

PINEDALE COUNTY WATER DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE DATA FOR THE YEAR
ENDED JUNE 30, 2022, As Restated)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pinedale County Water District
Pinedale, California

Opinion

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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 Pinedale County Water District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

SALLY BILL PAULSON, CPA • LORRI ANDERSON, EA

INDEPENDENT AUDITORS' REPORT
Continued

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

INDEPENDENT AUDITORS' REPORT
Continued

Required Supplementary Information

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

Other Information

2022 Financial Information Restated

We have previously audited the District's basic financial statements for the year ended June 30, 2022, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 29, 2022. 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, 2022 from which such partial information was derived.

As discussed in Note 9 to the financial statements, an error resulting in the overstatement of deferred revenue and the understatement of unrestricted net assets was discovered during the current year. Accordingly, aforementioned comparative information presented herein for the June 30, 2022 financial statements have been restated to correct the error. Our opinion with respect to those financial statements has not changed.

Berger & Company

Turlock, California
February 17, 2024

PINEDALE COUNTY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2023

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, 2023. 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 2023, the District's net position increased 15.96% or \$674,424 from \$4,224,581 to \$4,899,005, 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, 2023

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, 2023

Statements of Net Position

Condensed Statements of Net Position:

	<u>2023</u>	<u>Restated 2022</u>	<u>Change</u>
Assets:			
Current Assets	\$ 1,462,544	\$ 1,819,117	\$ (356,573)
Capital Assets	3,290,096	3,093,224	196,872
Restricted Cash	1,836,971	1,165,448	671,523
Total Assets	<u>6,589,611</u>	<u>6,077,789</u>	<u>511,822</u>
Deferred Outflows of Resources	<u>612,356</u>	<u>243,994</u>	<u>368,362</u>
Liabilities:			
Current Liabilities	696,834	608,456	88,378
Non-Current Liabilities:			
Net Pension Liability	<u>1,480,851</u>	<u>754,623</u>	<u>726,228</u>
Total Liabilities	<u>2,177,685</u>	<u>1,363,079</u>	<u>814,606</u>
Deferred Inflows of Resources	<u>125,277</u>	<u>734,123</u>	<u>(608,846)</u>
Net Position:			
Invested in Capital Assets	3,290,096	3,093,224	196,872
Restricted for Future Capacity	1,836,971	1,165,448	671,523
Unrestricted	<u>(228,062)</u>	<u>(34,091)</u>	<u>(193,971)</u>
Total Net Position	<u>\$ 4,899,005</u>	<u>\$ 4,224,581</u>	<u>\$ 674,424</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 \$4,899,005 and \$4,224,581 as of June 30, 2023 and 2022, respectively.

PINEDALE COUNTY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2023

Statements of Net Position (Continued):

One of the largest portions of the District's net position (67.15% as of June 30, 2023 and 73.22% as of June 30, 2022) 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 2023 and 2022, the District showed balances in its unrestricted net position of \$(228,062) and \$(34,091), respectively.

Statements of Revenues, Expenses, and Changes in Net Position

	<u>2023</u>	<u>Restated 2022</u>	<u>Change</u>
Revenues:			
Operating Revenues	\$ 3,178,521	\$ 3,082,282	\$ 96,239
Non-operating Revenues	<u>267,894</u>	<u>73,620</u>	<u>194,274</u>
Total Revenues	<u>3,446,415</u>	<u>3,155,902</u>	<u>290,513</u>
Expenses:			
Operating Expenses	2,595,304	2,822,836	(227,532)
Non-Operating Expenses	11,793	79,998	(68,205)
Depreciation and Amortization	<u>164,894</u>	<u>167,993</u>	<u>(3,099)</u>
Total Expenses	<u>2,771,991</u>	<u>3,070,827</u>	<u>(298,836)</u>
Change in Net Position	674,424	85,075	589,349
Net Position, Beginning of Year	<u>4,224,581</u>	<u>4,139,506</u>	<u>85,075</u>
Net Position, End of Year	<u>\$ 4,899,005</u>	<u>\$ 4,224,581</u>	<u>\$ 674,424</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 \$674,424 for the fiscal year ended June 30, 2023 and had increased \$85,075 for the fiscal year ended June 30, 2022.

PINEDALE COUNTY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2023

Capital Asset Administration

At the end of fiscal years 2023 and 2022, the District's investment in capital assets amounted to \$3,290,096 and \$3,093,224, 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 increase in capital assets during the fiscal year ended June 30, 2023 was \$196,872.

