscal Years									
	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015			
Actuarially Determined Contribution	\$ 120,280	\$ 105,511	\$ 88,196	\$ 70,586	\$ 60,420	\$ 54,227	\$ 63,999			
Contributions in Relation to the Actuarially Determined Contribution	\$ (120,280)	\$ (105,511)	\$ (88,196)	\$ (70,586)	\$ (60,420)	\$ (52,227)	\$ (63,999)			
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0			
Covered-Employee Payroll	\$ 416,000	\$ 402,208	\$ 422,224	\$ 402,820	\$ 374,950	\$ 326,830	\$ 302,889			
Contributions as a Percentage of Covered-Employee Payroll	28.92%	26.23%	20.89%	17.52%	16.11%	16.59%	21.13%			

Notes:

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

REPORT ON INTERNAL CONTROLS AND COMPLIANCE

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

Board of Directors
Pinedale County Water District
Pinedale, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Controller General of the United States, the financial statements of the Pinedale County Water District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2021.

Internal Control over Financial Reporting

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

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

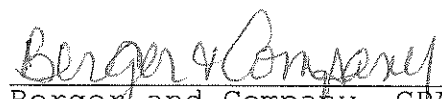
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

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

Purpose of this Report

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


Berger and Company, CPAs

Turlock, CA
December 16, 2021