

PINEDALE COUNTY WATER DISTRICT  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022  
(WITH COMPARATIVE DATA FOR THE YEAR  
ENDED JUNE 30, 2021)

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Sally Bill Paulson  
Lori Anderson

**BERGER & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
A Professional Corporation  
Member  
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, 2022, 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, 2022, 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.

#### *2021 Financial Information*

We have previously audited the District's basic financial statements for the year ended June 30, 2021, and we expressed an unmodified

## **INDEPENDENT AUDITORS' REPORT**

Continued

audit opinion on those audited financial statements in our report dated December 16, 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, 2021 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 29, 2022, 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 42-43.

*Berger & Company*  
Turlock, California  
December 29, 2022

PINEDALE COUNTY WATER DISTRICT  
Management's Discussion and Analysis  
Year Ended June 30, 2022

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, 2022. 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 2022, the District's net position increased 0.32% or \$13,101 from \$4,139,506 to \$4,152,607, 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, 2022

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, 2022

Statements of Net Position

Condensed Statements of Net Position:

|                                   | <u>2022</u>         | <u>2021</u>         | <u>Change</u>    |
|-----------------------------------|---------------------|---------------------|------------------|
| Assets:                           |                     |                     |                  |
| Current Assets                    | \$ 1,819,117        | \$ 1,840,630        | \$ (21,513)      |
| Capital Assets                    | 3,093,224           | 3,116,860           | (23,636)         |
| Restricted Cash                   | 1,165,448           | 795,137             | 370,311          |
| Total Assets                      | <u>6,077,789</u>    | <u>5,752,627</u>    | <u>325,162</u>   |
| Deferred Outflows<br>of Resources | <u>243,994</u>      | <u>271,575</u>      | <u>(27,581)</u>  |
| Liabilities:                      |                     |                     |                  |
| Current Liabilities               | 608,456             | 536,122             | 72,334           |
| Non-Current Liabilities:          |                     |                     |                  |
| Deferred Grant Income             | 71,974              | 0                   | 71,974           |
| Net Pension<br>Liability          | <u>754,623</u>      | <u>1,255,883</u>    | <u>(501,260)</u> |
| Total Liabilities                 | <u>1,435,053</u>    | <u>1,792,005</u>    | <u>(356,952)</u> |
| Deferred Inflows<br>of Resources  | <u>734,123</u>      | <u>92,691</u>       | <u>641,432</u>   |
| Net Position:                     |                     |                     |                  |
| Invested in<br>Capital Assets     | 3,093,224           | 3,116,860           | (23,636)         |
| Restricted for<br>Future Capacity | 1,165,448           | 795,137             | 370,311          |
| Unrestricted                      | <u>(106,065)</u>    | <u>227,509</u>      | <u>(333,574)</u> |
| Total Net Position                | <u>\$ 4,152,607</u> | <u>\$ 4,139,506</u> | <u>\$ 13,101</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 \$4,152,607 and \$4,139,506 as of June 30, 2022 and 2021, respectively.

PINEDALE COUNTY WATER DISTRICT  
Management's Discussion and Analysis  
Year Ended June 30, 2022

Statements of Net Position (Continued):

One of the largest portions of the District's net position (74.49% as of June 30, 2022 and 75.30% as of June 30, 2021) 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 2022 and 2021, the District showed balances in its unrestricted net position of \$(106,065) and \$227,509, respectively.

Statements of Revenues, Expenses, and Changes in Net Position

|                                 | <u>2022</u>         | <u>2021</u>         | <u>Change</u>    |
|---------------------------------|---------------------|---------------------|------------------|
| Revenues:                       |                     |                     |                  |
| Operating Revenues              | \$ 3,082,282        | \$ 2,803,368        | \$ 278,914       |
| Non-operating Revenues          | <u>1,646</u>        | <u>4,136</u>        | <u>(2,490)</u>   |
| Total Revenues                  | <u>3,083,928</u>    | <u>2,807,504</u>    | <u>276,424</u>   |
| Expenses:                       |                     |                     |                  |
| Operating Expenses              | 2,822,836           | 2,542,495           | 280,341          |
| Non-Operating Expenses          | 79,998              | 0                   | 79,998           |
| Depreciation and Amortization   | <u>167,993</u>      | <u>171,182</u>      | <u>(3,189)</u>   |
| Total Expenses                  | <u>3,070,827</u>    | <u>2,713,677</u>    | <u>357,150</u>   |
| Change in Net Position          | 13,101              | 93,827              | (80,726)         |
| Net Position, Beginning of Year | <u>4,139,506</u>    | <u>4,045,679</u>    | <u>93,827</u>    |
| Net Position, End of Year       | <u>\$ 4,152,607</u> | <u>\$ 4,139,506</u> | <u>\$ 13,101</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 \$13,101 for the fiscal year ended June 30, 2022 and had increased \$93,827 for the fiscal year ended June 30, 2021.

