PINE COVE WATER DISTRICT

Financial Statements
and
Independent Auditor's Report

Year ended June 30, 2021

Pine Cove Water District
Financial Statements
Year ended June 30, 2021

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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

Independent Auditor's Report

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Board of Directors
Pine Cove Water District
Idyllwild, California

Opinion

We have audited the financial statements of Pine Cove Water District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the State Controller's *Minimum Audit Requirements for California Special Districts*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's 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

The District's 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 one year after the date that the financial statements are issued.

Auditor's 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 auditor's report that includes our opinions. 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 GAAS 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 GAAS, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the District's proportionate share of the plan's net pension liability and related ratios as of the measurement date, the schedule of plan contributions, schedule of changes in net OPEB liability/(asset) and related ratios and the schedule of OPEB plan contributions as listed in the table of contents, 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 Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 21, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
September 21, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Pine Cove Water District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information contained within this overview and analysis in conjunction with the financial statements and the related notes.

The Water District

The District was incorporated on August 2, 1956, and established under Division 12 of the Water Code of the State of California. The District has been engaged in financing, constructing, operating, maintaining and furnishing retail water service to its customers since inception. The District currently serves the Pine Cove area and has 1,108 connections. The District is governed by a five-member Board of Directors that is elected at large, from the registered voters, living within the District's boundaries. The Board meets at 10:00 am on the 2nd Wednesday of each month at the District's office Board Room.

Water Supply

The District has 18 deep vertical wells located throughout our service area. We produce anywhere from 32 to 43 million gallons annually. We have no connection to State or imported water, and no surface water rights. All ground water is treated through one of our two treatment facilities. The District is known for having great tasting and an excellent quality of water, with plenty for our customers.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2021 by $3,479,772 (*net position*). Accordingly, some assets are not available to meet the near-term financial requirements of the District; $3,312,284 represents the net investment in capital assets. The remainder of the net position balance was a positive unrestricted amount of $167,488, which is primarily due to an increase in the District's operating revenues.
- Total operating revenues of the District increased by $301, primarily due to the water rate increase and the increase in water consumption by both residential and commercial customers.
- Total operating expenses of the District increased by $43,994, primarily due to the increase in expenses related to employees' retirement and benefits as well as increases in supervision and labor expenses for the transmission and distribution of water.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Pine Cove Water District's basic financial statements. The District's basic financial statements are comprised of three components.

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

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

The Statement of Cash Flows presents the actual cash inflows and outflows during the most recent fiscal year. It also details how the District obtains cash through financing and investing activities and how cash is spent for those purposes.

The notes to the financial statements provide additional information that is essential to fully understanding the data provided in the District's financial statements. The notes can be found in this report as listed in the table of contents.

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information concerning the District's proportionate share of the CalPERS plan net pension liability. Also included within the Required Supplementary Information is a schedule of CalPERS pension plan contributions, a schedule of the net OPEB liability, and a schedule of OPEB plan contributions. Required Supplementary Information can be found in this report as listed in the table of contents.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Pine Cove Water District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $3,479,772 at the close of the most recent fiscal year.

By far the largest portion of the District's net position, $3,312,284 reflects its net investment in capital assets (e.g., land, buildings, vehicles, wells, reservoirs, transmission mains, machinery and equipment, accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statement of Net Position

	2021	2020	Change
Assets:			
Current and other assets	$ 905,461	$ 814,237	$ 91,224
Capital assets	3,568,398	3,525,241	43,157
Total Assets	4,473,859	4,339,478	134,381
Deferred Outflows of Resources	177,654	184,346	(6,692)
Liabilities:			
Current Liabilities	108,895	115,782	(6,887)
Non-Current Liabilities	1,017,665	991,721	25,944
Total Liabilities	1,126,560	1,107,503	19,057
Deferred Inflows of Resources	45,181	82,746	(37,565)
Net Position			
Net investment in capital assets	3,312,284	3,245,110	67,174
Unrestricted	167,488	88,465	79,023
Total Net Position	$ 3,479,772	$ 3,333,575	$ 146,197

At the end of the current fiscal year, the District reported a positive unrestricted net position, as noted above, due to the increase in water sales, thus increasing current assets and increasing the unrestricted net position available.