Changes in Capital asset amounts for 2023 were as follows:

	<u>Balance 6/30/2022</u>	<u>Change</u>	<u>Balance 6/30/2023</u>
Capital Assets:			
Non-Depreciable Assets	\$ 266,354	\$ 0	\$ 266,354
Depreciable Assets	7,363,284	351,504	7,714,788
Accumulated Depreciation and Amortization	<u>(4,536,414)</u>	<u>(154,632)</u>	<u>(4,691,046)</u>
Total Capital Assets, Net	<u>\$ 3,093,224</u>	<u>\$ 196,872</u>	<u>\$ 3,290,096</u>

Changes in Capital asset amounts for 2022 were as follows:

	<u>Balance 6/30/2021</u>	<u>Change</u>	<u>Balance 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>

PINEDALE COUNTY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2023

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
Year Ended June 30, 2023
(with comparative data for the year ended June 30, 2022)

<u>ASSETS</u>	<u>2023</u>	<u>Restated 2022</u>
Current Assets:		
Cash and Cash Equivalents	\$ 1,162,184	\$ 1,427,882
Accounts Receivable, Net	214,766	311,778
Grants Receivable	76,488	71,974
Prepaid Expense	9,106	7,483
Total Current Assets	<u>1,462,544</u>	<u>1,819,117</u>
Capital Assets - Depreciable:		
Shop	59,739	59,739
Improvements	120,294	106,291
Water Lines and Well Equipment	5,686,023	5,345,966
Tools and Water Equipment	104,997	104,997
Office Furniture and Equipment	128,757	131,313
Vehicles	131,551	131,551
Water Mains	267,959	267,959
Sewer Lines	1,215,468	1,215,468
	7,714,788	7,363,284
Less Accumulated Depreciation	<u>4,691,046</u>	<u>4,536,414</u>
Net Depreciable Assets	3,023,742	2,826,870
Capital Assets - Nondepreciable:		
Land	266,354	266,354
Net Capital Assets	<u>3,290,096</u>	<u>3,093,224</u>
Other Assets:		
Restricted Cash - Future Capacity	1,836,971	1,165,448
Total Assets	<u>6,589,611</u>	<u>6,077,789</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Amounts Related to Net		
Pension Liability	612,356	243,994
Total Deferred Outflows	<u>612,356</u>	<u>243,994</u>

See accompanying notes.

PINEDALE COUNTY WATER DISTRICT
Statement of Net Position
Year Ended June 30, 2023
(with comparative data for the year ended June 30, 2022)

<u>LIABILITIES</u>	<u>2023</u>	<u>Restated 2022</u>
Current Liabilities:		
Accounts Payable	\$ 106,371	\$ 70,876
Accrued City Sewer Charges	151,643	127,487
Accrued Compensated Absences	99,786	86,104
Accrued Payroll	9,279	7,774
Retirement Contributions Payable	5,484	2,804
Customer Deposits	12,763	13,696
Legal Judgment Payable	311,508	299,715
Total Current Liabilities	<u>696,834</u>	<u>608,456</u>
Noncurrent Liabilities:		
Net Pension Liability	<u>1,480,851</u>	<u>754,623</u>
Total Liabilities	<u>2,177,685</u>	<u>1,363,079</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Amounts Related to Net Pension Liability	<u>125,277</u>	<u>734,123</u>
Total Deferred Inflows	<u>125,277</u>	<u>734,123</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	3,290,096	3,093,224
Restricted for Future Capacity	1,836,971	1,165,448
Unrestricted	<u>(228,062)</u>	<u>(34,091)</u>
Total Net Position	<u>\$ 4,899,005</u>	<u>\$ 4,224,581</u>

See accompanying notes.

PINEDALE COUNTY WATER DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2023
(with comparative data for the year ended June 30, 2022)