PINEDALE COUNTY WATER DISTRICT  
Management's Discussion and Analysis  
Year Ended June 30, 2022

Capital Asset Administration

At the end of fiscal years 2022 and 2021, the District's investment in capital assets amounted to \$3,093,224 and \$3,116,860, 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, 2022 was \$23,636.

Changes in Capital asset amounts for 2022 were as follows:

|                                           | <u>Balance</u><br><u>6/30/2021</u> | <u>Change</u>      | <u>Balance</u><br><u>6/30/2022</u> |
|-------------------------------------------|------------------------------------|--------------------|------------------------------------|
| Capital Assets:                           |                                    |                    |                                    |
| Non-Depreciable Assets                    | \$ 266,354                         | \$ 0               | \$ 266,354                         |
| Depreciable Assets                        | 7,218,926                          | 144,358            | 7,363,284                          |
| Accumulated Depreciation and Amortization | <u>(4,368,420)</u>                 | <u>(167,994)</u>   | <u>(4,536,414)</u>                 |
| Total Capital Assets, Net                 | <u>\$ 3,116,860</u>                | <u>\$ (23,636)</u> | <u>\$ 3,093,224</u>                |

Changes in Capital asset amounts for 2021 were as follows:

|                                           | <u>Balance</u><br><u>6/30/2020</u> | <u>Change</u>      | <u>Balance</u><br><u>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>                |

PINEDALE COUNTY WATER DISTRICT  
Management's Discussion and Analysis  
Year Ended June 30, 2022

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, 2022  
(with comparative data as of June 30, 2021)

| <u>ASSETS</u>                                     | <u>2022</u>      | <u>2021</u>      |
|---------------------------------------------------|------------------|------------------|
| Current Assets:                                   |                  |                  |
| Cash and Cash Equivalents                         | \$ 1,427,882     | \$ 1,535,116     |
| Accounts Receivable, Net                          | 311,778          | 299,107          |
| Grants Receivable                                 | 71,974           | 0                |
| Prepaid Expense                                   | 7,483            | 6,407            |
| Total Current Assets                              | <u>1,819,117</u> | <u>1,840,630</u> |
| Capital Assets - Depreciable:                     |                  |                  |
| Shop                                              | 59,739           | 59,739           |
| Improvements                                      | 106,291          | 106,291          |
| Water Lines and Well Equipment                    | 5,345,966        | 5,201,608        |
| 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                                       | <u>1,215,468</u> | <u>1,215,468</u> |
|                                                   | 7,363,284        | 7,218,926        |
| Less Accumulated Depreciation                     | <u>4,536,414</u> | <u>4,368,420</u> |
| Net Depreciable Assets                            | 2,826,870        | 2,850,506        |
| Capital Assets - Nondepreciable:                  |                  |                  |
| Land                                              | <u>266,354</u>   | <u>266,354</u>   |
| Net Capital Assets                                | <u>3,093,224</u> | <u>3,116,860</u> |
| Other Assets:                                     |                  |                  |
| Restricted Cash - Future Capacity                 | <u>1,165,448</u> | <u>795,137</u>   |
| Total Assets                                      | <u>6,077,789</u> | <u>5,752,627</u> |
| <br><u>DEFERRED OUTFLOWS OF RESOURCES</u>         |                  |                  |
| Deferred Amounts Related to Net Pension Liability | <u>243,994</u>   | <u>271,575</u>   |
| Total Deferred Outflows                           | <u>243,994</u>   | <u>271,575</u>   |
| <br><u>LIABILITIES</u>                            |                  |                  |
| Current Liabilities:                              |                  |                  |
| Accounts Payable                                  | 70,876           | 53,965           |
| Accrued City Sewer Charges                        | 127,487          | 141,008          |
| Accrued Compensated Absences                      | 86,104           | 87,468           |
| Accrued Payroll                                   | 7,774            | 7,615            |
| Retirement Contributions Payable                  | 2,804            | 2,825            |
| Customer Deposits                                 | 13,696           | 23,524           |
| Legal Judgment Payable                            | <u>299,715</u>   | <u>219,717</u>   |
| Total Current Liabilities                         | <u>608,456</u>   | <u>536,122</u>   |

See accompanying notes.