Condensed Statement of Revenues, Expenses and Changes in Net Position

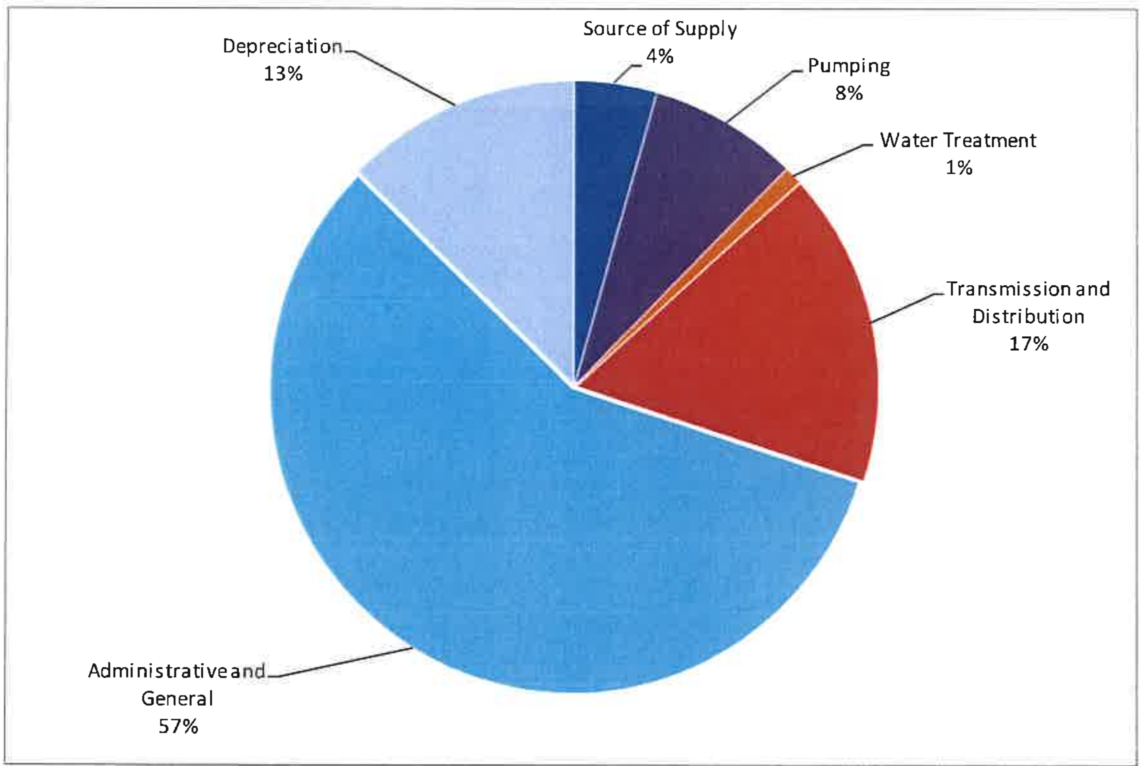
	2021	2020	Change
Operating Revenues	$ 754,021	$ 753,720	$ 301
Operating Expenses	1,001,519	957,525	43,994
Non-Operating Revenues (Expenses)	393,695	464,668	(70,973)
Change in Net Position	146,197	260,863	(114,666)
Net Position, Beginning of Year	3,333,575	3,072,712	260,863
Net Position, End of Year	$ 3,479,772	$ 3,333,575	$ 146,197

There was a significant change to operating revenue at the end of the current fiscal year. Operating revenues increased by $301 or .04 percent compared to the prior year. The District's operating revenues are from water sales and services to its residents.

Operating expenses increased by $43,994 or 4.6 percent compared to the prior year, primarily due to the increase in expenses related to employees' retirement and benefits and water transmission and distribution related expenses.

The majority of the non-operating revenue is derived from property tax assessments and revenue from leased cell towers.

As shown in the chart below, administrative and general, transmission and distribution, and depreciation represent the majority of the expenses at 57%, 17%, and 13%, respectively. The magnitude of these three expense categories demonstrates that the delivery of water to customers is a labor and capital intensive enterprise.



Capital Assets and Long-term Liability Administration

The District's net investment in capital assets totals $3,312,284 (net of accumulated depreciation), as of June 30, 2021. This investment in capital assets includes land, other physical property, construction in progress, wells, pumping plants, water treatment plants, transmission and distribution plants and other plant-related items. The increase in the District's investment in capital assets for the current fiscal year was the result of additions to construction in progress related to the South Central Pipeline Replacement Project. Additional information on the District's capital assets can be found in Note 4 of this report.

At June 30, 2021 and 2020, the District had the following outstanding long-term liabilities:

	2021	2020	Change
Loans payable	$ 256,114	$ 280,131	$ (24,017)
Compensated absences	62,848	65,635	(2,787)
Net pension liability	703,966	669,971	33,995
Total long-term liabilities	$ 1,022,928	$ 1,015,737	$ 7,191

Additional information on the District's long-term liabilities can be found in Notes 5, 6 and 8 of this report.

Water Rates for Pine Cove Water District

The water rate schedule for the District was changed on April 1, 2021. Effective April 2021, the monthly minimum charge for the District was increased by $1.50 per month bringing the monthly minimum charge to $37.00.

Capital Improvements

The District continues to improve its infrastructure by having an aggressive main line replacement program. During the past year, we installed new service lines on our most recent main lines (South Central Pipeline Replacement Project), utilizing District personnel only. Total Capital assets of $3,568,398 continue to rise. Construction projects not completed during the year totaled $446,796 and are included in construction in progress at year end.

Planned Improvements

The most important element of our improvement program is to continue doing all maintenance programs. By doing so, the District has no deferred maintenance at this time. During the summer of 2021, we continued the South Central Pipeline Replacement Project using District personnel, and plan to complete the project over the next year.