	<u>2023</u>	<u>Restated 2022</u>
Operating Revenues:		
Water Sales	\$ 1,676,223	\$ 1,571,857
Sewer Usage	1,264,549	1,284,114
Disposal Sales and Service	198,051	181,411
Delinquency Charges and Other Income	<u>39,698</u>	<u>44,900</u>
Total Operating Revenues	<u>3,178,521</u>	<u>3,082,282</u>
Operating Expenses:		
Direct Expenses (Schedule 1)	2,022,709	2,121,049
Administration and General Expenses (Schedule 2)	<u>737,489</u>	<u>869,780</u>
Total Operating Expenses	<u>2,760,198</u>	<u>2,990,829</u>
Operating Income (Loss)	<u>418,323</u>	<u>91,453</u>
Non-operating Revenues (Expenses):		
Interest Income	9,646	1,646
Grant Income	258,248	71,974
Legal Judgment	<u>(11,793)</u>	<u>(79,998)</u>
Total Non-operating Revenues (Expenses) - Net	<u>256,101</u>	<u>(6,378)</u>
Change in Net Position	674,424	85,075
Net Position - Beginning of Year	<u>4,224,581</u>	<u>4,139,506</u>
Net Position - End of Year	<u>\$ 4,899,005</u>	<u>\$ 4,224,581</u>

See accompanying notes.

PINEDALE COUNTY WATER DISTRICT
Statement of Cash Flows
Year Ended June 30, 2023
(with comparative data for the year ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Cash Receipts from Customers	\$ 3,274,600	\$ 3,059,783
Cash Payments to Suppliers	(2,081,759)	(1,828,900)
Cash Payments for Employee Salaries and Benefits	(688,629)	(825,096)
Net Cash Provided by Operating Activities	504,212	405,787
Cash Flows from Noncapital Financing Activities	0	0
Cash Flows from Capital and Related Financing Activities:		
Purchases of Capital Assets	(361,767)	(144,356)
Capital Grants Received	253,734	0
Net Cash Provided (Used) for Capital and Related Financing Activities	(108,033)	(144,356)
Cash Flows from Investing Activities:		
Interest Received	9,646	1,646
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	405,825	263,077
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	2,593,330	2,330,253
Cash, Cash Equivalents, and Restricted Cash - End of Year	<u>\$ 2,999,155</u>	<u>\$ 2,593,330</u>

See accompanying notes.

PINEDALE COUNTY WATER DISTRICT
Statement of Cash Flows
Year Ended June 30, 2023
(with comparative data for the year ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income	\$ 418,323	\$ 91,453
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	164,894	167,993
Change in Assets and Deferred Outflows of Resources:		
(Increase) Decrease in Receivables, Net	97,012	(12,671)
(Increase) Decrease in Prepaid Expense	(1,623)	(1,076)
(Increase) Decrease in Pension Related Deferred Outflows	(368,362)	27,581
Changes in Liabilities and Deferred Inflows of Resources:		
Increase (Decrease) in Pension Liability	726,228	(501,260)
Increase (Decrease) in Pension Related Deferred Inflows	(608,846)	641,432
Increase (Decrease) in Accrued Salaries and Benefits	17,867	(1,226)
Increase (Decrease) in Accounts and Other Payables	59,652	3,389
Increase (Decrease) in Customer Deposits	<u>(933)</u>	<u>(9,828)</u>
Net Cash Provided by Operating Activities	<u>\$ 504,212</u>	<u>\$ 405,787</u>

See accompanying notes.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2023

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, 2023

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, 2023

Note 1 - Significant Accounting Policies (Continued):

Capital Assets

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

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

Net Position

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

- *Net Investment in capital assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2023

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 February 17, 2024, 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, 2021
- Measurement Date: June 30, 2022
- Measurement Period: July 1, 2021 to June 30, 2022

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, 2023

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, 2023

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, 2023

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, 2023 and 2022, is \$3,178,521 and \$3,082,282, 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, 2023 and 2022, Accounts Receivable amounted to \$214,766 and \$311,777, 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, 2023 and 2022, contract liabilities amounted to \$50,946 and \$41,357, respectively. There were no contract assets at those dates.

Leases

Effective July 1, 2022, the District adopted FASB ASC 842, *Leases*. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Results for periods prior to adoption continue to be reported in accordance with our historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the District's results of operations, cash flows or debt covenants.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2023

Note 1 - Significant Accounting Policies (Continued):

Leases (Continued)

The District's leases consist of a printer, copier, and postage meter, of which remaining lease payment balances are immaterial. The District's lease agreements also do not contain any material residual value guarantees. Therefore, the District has not reported amounts for right-of-use assets or lease liabilities. Monthly lease payments are \$836. Total expense for the fiscal year ended June 30, 2023, totaled \$10,032. Remaining lease payments amount to \$6,774.