PINEDALE COUNTY WATER DISTRICT  
Statement of Net Position  
June 30, 2022  
(with comparative data as of June 30, 2021)

| <u>LIABILITIES (CONTINUED)</u>                    | <u>2022</u>         | <u>2021</u>         |
|---------------------------------------------------|---------------------|---------------------|
| Noncurrent Liabilities:                           |                     |                     |
| Net Pension Liability                             | \$ 754,623          | \$ 1,255,883        |
| Deferred Grant Income                             | 71,974              | 0                   |
| Total Noncurrent Liabilities                      | <u>826,597</u>      | <u>1,255,883</u>    |
| Total Liabilities                                 | 1,435,053           | 1,792,005           |
| <br><u>DEFERRED INFLOWS OF RESOURCES</u>          |                     |                     |
| Deferred Amounts Related to Net Pension Liability | <u>734,123</u>      | <u>92,691</u>       |
| Total Deferred Inflows                            | <u>734,123</u>      | <u>92,691</u>       |
| <br><u>NET POSITION</u>                           |                     |                     |
| Net Investment in Capital Assets                  | 3,093,224           | 3,116,860           |
| Restricted for Future Capacity                    | 1,165,448           | 795,137             |
| Unrestricted                                      | <u>(106,065)</u>    | <u>227,509</u>      |
| Total Net Position                                | <u>\$ 4,152,607</u> | <u>\$ 4,139,506</u> |

See accompanying notes.

PINEDALE COUNTY WATER DISTRICT  
Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2022  
(with comparative data for the year ended June 30, 2021)

|                                                     | <u>2022</u>         | <u>2021</u>         |
|-----------------------------------------------------|---------------------|---------------------|
| Operating Revenues:                                 |                     |                     |
| Water Sales                                         | \$ 1,571,857        | \$ 1,459,125        |
| Sewer Usage                                         | 1,284,114           | 1,172,070           |
| Disposal Sales and Service                          | 181,411             | 169,903             |
| Delinquency Charges and<br>Other Income             | <u>44,900</u>       | <u>2,270</u>        |
| Total Operating Revenues                            | <u>3,082,282</u>    | <u>2,803,368</u>    |
| Operating Expenses:                                 |                     |                     |
| Direct Expenses (Schedule 1)                        | 2,121,049           | 1,915,503           |
| Administration and General<br>Expenses (Schedule 2) | <u>869,780</u>      | <u>798,174</u>      |
| Total Operating Expenses                            | <u>2,990,829</u>    | <u>2,713,677</u>    |
| Operating Income (Loss)                             | <u>91,453</u>       | <u>89,691</u>       |
| Non-operating Revenues (Expenses):                  |                     |                     |
| Interest Income                                     | 1,646               | 4,136               |
| Legal Judgment                                      | <u>(79,998)</u>     | <u>0</u>            |
| Total Non-operating Revenues<br>(Expenses) - Net    | <u>(78,352)</u>     | <u>4,136</u>        |
| Change in Net Position                              | 13,101              | 93,827              |
| Net Position - Beginning of Year                    | <u>4,139,506</u>    | <u>4,045,679</u>    |
| Net Position - End of Year                          | <u>\$ 4,152,607</u> | <u>\$ 4,139,506</u> |

See accompanying notes.

PINEDALE COUNTY WATER DISTRICT  
Statement of Cash Flows  
Year Ended June 30, 2022  
(with comparative data for the year ended June 30, 2021)

|                                                                        | <u>2022</u>         | <u>2021</u>         |
|------------------------------------------------------------------------|---------------------|---------------------|
| Cash Flows from Operating Activities:                                  |                     |                     |
| Cash Receipts from Customers                                           | \$ 3,059,783        | \$ 2,715,198        |
| Cash Payments to Suppliers                                             | (1,828,900)         | (1,678,296)         |
| Cash Payments for Employee Salaries and Benefits                       | (825,096)           | (799,270)           |
| Net Cash Provided by Operating Activities                              | 405,787             | 237,632             |
| Cash Flows from Noncapital Financing Activities                        | 0                   | 0                   |
| Cash Flows from Capital and Related Financing Activities:              |                     |                     |
| Purchases of Capital Assets                                            | (144,356)           | (81,691)            |
| Cash Flows from Investing Activities:                                  |                     |                     |
| Interest Received                                                      | 1,646               | 4,136               |
| Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash | 263,077             | 160,077             |
| Cash, Cash Equivalents, and Restricted Cash - Beginning of Year        | 2,330,253           | 2,170,176           |
| Cash, Cash Equivalents, and Restricted Cash - End of Year              | <u>\$ 2,593,330</u> | <u>\$ 2,330,253</u> |

See accompanying notes.