Regulatory Agencies

The United States Environmental Protection Agency (USEPA) and the California Department of Health Services prescribe regulations that establish standards for the drinking water provided by the District to its customers. The District continually tests the water it delivers to its customers to ensure that the water meets all standards.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the General Manager, P.O. Box 2296, Idyllwild, CA 92549. We also encourage all to visit our website and blog at www.pcwd.org.

BASIC FINANCIAL STATEMENTS

Pine Cove Water District
Statement of Net Position
June 30, 2021

ASSETS		
Current Assets:		
Cash (Note 3)	$	126,476
Imprest cash		300
Investments (Note 3)		419,497
Interest receivable		324
Accounts receivable - water sales		30,523
Unbilled revenue		26,378
Due from other governmental agencies		8,831
Inventories of materials and supplies		259,963
Total Current Assets		872,292
Noncurrent Assets:		
Net OPEB asset		33,169
Capital assets not being depreciated (Note 4):		
Land		357,178
Other physical property		271,312
Construction in progress		446,796
Capital assets, net of accumulated depreciation (Note 4)		2,493,112
Total Noncurrent Assets		3,601,567
TOTAL ASSETS		4,473,859
DEFERRED OUTFLOWS OF RESOURCES		
Pension related (Note 8)		174,486
OPEB related (Note 9)		3,168
Total Deferred Outflows of Resources		177,654

The accompanying notes are an integral part of these financial statements.

Pine Cove Water District
Statement of Net Position, Continued
June 30, 2021

LIABILITIES	
Current Liabilities:	
Accounts payable and accrued expenses	$ 9,145
Unearned revenue	94,487
Loans payable - current portion	5,263
Total Current Liabilities	108,895
Noncurrent Liabilities:	
Loans payable - long-term portion (Note 6)	250,851
Compensated absences payable (Note 5)	62,848
Net pension liability (Note 8)	703,966
Total Noncurrent Liabilities	1,017,665
TOTAL LIABILITIES	1,126,560
DEFERRED INFLOWS OF RESOURCES	
Pension related (Note 8)	13,063
OPEB related (Note 9)	32,118
Total Deferred Inflows	45,181
NET POSITION	
Net investment in capital assets	3,312,284
Unrestricted	167,488
TOTAL NET POSITION	$ 3,479,772

The accompanying notes are an integral part of these financial statements.

Pine Cove Water District
Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2021

OPERATING REVENUES	
Water sales:	
Residential	$ 674,617
Business	42,620
Meters and connections	25,578
Water services:	
Other	11,206
Total Operating Revenues	754,021
OPERATING EXPENSES	
Source of supply:	
Supervision, labor and expenses	43,945
Pumping:	
Supervision, labor and expenses	40,575
Power purchased for pumping	39,320
Water treatment:	
Supervision, labor and expenses	9,291
Transmission and distribution:	
Supervision, labor and expenses	167,373
Administrative and general:	
Salaries	75,187
Office supplies and other expenses	37,767
Office utilities	6,047
Property insurance, injuries, and damages	39,315
Employees' retirement and benefits	212,006
Maintenance, general plant - auto	8,394
Maintenance, general plant - other	125,927
Professional services	69,872
Other operating:	
Depreciation	126,500
Total Operating Expenses	1,001,519
Operating Loss	(247,498)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	2,892
Taxes and assessments	194,754
Franchise and lease revenue	223,158
Grant revenue	17,935
Miscellaneous income	3,082
Loss on disposal of capital assets	(37,987)
Interest on long-term debt	(8,200)
Miscellaneous expenses	(1,939)
Total Non-Operating Revenues (Expenses)	393,695
CHANGE IN NET POSITION	146,197
BEGINNING NET POSITION	3,333,575
ENDING NET POSITION	$ 3,479,772

The accompanying notes are an integral part of these financial statements.

Pine Cove Water District
Statement of Cash Flows
For the year ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	731,477
Cash payments to suppliers for goods/services		(317,222)
Cash payments to employees for services		(541,102)
Other operating revenues		11,206
Net Cash Used for Operating Activities		(115,641)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes and assessments		191,728
Franchise and lease payments		228,373
Non-operating revenues		21,017
Non-operating expenses		(1,939)
Net Cash Provided by Noncapital Financing Activities		439,179
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets		(230,755)
Proceeds from sale of capital assets		23,111
Principal payments on debt		(24,017)
Interest paid		(8,200)
Net Cash Used for Capital and Related Financing Activities		(239,861)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments		2,568
Net Cash Provided by Investing Activities		2,568
Net Increase in Cash and Cash Equivalents		86,245
Cash and Cash Equivalents - Beginning of Year		460,028
Cash and Cash Equivalents - End of Year	$	546,273
Cash and Cash Equivalents - End of Year Includes:		
Cash	$	126,476
Imprest cash		300
Investments		419,497
Totals	$	546,273

The accompanying notes are an integral part of these financial statements.