Note 2 - Cash and Investments:

Cash and Investments as of June 30, 2023 and 2022 are classified in the accompanying financial statements as follows:

	<u>2023</u>	<u>2022</u>
Statement of Net Position:		
Cash	\$ 2,513,884	\$ 2,116,324
Imprest Cash	500	500
Temporary Investments	<u>484,771</u>	<u>476,506</u>
Total Cash and Investments	<u>\$ 2,999,155</u>	<u>\$ 2,593,330</u>

Cash and investments as of June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Cash on Hand	\$ 2,514,384	\$ 2,116,824
Temporary Investments	<u>484,771</u>	<u>476,506</u>
Total Cash and Investments	<u>\$ 2,999,155</u>	<u>\$ 2,593,330</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>06/30/23</u>
Cash and cash equivalents	\$ 1,162,184
Restricted cash included in other assets	<u>1,836,971</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 2,999,155</u>

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2023

Note 2 - Cash and Investments (Continued):

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury obligations	5 years	None	None
Federal agency and bank obligations	5 years	None	None
Certificates-of-deposit(negotiable or placed)	5 years	30%	5%
Commercial paper (prime)	270 days	10%	30%
Money market mutual funds	5 years	25%	None
State and local bonds, notes and warrants	5 years	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in 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.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2023

Note 2 - Cash and Investments (Continued):

Interest Rate Risk (Continued)

At June 30, 2023, 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.

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, 2023, (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 a depository institution or counterparty fails, a government would not be able to recover the value of its deposits, investments, or collateral securities.

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

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2023

Note 2 - Cash and Investments (Continued):

Custodial Credit Risk (Continued)

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, 2023, 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.

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 \$484,771 is valued using level 3 inputs by the Local Agency Advisory Board.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2023

Note 3 - Capital Assets:

Capital assets activity for the year ended June 30, 2023 was as follows:

Business-Type Activities:	Balance at June 30, 2022	Increases (Decreases)	Balance at June 30, 2023
Shop	\$ 59,739	\$ 0	\$ 59,739
Improvements	106,291	14,003	120,294
Water Lines and Well Equipment	5,345,966	340,057	5,686,023
Office Furniture and Equipment	131,313	(2,556)	128,757
Tools and Water Equipment	104,997	0	104,997
Vehicles	131,551	0	131,551
Water Mains	267,959	0	267,959
Sewer Lines	1,215,468	0	1,215,468
Land	266,354	0	266,354
	<u>\$ 7,629,638</u>	<u>\$ 351,504</u>	<u>\$ 7,981,142</u>
Less Accumulated Depreciation:			
Shop	40,893	1,222	42,115
Improvements	98,830	(388)	98,442
Water Lines and Well Equipment	2,910,014	132,728	3,042,742
Office Furniture and Equipment	126,577	(6,300)	120,277
Tools and Water Equipment	96,043	5,140	101,183
Vehicles	127,004	4,547	131,551
Water Mains	120,557	5,359	125,916
Sewer Lines	1,016,496	12,324	1,028,820
	<u>4,536,414</u>	<u>154,632</u>	<u>4,691,046</u>
Net Capital Assets	<u>\$ 3,093,224</u>	<u>\$ 196,872</u>	<u>\$ 3,290,096</u>

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2023

Note 4 - Defined Benefit Pension Plans:

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Plan, cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website under Forms and Publications, at www.calpers.ca.gov.

Benefits Provided

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

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

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2023

Note 4 - Defined Benefit Pension Plans (Continued):

Benefits Provided (Continued)

The Plan's provisions and benefits in effect at June 30, 2023 are summarized as follows:

	<u>Classic</u>	<u>PEPRA</u>
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
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%	8.5%
Required Employer Contribution Rates	10.34%	7.91%

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, 2023, the District's employer contributions reduced its net pension liability by \$152,944.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2023

Note 4 - Defined Benefit Pension Plans (Continued):

Net Pension Liability

As of the fiscal year ended June 30, 2023, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous Plan	<u>\$ 1,480,851</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, 2023, the net pension liability of the Plan is measured as of June 30, 2022. The total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 (the valuation date), rolled forward to June 30, 2022, 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, 2021 and 2022 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2021	0.039742%
Proportionate - June 30, 2022	<u>0.031647%</u>
Change - Increase (Decrease)	<u>(0.008095%)</u>

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2023

Note 4 - Defined Benefit Pension Plans (Continued):

Amortization of Deferred Outflows and Deferred Inflows of Resources
(Continued)

The amortization period differs depending on the source of the gain or loss:

<u>Source of Gain or Loss</u>	<u>Amortization Period</u>
Net Difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARS�) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