PINEDALE COUNTY WATER DISTRICT  
Statement of Cash Flows  
Year Ended June 30, 2022  
(with comparative data for the year ended June 30, 2021)

|                                                                                               | <u>2022</u>       | <u>2021</u>       |
|-----------------------------------------------------------------------------------------------|-------------------|-------------------|
| Reconciliation of Operating<br>Income (Loss) to Net Cash Provided<br>by Operating Activities: |                   |                   |
| Operating Income                                                                              | \$ 91,453         | \$ 89,690         |
| Adjustments to Reconcile Operating<br>Income to Net Cash Provided by<br>Operating Activities: |                   |                   |
| Depreciation Expense                                                                          | 167,993           | 171,182           |
| Change in Assets and Deferred<br>Outflows of Resources:                                       |                   |                   |
| (Increase) Decrease in Receivables,<br>Net                                                    | (12,671)          | (84,431)          |
| (Increase) Decrease in Prepaid<br>Expense                                                     | (1,076)           | (954)             |
| (Increase) Decrease in Pension<br>Related Deferred Outflows                                   | 27,581            | 11,119            |
| Changes in Liabilities and Deferred<br>Inflows of Resources:                                  |                   |                   |
| Increase (Decrease) in Pension<br>Liability                                                   | (501,260)         | 102,635           |
| Increase (Decrease) in Pension<br>Related Deferred Inflows                                    | 641,432           | (50,046)          |
| Increase (Decrease) in Accrued<br>Salaries and Benefits                                       | (1,226)           | 13,846            |
| Increase (Decrease) in Accounts and<br>Other Payables                                         | 3,389             | (11,670)          |
| Increase (Decrease) in Customer<br>Deposits                                                   | <u>(9,828)</u>    | <u>(3,739)</u>    |
| Net Cash Provided by Operating<br>Activities                                                  | <u>\$ 405,787</u> | <u>\$ 237,632</u> |

See accompanying notes.

PINEDALE COUNTY WATER DISTRICT  
Notes to Financial Statements  
Year Ended June 30, 2022

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, 2022

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, 2022

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<br>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, 2022

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 29, 2022, 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, 2020
- Measurement Date: June 30, 2021
- Measurement Period: July 1, 2020 to June 30, 2021

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, 2022

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, 2022

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.

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

PINEDALE COUNTY WATER DISTRICT  
Notes to Financial Statements  
Year Ended June 30, 2022

Note 1 - Significant Accounting Policies (Continued):

Revenue Recognition Policy (Continued)

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.

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, 2022 and 2021, is \$3,082,282 and \$2,803,368, 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, 2022 and 2021, Accounts Receivable amounted to \$311,777 and \$299,107, 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, 2022 and 2021, contract liabilities amounted to \$41,357 and \$34,421, respectively. There were no contract assets at those dates.

PINEDALE COUNTY WATER DISTRICT  
Notes to Financial Statements  
Year Ended June 30, 2022

Note 2 - Cash and Investments:

Cash and Investments as of June 30, 2022 and 2021 are classified in the accompanying financial statements as follows:

|                            | <u>2022</u>         | <u>2021</u>         |
|----------------------------|---------------------|---------------------|
| Statement of Net Position: |                     |                     |
| Cash                       | \$ 2,116,324        | \$ 1,854,573        |
| Imprest Cash               | 500                 | 500                 |
| Temporary Investments      | <u>476,506</u>      | <u>475,180</u>      |
| Total Cash and Investments | <u>\$ 2,593,330</u> | <u>\$ 2,330,253</u> |

Cash and investments as of June 30, 2022 and 2021 consisted of the following:

|                            | <u>2022</u>         | <u>2021</u>         |
|----------------------------|---------------------|---------------------|
| Cash on Hand               | \$ 2,116,824        | \$ 1,855,073        |
| Temporary Investments      | <u>476,506</u>      | <u>475,180</u>      |
| Total Cash and Investments | <u>\$ 2,593,330</u> | <u>\$ 2,330,253</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 such amounts shown in the statement of cash flows.