Pine Cove Water District
Statement of Cash Flows, Continued
For the year ended June 30, 2021

RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Operating Loss	$	(247,498)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation		126,500
Change in assets and liabilities:		
Increase in accounts receivable - water sales		(6,671)
Increase in unbilled revenue		(4,667)
Increase in net OPEB asset		6,940
Decrease in inventories of materials and supplies		2,769
Decrease in deferred outflows of resources		6,692
Increase in accounts payable and accrued expenses		6,651
Decrease in accounts payable and accrued expenses		-
Decrease in additional accrued expenses		-
Decrease in compensated absences payable		(2,787)
Increase in net pension liability		33,995
Decrease in deferred inflows of resources		(37,565)
Net Cash Used for Operating Activities	$	(115,641)

The accompanying notes are an integral part of these financial statements.

Note 1 – Summary of Significant Accounting Policies

Description of the Reporting Entity

The Pine Cove Water District was formed on July 30, 1956 for the purpose of providing a domestic water supply under Section 30000 et. seq., of the Water Code. The District office and records are located at 24917 Marion Ridge, Idyllwild, California. Telephone number (951) 659-2675.

District officers are as follows:

Name	Title	Term Expires
Robert Hewitt	Board President	December 3, 2022
Diana Luther	Vice President	December 4, 2024
Vicki Jakubac	Director	December 4, 2024
Lou Padula	Director	December 3, 2022
Rose Venard	Director	December 4, 2022

The Board of Directors meets the second Wednesday of each month.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as they are applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies reflected in the financial statements are summarized as follows.

The District is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The District utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues are those revenues that are generated by water sales and services while operating expenses pertain directly to the furnishing of those services. Non-operating revenues and expenses are generated by the District but are not directly associated with the normal business of supplying water and services.

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.

Note 1 – Summary of Significant Accounting Policies, (continued)

Capital Assets

Capital Assets are defined by the District as assets with an initial, individual cost of more than $2,000, and an estimated useful life of more than one year. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	40 years
Improvements	12 – 50 years
Equipment	2 – 20 years

Purchased or constructed capital assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at acquisition value at the acquisition date.

Budgetary Accounting

The District's budgetary procedures are as follows:

Prior to the beginning of each fiscal year, the District adopts and files an itemized statement of estimated operating expenses, reserve requirements and anticipated revenues with the County Auditor-Controller. The sources of financing for these operating costs and reserve requirements are (1) available net position carried forward from the preceding year, (2) revenue other than property taxes, and (3) property taxes.

Deposits and Investments

For the purposes of the statement of cash flows, cash represents balances that can be readily withdrawn without substantial notice or penalty. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

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

Inventory

Inventories are priced using the first-in/first-out method and are valued at cost. Inventories consist of expendable supplies held for consumption and future additions to capital assets. The cost is recorded as an expense at the time individual inventory items are used.

Note 1 – Summary of Significant Accounting Policies, (continued)

Uncollectible Accounts

Uncollectible accounts are determined by the allowance method based upon prior experience and management's assessment of the collectability of existing specific accounts.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Pension Plans

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

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

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

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

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

Note 2 – Property Tax Calendar

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 1	
Levy Date	July 1	
Due Date	November 1	– 1st installment
	February 1	– 2nd installment
Delinquent Date	December 10	– 1st installment
	April 10	– 2nd installment

Under California law, property taxes are assessed and collected by the counties at up to 1% of the assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities and districts based on complex formulas prescribed by the state statutes.

Note 3 – Cash and Investments

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

Statement of Net Position:	
Cash in demand account	$ 126,476
Cash on hand	300
Investments	419,497
Total Cash and Investments	$ 546,273

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

Cash on hand	$ 126,776
Investments	419,497
Total Cash and Investments	$ 546,273

Investments Authorized by the District's Investment Policy

The District's investment policy authorizes investment in the local government investment pool administered by the State of California Local Agency Investment Fund (LAIF) and accounts insured by the Federal Deposit Insurance Corporation (FDIC). The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Note 3 – Cash and Investments, (continued)

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. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

	Fair Value	Maturity Date
LAIF Investment Pool	$419,497	12 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 limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments (other than external investment pools).

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 standard insurance amount under the Federal Deposit Insurance Corporation (FDIC) is $250,000 per depositor, per insured bank, for each account ownership category, and are collateralized by the respective financial institution. California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2021, none of the District's deposits with financial institutions were in excess of federal depository insurance limits.

Note 3 – Cash and Investments, (continued)

Custodial Credit Risk

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. Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities totaling $2,772.671 million. 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 the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

Investments in the Local Agency Investment Fund are not subject to the fair value hierarchy.