Deferred Pension Outflows (Inflows) of Resources

For the year ended June 30, 2023, the District recognized negative pension expense of \$211,517.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2023

Note 4 - Defined Benefit Pension Plans (Continued):

Deferred Pension Outflows (Inflows) of Resources (Continued)

As of the fiscal year ended June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 29,738	\$ (19,917)
Changes of Assumptions	150,786	0
Net Difference between projected and actual investment earnings	271,253	0
Change in Employer's proportion	7,635	(30,107)
Difference between Employer's Contributions and proportionate share of Contributions	0	(75,253)
Pension Contributions subsequent to measurement date	152,944	0
Total	<u>\$ 612,356</u>	<u>\$ (125,277)</u>

For the year ended June 30, 2023, the District's deferred outflows of resources related to contributions subsequent to the measurement date totaled \$152,944; and other amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized as pension expense as follows:

<u>Fiscal year Ended June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ 69,114
2025	63,324
2026	36,748
2027	164,949
2028	0
Remaining	0

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2023

Note 4 - Defined Benefit Pension Plans (Continued):

Actuarial Methods and Assumptions Used to Determine Total Pension Liability:

The June 30, 2021 valuation was rolled forward to determine the June 30, 2022 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Actuarial Cost Method
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 probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2023

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. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

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

<u>Asset Class¹</u>	<u>Assumed Asset Allocation</u>	<u>Real Return^{1,2}</u>
Global Equity-Cap-weighted	30.00%	4.54%
Global Equity-Non-Cap weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)
Total	<u>100.00%</u>	

(1) An expected inflation of 2.3% used for this period.

(2) Figures are based on the 2021 Asset Liability Management study.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2023

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 presents the District's proportionate share of the net pension liability for the Plan calculated using the discount rate of 6.9 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, 2023, the discount rate comparison was as follows:

	<u>Discount Rate -1% (5.9%)</u>	<u>Current Discount Rate (6.9%)</u>	<u>Discount Rate + 1% (7.9%)</u>
District's Net Pension Liability	\$ 2,406,222	\$ 1,480,851	\$ 719,500

Pension Plan Fiduciary Net Position

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

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

See pages 41 through 44 for the Required Supplementary Schedules.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2023

Note 4 - Defined Benefit Pension Plans (Continued):

Payable to the Pension Plan

At June 30, 2023, the District had \$5,434 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, 2023, 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, 2023

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, 2023 in the amount of \$28,711. 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 \$250 for each board meeting attended. Meetings are held monthly. During the fiscal year ended June 30, 2023, the District paid a total of \$14,900 in board fees which was paid in full as of June 30, 2023.
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 \$3,433, of which \$219 was receivable at June 30, 2023.

PINEDALE COUNTY WATER DISTRICT
Notes to Financial Statements
Year Ended June 30, 2023

Note 8 - Commitments and Contingencies:

Grant Awards

During the prior fiscal year, 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 as expenditures are incurred, in an amount equal to the expenditures.

The grant funding awarded for the District's Water Main Replacement Project is limited to \$2,208,420. All work is to be completed by March 29, 2024. Payments for reimbursement of Qualified costs are disbursed no more frequently than monthly. Current fiscal year costs totaled \$101,670. Grant funding awarded for the District's Water Meter project is limited to \$500,000. All work is to be completed by August 31, 2024. Current fiscal year costs totaled \$150,083.

Costs incurred for both projects are included in the Statement of Net Position under "Water Lines and Well Equipment". Unreimbursed projects costs as of June 30, 2023 amount to \$76,488 and are included in the Statement of Net Position as "Grants Receivable".

Grant funds received by the District are subject to audit by grantor agencies. Such an 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
Notes to Financial Statements
Year Ended June 30, 2023
(with comparative data for the year ended June 30, 2022)

Note 9 - Correction of an Error:

The June 30, 2022, financial statements were restricted to recognize grant income to the extent of qualified grant expenditures incurred as of June 30, 2022. Originally, this amount was reported as deferred income, to be expensed at such time as the underlying capital asset was completed. Accounting Standards for governments require immediate recognition of grant income to the extent of qualified grant expenses without regard to the accounting treatment of the underlying expenses. The following provides detail of the changes made to the comparative information for June 30, 2022:

Statement of Net Position

Deferred Grant Income	\$ (71,974)
Net Position, Unrestricted	<u>\$ 71,974</u>

Statement of Revenues, Expenses, and Changes in Net Position

Grant Income	\$ 71,974
Change in Net Position	<u>\$ 71,974</u>

PINEDALE COUNTY WATER DISTRICT
Statement of Direct Expenses
Year Ended June 30, 2023
(with comparative data for the year ended June 30, 2022)

	<u>2023</u>	<u>Restated 2022</u>
Direct Expenses:		
City Sewer Charges	\$ 941,861	\$ 929,150
Contracted Service Fees	173,746	168,097
Depreciation	164,894	167,993
Engineering Fees	7,209	10,258
Payroll Taxes	18,094	19,635
Pension Expense	(104,070)	147,882
Pumping	397,057	253,594
Repairs and Maintenance	119,105	137,330
Small Tools	2,025	649
Supplies	17,694	8,915
Transmission and Distribution	13,059	14,958
Wages	234,944	229,398
Water Treatment	37,091	33,190
Total Direct Expenses	<u>\$ 2,022,709</u>	<u>\$ 2,121,049</u>

PINEDALE COUNTY WATER DISTRICT
Statement of General and Administrative Expenses
Year Ended June 30, 2023
(with comparative data for the year ended June 30, 2022)

	<u>2023</u>	<u>Restated 2022</u>
General and Administrative Expenses:		
Auto and Truck	\$ 21,582	\$ 22,544
Bank Charges	5,487	8,181
Computer	16,830	12,429
Directors' Fees	14,900	6,550
Dues and Subscriptions	46,664	47,330
Equipment Repair and Rental	731	1,302
Insurance - General	74,637	47,990
Insurance - Health	137,845	185,172
Maintenance Contract	120,869	8,096
Miscellaneous	20,879	23,395
Office Supplies	20,842	27,770
Other Supplies	3,437	2,740
Payroll Taxes	18,681	16,392
Pension Expense	(107,447)	152,081
Professional Fees	76,703	58,006
Safety Equipment and Testing	221	153
Seminars	4,489	225
Telephone and Utilities	17,570	14,911
Wages	242,569	234,513
Total General and Administrative Expenses	<u>\$ 737,489</u>	<u>\$ 869,780</u>

REQUIRED SUPPLEMENTARY INFORMATION

PINEDALE COUNTY WATER DISTRICT
District's Proportionate Share of the Net Pension Liability
As of June 30, 2023
Last 10 years*

	Fiscal Years				
	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
<u>Miscellaneous Plan:</u>					
District's Proportion of the Net Pension Liability	0.031647%	0.039742%	0.029774%	0.028799%	0.027807%
District's Proportionate Share of the Net Pension Liability	\$1,480,851	\$ 754,623	\$1,255,883	\$1,153,248	\$1,047,970
District's Covered-Employee Payroll	\$ 440,688	\$ 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	336.03%	170.90%	301.90%	286.73%	248.21%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	71.59%	84.94%	74.35%	75.70%	75.69%

Notes:

Changes in Benefit Terms - For the measurement date June 30, 2022 (fiscal year 6/30/23), there were no changes in the benefit terms.

Changes of Assumptions - For the measurement date June 30, 2022 (fiscal year 6/30/23), 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, 2023
Last 10 years*

	Fiscal Years		
	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>
Miscellaneous Plan:			
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

Notes:

Changes in Benefit Terms - For the measurement date June 30, 2022 (fiscal year 6/30/23), there were no changes in the benefit terms.

Changes of Assumptions - For the measurement date June 30, 2022 (fiscal year 6/30/23), 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, 2023
Last 10 years*

	Fiscal Years				
<u>Miscellaneous Plan:</u>	<u>2022-2023</u>	<u>2021-2022</u>	<u>2020-2021</u>	<u>2019-2020</u>	<u>2018-2019</u>
Actuarially Determined Contributions in Relation to the Actuarially Determined Contribution	\$ 152,944	\$ 136,246	\$ 120,280	\$ 105,511	\$ 88,196
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-Employee Payroll	\$ 440,688	\$ 441,614	\$ 416,000	\$ 402,208	\$ 422,24
Contributions as a Percentage of Covered-Employee Payroll	34.71%	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, 2023
Last 10 years*

	Fiscal Years			
	<u>2017-2018</u>	<u>2016-2017</u>	<u>2015-2016</u>	<u>2014-2015</u>
Miscellaneous Plan:				
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)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Covered-Employee Payroll	\$ 402,820	\$ 374,950	\$ 326,830	\$ 302,889
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.