|                                                                                              | <u>06/30/22</u>     |
|----------------------------------------------------------------------------------------------|---------------------|
| Cash and cash equivalents                                                                    | \$ 1,427,882        |
| Restricted cash included in other assets                                                     | <u>1,165,448</u>    |
| Total cash, cash equivalents, and<br>restricted cash shown in the<br>statement of cash flows | <u>\$ 2,593,330</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, 2022

Note 2 - Cash and Investments (Continued):

| <u>Authorized<br/>Investment Type</u>          | <u>Maximum<br/>Maturity</u> | <u>Maximum<br/>Percentage<br/>of Portfolio</u> | <u>Maximum<br/>Investment<br/>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%                                            | 5%                                              |
| Commercial paper (prime)                       | 270 days                    | 40%                                            | 10%                                             |
| Money market mutual funds                      | 5 years                     | 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, 2022, 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, 2022

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, 2022, (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, 2022, the District's bank balances, up to \$500,000, 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, 2022

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 \$75,000,000 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 \$476,506 is valued using level 3 inputs by the Local Agency Advisory Board.

PINEDALE COUNTY WATER DISTRICT  
Notes to Financial Statements  
Year Ended June 30, 2022

Note 3 - Capital Assets:

Capital assets activity for the year ended June 30, 2022 was as follows:

| Business-Type<br>Activities:      | Balance at<br>June 30, 2021 | Increases<br>(Decreases) | Balance at<br>June 30, 2022 |
|-----------------------------------|-----------------------------|--------------------------|-----------------------------|
| Shop                              | \$ 59,739                   | \$ 0                     | \$ 59,739                   |
| Improvements                      | 106,291                     | 0                        | 106,291                     |
| Water Lines and<br>Well Equipment | 5,201,608                   | 144,358                  | 5,345,966                   |
| Office Furniture<br>and Equipment | 131,313                     | 0                        | 131,313                     |
| Tools and Water<br>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>\$ 7,485,280</u>         | <u>\$ 144,358</u>        | <u>\$ 7,629,638</u>         |
| Less Accumulated<br>Depreciation: |                             |                          |                             |
| Shop                              | 39,670                      | 1,223                    | 40,893                      |
| Improvements                      | 98,293                      | 537                      | 98,830                      |
| Water Lines and<br>Well Equipment | 2,779,067                   | 130,947                  | 2,910,014                   |
| Office Furniture<br>and Equipment | 125,437                     | 1,140                    | 126,577                     |
| Tools and Water<br>Equipment      | 90,903                      | 5,140                    | 96,043                      |
| Vehicles                          | 115,682                     | 11,322                   | 127,004                     |
| Water Mains                       | 115,198                     | 5,359                    | 120,557                     |
| Sewer Lines                       | 1,004,170                   | 12,326                   | 1,016,496                   |
|                                   | <u>4,368,420</u>            | <u>167,994</u>           | <u>4,536,414</u>            |
| Net Capital Assets                | <u>\$ 3,116,860</u>         | <u>\$ (23,636)</u>       | <u>\$ 3,093,224</u>         |

PINEDALE COUNTY WATER DISTRICT  
Notes to Financial Statements  
Year Ended June 30, 2022

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](http://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, 2022

Note 4 - Defined Benefit Pension Plans (Continued):

Benefits Provided (Continued)

The Plan's provisions and benefits in effect at June 30, 2022 are summarized as follows:

|                                                   | <u>Classic</u>                     | <u>PEPRA</u>                          |
|---------------------------------------------------|------------------------------------|---------------------------------------|
| Hire Date                                         | Prior to<br><u>January 1, 2013</u> | On or after<br><u>January 1, 2013</u> |
| 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              | 10.33%                             | 7.77%                                 |

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, 2022, the District's employer contributions reduced its net pension liability by \$136,246.