Note 4 – Capital Assets

Activities relating to Capital Assets for the year ended June 30, 2021 are presented as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 357,178	$ -	$ -	$ 357,178
Other physical property	271,312	-	-	271,312
Construction in progress	420,240	118,881	(92,326)	446,796
Total capital assets, not being depreciated	1,048,730	118,881	(92,326)	1,075,286
Capital assets, being depreciated:				
Source of supply plant wells	576,439	-	-	576,439
Pumping plant	254,214	-	-	254,214
Water treatment plant	341,418	-	-	341,418
Transmission and distribution plant	2,593,119	-	-	2,593,119
General plant	1,405,909	204,199	(84,858)	1,525,250
Total capital assets, being depreciated	5,171,099	204,199	(84,858)	5,290,440
Less accumulated depreciation for:				
Source of supply plant wells	390,821	15,449	-	406,270
Pumping plant	214,393	9,755	-	224,148
Water treatment plant	151,008	13,601	-	164,609
Transmission and distribution plant	1,354,528	54,478	-	1,409,006
General plant	583,838	33,217	(23,760)	593,295
Total accumulated depreciation	2,694,588	126,500	(23,760)	2,797,328
Total capital assets, being depreciated, net	2,476,511	77,699	(61,098)	2,493,112
Capital assets, net of depreciation	$ 3,525,241	$ 196,581	$ (153,424)	$ 3,568,398

Depreciation expense for the year ended June 30, 2021 was $126,500.

Note 5 – Compensated Absences Payable

Pursuant to Generally Accepted Accounting Principles, the accompanying financial statements present accrued vacation benefits due to employees at June 30, 2021. The change in compensated absences payable for the year ended June 30, 2021, was as follows.

Description	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
Compensated Absences Payable	$ 65,635	$ 34,365	$ (37,152)	$ 62,848

Note 6 – Long-Term Debt

Activities relating to Long-Term Debt for the year ended June 30, 2021, are presented as follows:

Description	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year	Due Within One Year
Loan Payable - USDA Loan	$ 261,235	$ -	$ 5,121	$ 256,114	$ 5,263
Loan Payable - CNH Capital	18,896	-	18,896	-	-
Total	$ 280,131	$ -	$ 24,017	$ 256,114	$ 5,263

United States Department of Agriculture (USDA) Loan Agreement – Direct borrowing

On October 5, 2012, the District entered into a loan agreement with the United States Department of Agriculture in the amount of $292,000 with a fixed interest rate of 2.75%, monthly payments of principal and interest of $1,020 beginning November 19, 2013. The purpose of this loan was to provide for the purchase of vehicle and pipeline materials. In the event of default, all principal balances may be due and payable. Future payment requirements are as follows:

	Loan Payable - USDA Loan		
June 30,	Principal	Interest	Total
2022	$ 5,263	$ 6,977	$ 12,240
2023	5,409	6,831	12,240
2024	5,560	6,680	12,240
2025	5,715	6,525	12,240
2026	5,874	6,366	12,240
2027 - 2031	31,917	29,283	61,200
2032 - 2036	36,616	24,584	61,200
2037 - 2041	42,007	19,193	61,200
2042 - 2046	48,191	13,009	61,200
2047 - 2051	55,286	5,914	61,200
2052 - 2056	14,276	250	14,526
Total	$ 256,114	$ 125,612	$ 381,726

Note 6 – Long-Term Liabilities, (continued)

CNH Capital Loan Agreement – Direct borrowing

On April 4, 2018, the District entered into a 1.9% interest loan agreement with CNH Capital in the amount of $91,337 with monthly payments of $2,504 beginning May 4, 2018. The purpose of this loan was to provide for the purchase of a New Holland tractor. In the event of default, all obligations may become due and payable or CNH Capital may take possession of the asset or render it unusable. This loan was paid off on December 15, 2020.

Note 7 – Operating Leases

The District is the lessor of real property under operating leases expiring in various years. The cost and carrying amount of the land being leased has not been segregated from the other land the District holds.

Note 8 – District Employees' Retirement Plan (Defined Benefit Pension Plan)

General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two miscellaneous rate plans. 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, at www.calpers.ca.gov.

Note 8 – District Employees' Retirement Plan (Defined Benefit Pension Plan), (continued)

General Information about the Pension Plan, (continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. 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 Plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7 % @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employer contribution rates	14.194%	7.732%

Note 8 – District Employees' Retirement Plan (Defined Benefit Pension Plan), (continued)

General Information about the Pension Plan, (continued)

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 the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2021 were $102,502. The actual employer payments of $89,950 made to CalPERS by the District during the measurement period ended June 30, 2020 differed from the District's proportionate share of the employer's contributions of $77,514, by $12,436, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

Net Pension Liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plan is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows:

Note 8 – District Employees' Retirement Plan (Defined Benefit Pension Plan), (continued)

Net Pension Liability, (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal in accordance with requirements of GASB 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 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 December 2017 that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

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.

Note 8 – District Employees' Retirement Plan (Defined Benefit Pension Plan), (continued)

Net Pension Liability, (continued)

Long-term Expected Rate of Return, (continued)

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

Asset Class[1]	Current Target Allocation	Real Return Years 1 - 10[2]	Real Return Years 11+[3]
Global equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	-	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	-	(0.92%)
Total	100%		

[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 2.00% used for this period

[3] An expected inflation of 2.92% used for this period

Changes of Assumptions

The Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019.

Discount Rate

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

Note 8 – District Employees' Retirement Plan (Defined Benefit Pension Plan), (continued)

Net Pension Liability, (continued)

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, 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 the plan. Investments are reported at fair value.