PINEDALE COUNTY WATER DISTRICT  
Notes to Financial Statements  
Year Ended June 30, 2022

Note 4 - Defined Benefit Pension Plans (Continued):

Net Pension Liability

As of the fiscal year ended June 30, 2022, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan was as follows:

|                    | Proportionate<br>Share of<br>Net Pension<br>Liability |
|--------------------|-------------------------------------------------------|
| Miscellaneous Plan | <u>\$ 754,623</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, 2022, the net pension liability of the Plan is measured as of June 30, 2021. The total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 (the valuation date), rolled forward to June 30, 2021, 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, 2020 and 2021 was as follows:

|                               | <u>Miscellaneous</u> |
|-------------------------------|----------------------|
| Proportion - June 30, 2020    | 0.029774%            |
| Proportionate - June 30, 2021 | <u>0.039742%</u>     |
| Change - Increase (Decrease)  | <u>0.009968%</u>     |

PINEDALE COUNTY WATER DISTRICT  
Notes to Financial Statements  
Year Ended June 30, 2022

Note 4 - Defined Benefit Pension Plans (Continued):

Deferred Pension Outflows (Inflows) of Resources

For the year ended June 30, 2022, the District recognized pension expense of \$299,963.

As of the fiscal year ended June 30, 2022, 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<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|-----------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Difference between<br>expected and actual<br>experience                                       | \$ 84,623                                 | \$ 0                                     |
| Changes of Assumptions                                                                        | 0                                         | 0                                        |
| Net Difference between<br>projected and actual<br>investment                                  | 0                                         | (658,746)                                |
| Change in Employer's<br>proportion                                                            | 24,083                                    | (1,686)                                  |
| Difference between<br>Employer's Contributions<br>and proportionate share<br>of Contributions | 0                                         | (73,691)                                 |
| Pension Contributions<br>subsequent to<br>measurement date                                    | 135,288                                   | 0                                        |
| Total                                                                                         | <u>\$ 243,994</u>                         | <u>\$ (734,123)</u>                      |

For the year ended June 30, 2022, the District's deferred outflows of resources related to contributions subsequent to the measurement date totaled \$136,246; 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<br/>Ended June 30:</u> | <u>Deferred<br/>Outflows/(Inflows) of<br/>Resources</u> |
|---------------------------------------|---------------------------------------------------------|
| 2023                                  | \$ (143,164)                                            |
| 2024                                  | (145,423)                                               |
| 2025                                  | (154,787)                                               |
| 2026                                  | (182,043)                                               |
| 2027                                  | 0                                                       |
| Remaining                             | 0                                                       |

PINEDALE COUNTY WATER DISTRICT  
Notes to Financial Statements  
Year Ended June 30, 2022

Note 4 - Defined Benefit Pension Plans (Continued):

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation report was determined using the following actuarial assumptions:

|                       |                                                                               |
|-----------------------|-------------------------------------------------------------------------------|
| Valuation Date        | June 30, 2020                                                                 |
| Measurement Date      | June 30, 2021                                                                 |
| Actuarial Cost Method | Entry Age Normal in accordance with the requirements of GASB Statement No. 68 |

Actuarial Assumptions:

|                                  |                                                                                                                           |
|----------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| Discount Rate                    | 6.90%                                                                                                                     |
| Inflation                        | 2.30%                                                                                                                     |
| Salary Increases                 | Varies by Entry Age and Service                                                                                           |
| Investment Rate of Return (1)    | 6.90%                                                                                                                     |
| Mortality Rate Table (1)         | Derived using CalPERS' Membership Data for all Funds                                                                      |
| Post Retirement Benefit Increase | Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter |

- (1) The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing morality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Discount Rate

The discount rate used by CalPERS to measure the total pension liability was 6.90 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 6.90 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 6.90 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, 2022

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 Class<sup>1</sup></u> | <u>Assumed Asset Allocation</u> | <u>Real Return<sup>2</sup><br/>Years 1-10</u> | <u>Real Return<sup>3</sup><br/>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, 2022

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, 2022, the discount rate comparison was as follows:

|                                        | <u>Discount Rate<br/>-1% (6.15%)</u> | <u>Current Discount<br/>Rate (7.15%)</u> | <u>Discount Rate<br/>+ 1% (8.15%)</u> |
|----------------------------------------|--------------------------------------|------------------------------------------|---------------------------------------|
| District's<br>Net Pension<br>Liability | \$ 1,415,981                         | \$ 754,623                               | \$ 207,887                            |

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](http://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 39 through 42 for the Required Supplementary Schedules.