Proportionate Share of Net Pension Liability

The following table shows the Plan's proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Plan Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Plan Net Pension Liability (c) = (a) - (b)**
Balance at: 6/30/2019 (VD)	$ 2,343,340	$ 1,673,369	$ 669,971
Balance at: 6/30/2020 (MD)	2,438,844	1,734,879	703,966
Net Changes during 2019-20	$ 95,504	$ 61,510	$ 33,995

Valuation Date (VD), Measurement Date (MD)

Note 8 – District Employees' Retirement Plan (Defined Benefit Pension Plan), (continued)

Proportionate Share of Net Pension Liability, (continued)

The District's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website at www.calpers.ca.gov. The District's proportionate share of the net pension liability for the Miscellaneous Plan as of the June 30, 2019 and 2020 measurement dates was as follows:

	Miscellaneous
Proportionate Share - June 30, 2019	0.01673%
Proportionate Share - June 30, 2020	0.01669%
Change - Increase (Decrease)	-0.00004%

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

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, 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 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	**Current Discount Rate (7.15%)**	**Discount Rate + 1% (8.15%)**
Plan's Net Pension Liability	$ 1,028,516	$ 703,966	$ 436,800

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

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.

Note 8 – District Employees' Retirement Plan (Defined Benefit Pension Plan), (continued)

Proportionate Share of Net Pension Liability, (continued)

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

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 lives (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for PERF C for the measurement period ending June 30, 2020 is 3.8 years, which was obtained by dividing the total service years of 548,581 (the sum of remaining service lifetimes of the active employees) by 145,663 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2019), the District's net pension liability was \$669,971. For the measurement period ending June 30, 2020 (the measurement date), the District incurred pension expense of \$115,406.

Note 8 – District Employees' Retirement Plan (Defined Benefit Pension Plan), (continued)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions, (continued)

As of June 30, 2021, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 36,279	$ -
Changes of assumptions	-	(5,021)
Differences between projected and actual investment earnings	20,912	-
Change in employer's proportion	-	(8,042)
Differences between employer's contributions and proportionate share of contributions	14,793	-
Pension contributions made subsequent to measurement date	102,502	-
Total	$ 174,486	$ (13,063)

These amounts above are net of outflows and inflows recognized in the 2019-2020 measurement period income/expense. Contributions subsequent to the measurement date of $102,502 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources
2022	$ 7,900
2023	23,533
2024	17,458
2025	10,030
2026	-
Remaining	-

Payable to the Pension Plan

At June 30, 2021, the District reported a payable of $-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

Note 9 – Other Postemployment Benefits (OPEB)

Plan Description

The District administers a single-employer defined benefit plan which provides medical insurance benefits to eligible retirees and their spouses. The Minimum Employer Contribution amount is prescribed by Government Code section 22892 of the Public Employees' Medical and Hospital Care Act (PEMHCA). California Government Code 22892 of the PEMHCA establishes the contracting agencies' minimum health premium contribution for their participating active membership. In addition, this section provides that "commencing January 1, 2009, the employer contribution shall be adjusted annually by the board to reflect any changes in the medical care component of the CPI-U and shall be rounded to the nearest dollar."

Employees Covered

As of the June 30, 2020 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	4
Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to, but not yet receiving benefits	-
Total	4

Contributions

The District's contribution requirements to cover the costs of its postemployment benefits plan are established and may be amended by the District's Governing Board. The District voluntarily prefunds its annual contribution requirement (i.e. to set aside funds in advance of when medical premiums become due). Amounts that are prefunded are deposited into a prefunding account with CalPERS' California Employer's Retiree Benefit Trust Program ("CERBT"), the prefunding plan under Government Code Section 22940 for prefunding health care coverage for annuitants). CERBT is a trust fund that is intended to perform an essential governmental function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 74, consisting of an aggregation of single-employer plans with pooled administrative and investment functions. Assets held in this trust are considered to be assets held in a fiduciary capacity on behalf of District employees and these assets accordingly have been excluded from the District's reported assets.

The CalPERS CERBT publishes GASB 74 compliant Financial Statements, Notes, and Required Supplementary Information which may be obtained from its executive office at 400 "Q" Street, Sacramento, California 95811.

Note 9 – Other Postemployment Benefits (OPEB), (continued)

Net OPEB Liability/(Asset)

The District's net OPEB liability/(asset) was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation using the Alternative Measurement Method dated June 30, 2020, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Contribution Policy	District contributes full ADC
Discount Rate	6.25%
General Inflation	2.50%
Mortality, Retirement, Disability, Termination	Based on CalPERS 2017 Experience Study. Mortality assumptions based on MacLeod Watts Scale 2018 applied generationally.
Salary increases	3.00%
Medical Trend	6.50% for 2021, fluctuates until ultimate rate of 4.0% in 2076 and later years
Healthcare Participation	90% of eligible active employees are assumed to elect medical coverage at retirement.

Discount Rate

A discount rate of 6.25% was used in the valuation. This discount rate assumes the District continues to fully fund for its retiree health benefits through the CERBT under its investment allocation strategy.

Change in assumptions

Mortality rates were updated to the 2008 rates (midpoint year) of CalPERS' 2017 experience study, then projected on a generational basis by MacLeod Watts Scale 2018.

General inflation rate decreased from 2.75% to 2.5%. Salary rate decreased from 3.25% to 3.0% per year. Medical trend was updated to use the Getzen model. The Public Employees' Medical and Hospital Care Act Minimum Employer Contribution (PEMHCA MEC) decreased from 4.5% to 4% per year.

The excise tax for high cost retiree coverage was excluded from the valuation results due to its December 2019 repeal.

Note 9 – Other Postemployment Benefits (OPEB), (continued)

Changes in the OPEB Liability/(Asset)

The changes in the net OPEB liability/(asset) for the Plan are as follows:

	(a) Total OPEB Liability	(b) Plan Fiduciary Net Position	(a) - (b) = (c) Net OPEB Liability/(Asset)
Balance at June 30, 2020 (6/30/19 measurement date)	$ 91,271	$ 131,380	$ (40,109)
Changes recognized for the measurement period:			
Service cost	5,473	-	5,473
Interest	6,046	-	6,046
Expected investment income	-	8,209	(8,209)
Employer contributions	-	-	-
Changes of benefit terms	-	-	-
Administrative expense	-	(64)	64
Other expenses	-	-	-
Benefit payments	-	-	-
Assumption changes	-	-	-
Plan experience	-	-	-
Investment experience	-	(3,566)	3,566
Recognized deferred resources	-	-	-
Employer contributions in fiscal year	-	-	-
Net changes	11,519	4,579	6,940
Balance at June 30, 2021 (6/30/20 measurement date)	$ 102,790	$ 135,959	$ (33,169)

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Net OPEB Liability (Asset)	$ (16,833)	$ (33,169)	$ (46,524)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability (asset) of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability (Asset)	$ (49,625)	$ (33,169)	$ (12,338)

Note 9 – Other Postemployment Benefits (OPEB), (continued)

OPEB Plan Fiduciary Net Position

CalPERS issues a publicly available CERBT financial report that may be obtained from the CalPERS' website at www.calpers.ca.gov.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The net difference between projected and actual earnings on OPEB plan investments is amortized using the straight-line method over 5 years, while all other amounts are amortized over the expected average remaining service lifetime (EARSL) of plan participants.

Liability changes due to plan experience which differs from what was assumed in the prior year and/or from assumption changes during the year are recognized over the plan's EARSL. The EARSL period is 8.13 years for deferred resources arising in the current measurement period.

Changes in the Fiduciary Net Position due to investment performance different from the assumed earnings rate are always recognized over 5 years.

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

For the fiscal year ended June 30, 2021, the District recognized OPEB income of $2,841. As of fiscal year ended June 30, 2021, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 1,450	$ (5,327)
Net difference between expected and actual experience	-	(26,791)
Net difference between projected and actual earnings on OPEB plan investments	1,718	-
Contributions to OPEB plan subsequent to the measurement date	-	-
Total	$ 3,168	$ (32,118)

Note 9 – Other Postemployment Benefits (OPEB), (continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB, (continued)

Amounts reported as deferred outflows or inflows of resources related to OPEB will be recognized as expense as follows.

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2022	$ (6,214)
2023	(5,522)
2024	(5,233)
2025	(4,874)
2026	(3,337)
Thereafter	(3,770)

Note 10 – District 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; and natural disasters for which the District carries commercial insurance. Premiums are paid annually by the District. For the fiscal year ended June 30, 2021, the District paid $2,693 in premiums.

Claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2021, there were no such liabilities to be reported.

Note 11 – COVID-19 Considerations

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. However, the ultimate financial impact and duration cannot be estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

Pine Cove Water District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability and Related Ratios as of the Measurement Date
Last 10 Years*

Measurement Date	Employer's Proportion of the Collective Net Pension Liability[1]	Employer's Proportionate Share of the Collective Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Covered Payroll	Pension's Plans Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2014	0.00667%	$ 415,223	$ 238,383	174%	78%
6/30/2015	0.00716%	491,160	206,680	238%	75%
6/30/2016	0.00669%	579,154	217,508	266%	70%
6/30/2017	0.00660%	654,374	237,267	276%	70%
6/30/2018	0.00655%	631,555	250,695	252%	72%
6/30/2019	0.00654%	669,971	261,688	256%	71%
6/30/2020	0.00647%	703,966	285,981	246%	71%

[1] Proportion of the collective net pension liability represents the Plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

Pine Cove Water District
Required Supplementary Information
Schedule of Plan Contributions
Last 10 Years*