PINEDALE COUNTY WATER DISTRICT  
Notes to Financial Statements  
Year Ended June 30, 2022

Note 4 - Defined Benefit Pension Plans (Continued):

Payable to the Pension Plan

At June 30, 2022, the District had \$2,631 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, 2022, 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, 2022

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 an additional \$92,201 in legal fees and \$18,080 in accrued interest through May 31, 2019 was awarded to the City of Fresno. The City of Fresno filed an additional motion for an award of attorney fees after the appeal and was awarded \$45,000. Additional interest has been accrued through June 30, 2022 in the amount of \$16,918. 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, 2022, the District paid a total of \$6,550 in board fees which was paid in full as of June 30, 2022.
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 \$2,716, of which \$56 was receivable at June 30, 2022.

PINEDALE COUNTY WATER DISTRICT  
Notes to Financial Statements  
Year Ended June 30, 2022

Note 8 - Commitments and Contingencies:

Grant Awards

During the 12 month-period ended June 30, 2022, the District secured grant funding from the California Department of Water Resources (DWR) and, the State Water Resource Board to aid in construction of major improvement projects. Both grants are expenditure-driven which requires revenue to be recorded after the expenditures are incurred, in an amount equal to the expenditures. The grant income is recorded as a deferred revenue on the Statement of Financial Position and will be recognized as income when the underlying asset is placed into service.

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

PINEDALE COUNTY WATER DISTRICT  
Statement of Direct Expenses  
Year Ended June 30, 2022  
(with comparative data for the year ended June 30, 2021)

|                               | <u>2022</u>         | <u>2021</u>         |
|-------------------------------|---------------------|---------------------|
| Direct Expenses:              |                     |                     |
| City Sewer Charges            | \$ 929,150          | \$ 787,142          |
| Contracted Service Fees       | 168,097             | 160,075             |
| Depreciation                  | 167,993             | 171,182             |
| Engineering Fees              | 10,258              | 26,056              |
| Payroll Taxes                 | 19,635              | 18,808              |
| Pension Expense               | 147,882             | 89,810              |
| Pumping                       | 253,594             | 274,980             |
| Repairs and Maintenance       | 137,330             | 115,672             |
| Small Tools                   | 649                 | 1,185               |
| Supplies                      | 8,915               | 12,242              |
| Transmission and Distribution | 14,958              | 11,755              |
| Wages                         | 229,398             | 222,187             |
| Water Treatment               | 33,190              | 24,409              |
| Total Direct Expenses         | <u>\$ 2,121,049</u> | <u>\$ 1,915,503</u> |

PINEDALE COUNTY WATER DISTRICT  
Statement of General and Administrative Expenses  
Year Ended June 30, 2022  
(with comparative data for the year ended June 30, 2021)

|                                           | <u>2022</u>       | <u>2021</u>       |
|-------------------------------------------|-------------------|-------------------|
| General and Administrative Expenses:      |                   |                   |
| Auto and Truck                            | \$ 22,544         | \$ 14,600         |
| Bank Charges                              | 8,181             | 18,720            |
| Computer                                  | 12,429            | 13,493            |
| Directors' Fees                           | 6,550             | 6,000             |
| Dues and Subscriptions                    | 47,330            | 36,744            |
| Equipment Repair and Rental               | 1,302             | 856               |
| Insurance - General                       | 47,990            | 42,125            |
| Insurance - Health                        | 185,172           | 198,746           |
| Maintenance Contract                      | 8,096             | 7,704             |
| Miscellaneous                             | 23,395            | 17,224            |
| Office Supplies                           | 27,770            | 16,637            |
| Other Supplies                            | 2,740             | 3,094             |
| Payroll Taxes                             | 16,392            | 15,693            |
| Pension Expense                           | 152,081           | 92,342            |
| Professional Fees                         | 58,006            | 64,188            |
| Safety Equipment and Testing              | 153               | 347               |
| Seminars                                  | 225               | 0                 |
| Telephone and Utilities                   | 14,911            | 16,423            |
| Wages                                     | <u>234,513</u>    | <u>233,238</u>    |
| Total General and Administrative Expenses | <u>\$ 869,780</u> | <u>\$ 798,174</u> |

**REQUIRED SUPPLEMENTARY INFORMATION**

PINEDALE COUNTY WATER DISTRICT  
District's Proportionate Share of the Net Pension Liability  
As of June 30, 2022  
Last 10 years\*

|                                                                                                             | Fiscal Years     |                  |                  |                  |
|-------------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| <u>Miscellaneous Plan:</u>                                                                                  | <u>6/30/2022</u> | <u>6/30/2021</u> | <u>6/30/2020</u> | <u>6/30/2019</u> |
| District's Proportion of the Net Pension Liability                                                          | 0.039742%        | 0.029774%        | 0.028799%        | 0.027807%        |
| District's Proportionate Share of the Net Pension Liability                                                 | \$ 754,623       | \$1,255,883      | \$1,153,248      | \$1,047,970      |
| District's Covered-Employee Payroll                                                                         | \$ 441,614       | \$ 416,000       | \$ 402,208       | \$ 422,224       |
| District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 170.90%          | 301.90%          | 286.73%          | 248.21%          |
| Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability                         | 84.94%           | 74.35%           | 75.70%           | 75.69%           |

**Notes:**

**Changes in Benefit Terms** - For the measurement date June 30, 2021 (fiscal year 6/30/22), there were no changes in the benefit terms.

**Changes of Assumptions** - For the measurement date June 30, 2021 (fiscal year 6/30/22), 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  
District's Proportionate Share of the Net Pension Liability  
As of June 30, 2022  
Last 10 years\*

|                                                                                                             | Fiscal Years     |                  |                  |                  |
|-------------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| <u>Miscellaneous Plan:</u>                                                                                  | <u>6/30/2018</u> | <u>6/30/2017</u> | <u>6/30/2016</u> | <u>6/30/2015</u> |
| District's Proportion of the Net Pension Liability                                                          | 0.026934%        | 0.02591%         | 0.01181%         | N/A              |
| District's Proportionate Share of the Net Pension Liability                                                 | \$1,061,755      | \$ 757,084       | \$ 682,133       | \$ 716,044       |
| District's Covered-Employee Payroll                                                                         | \$ 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 | 263.58%          | 201.92%          | 208.71%          | 236.40%          |
| Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability                         | 75.39%           | N/A              | N/A              | N/A              |

**Notes:**

**Changes in Benefit Terms** - For the measurement date June 30, 2021 (fiscal year 6/30/22), there were no changes in the benefit terms.

**Changes of Assumptions** - For the measurement date June 30, 2021 (fiscal year 6/30/22), 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, 2022  
Last 10 years\*

| <u>Miscellaneous Plan:</u>                                           | Fiscal Years      |                   |                   |                   |
|----------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                      | <u>2021-2022</u>  | <u>2020-2021</u>  | <u>2019-2020</u>  | <u>2018-2019</u>  |
| Actuarially Determined Contribution                                  | \$ 136,246        | \$ 120,280        | \$ 105,511        | \$ 88,196         |
| Contributions in Relation to the Actuarially Determined Contribution | \$ (136,246)      | \$ (120,280)      | \$ (105,511)      | \$ (88,196)       |
| Contribution Deficiency (Excess)                                     | \$ <u>0</u>       | \$ <u>0</u>       | \$ <u>0</u>       | \$ <u>0</u>       |
| Covered-Employee Payroll                                             | <u>\$ 441,614</u> | <u>\$ 416,000</u> | <u>\$ 402,208</u> | <u>\$ 422,224</u> |
| Contributions as a Percentage of Covered-Employee Payroll            | 30.85%            | 28.92%            | 26.23%            | 20.89%            |

**Notes:**

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

PINEDALE COUNTY WATER DISTRICT  
Schedule of the Pension Plan Contributions  
as of June 30, 2022  
Last 10 years\*

|                                                                      | Fiscal Years      |                   |                   |                   |
|----------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| <u>Miscellaneous Plan:</u>                                           | <u>2017-2018</u>  | <u>2016-2017</u>  | <u>2015-2016</u>  | <u>2014-2015</u>  |
| Actuarially Determined Contribution                                  | \$ 70,586         | \$ 60,420         | \$ 54,227         | \$ 63,999         |
| Contributions in Relation to the Actuarially Determined Contribution | \$ (70,586)       | \$ (60,420)       | \$ (54,227)       | \$ (63,999)       |
| Contribution Deficiency (Excess)                                     | \$ 0              | \$ 0              | \$ 0              | \$ 0              |
| Covered-Employee Payroll                                             | <u>\$ 402,820</u> | <u>\$ 374,950</u> | <u>\$ 326,830</u> | <u>\$ 302,889</u> |
| Contributions as a Percentage of Covered-Employee Payroll            | 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, 2022, 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 29, 2022.

**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.

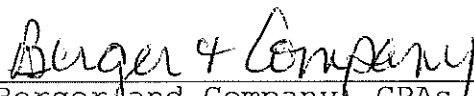
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies 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 29, 2022