Fiscal Year	Contractually Determined Contributions	Contributions in Relation to the Contractually Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2014-15	$ 53,988	$ (53,988)	$ -	$ 206,680	26.12%
2015-16	57,273	(57,273)	-	217,508	26.33%
2016-17	63,180	(63,180)	-	237,267	26.63%
2017-18	68,871	(68,871)	-	250,695	27.47%
2018-19	78,383	(78,383)	-	261,688	29.95%
2019-20	89,950	(89,950)	-	285,981	31.45%
2020-21	102,502	(102,502)	-	325,526	31.49%

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

Notes to Schedule:

Change in Benefit Terms: None

Pine Cove Water District
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability/(Asset) and Related Ratios
Last 10 Years*

Fiscal Year Measurement Period	2020-21 2019-20	2019-20 2018-19	2018-19 2017-18	2017-18 2016-17
Total OPEB Liability				
Service cost	$ 5,473	$ 6,784	$ 6,570	$ 6,431
Interest	6,046	6,965	6,156	6,633
Differences between expected and actual experience	-	(20,064)	-	(23,783)
Changes of assumptions	-	(7,065)	-	2,954
Benefit payments	-	-	-	-
Net change in total OPEB liability	11,519	(13,380)	12,726	(7,765)
Total OPEB liability - beginning	91,271	104,651	91,925	99,690
Total OPEB liability - ending (a)	102,790	91,271	104,651	91,925
Plan Fiduciary Net Position				
Contributions – employer	-	5,699	7,450	7,656
Net investment income	4,643	7,350	8,116	9,085
Benefit payments	-	-	-	-
Administrative expense	(64)	(25)	(55)	(47)
Other expenses	-	-	(136)	-
Net change in plan fiduciary net position	4,579	13,024	15,375	16,694
Plan fiduciary net position - beginning	131,380	118,356	102,981	86,287
Plan fiduciary net position - ending (b)	135,959	131,380	118,356	102,981
Net OPEB liability (asset) - ending (a) - (b)	$ (33,169)	$ (40,109)	$ (13,705)	$ (11,056)
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	132.3%	143.9%	113.1%	112.0%
Covered-employee payroll	$ 325,526	$ 285,981	$ 261,688	$ 250,695
Net OPEB liability (asset) as a percentage of covered-employee payroll	-10.2%	-14.0%	-5.2%	-4.4%

Notes to Schedule:

Changes in assumptions:

Mortality Improvement	Mortality rates were updated to the 2008 rates (midpoint year) of CalPERS' 2017 experience study, then projected on a generational basis by MacLeod Watts Scale 2018.
General Inflation Rate	Decreased from 2.75% to 2.5%
Salary Increase	Decrease from 3.25% to 3.0% per year
Medical Trend	Updated to use the Getzen model
PEMHCA MEC increases	Decreased from 4.5% to 4.0% per year
Excise Tax repeal	The excise tax for high-cost retiree coverage was excluded from the valuation results due to its December 2019 repeal.

The District does not have assets accumulated in a trust that meet the criteria of GASB 75 to pay related benefits.

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Pine Cove Water District
Required Supplementary Information
Schedule of OPEB Plan Contributions
Last 10 Years*

Fiscal Year	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	$ -	$ -	$ 5,699	$ 7,450
Contributions in relation to the ADC	-	-	5,699	7,450
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 325,526	$ 285,981	$ 261,688	$ 250,695
Contributions as a percentage of covered-employee payroll	0.0%	0.0%	2.2%	2.8%

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

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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*

Independent Auditor's Report

Board of Directors
Pine Cove Water District
Idyllwild, 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pine Cove Water District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 21, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
September 21, 2021

RAMS

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September 21, 2021

To the Board of Directors
Pine Cove Water District

We have audited the financial statements of the Pine Cove Water District (the District) as of and for the year ended June 30, 2021, have issued our report thereon dated September 21, 2021. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 21, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the District's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

> Management's estimate of capital asset depreciation is based on historical estimates of each capitalized item's useful life. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the unbilled accounts receivable is based on prorating the previous billing. We evaluated the key factors and assumptions used to develop these amounts in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> The estimate of the net pension liability and related deferred amounts are based on actuarial reports provided by independent actuaries. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> The estimate of the net OPEB liability and related deferred amounts are based on actuarial reports provided by independent actuaries. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to:

> The disclosure of accumulated depreciation in Note 4 to the financial statements is based on estimated useful lives which could differ from actual useful lives of each capitalized item.
>
> The disclosure of the net pension liability and related pension information in Note 8 is based on actuarial assumptions which will differ from actual amounts in future periods.

The disclosure of the net OPEB liability and related pension information in Note 9 is based on actuarial assumptions which will differ from actual amounts in future periods.

The disclosure related to the possible effects of COVID-19 pandemic in the notes.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated September 21, 2021.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the District, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Very truly yours,

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
September 21, 2021

Pine Cove Water District

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September 21, 2021

Rogers, Anderson, Malody and Scott, LLP
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This representation letter is provided in connection with your audit of the basic financial statements of Pine Cove Water District (the District) as of June 30, 2021, and for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the business-type activities of the District in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of September 21, 2021.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 21, 2021, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
5. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
6. We have a process to track the status of audit findings and recommendations.
7. We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
8. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

9. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
10. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
11. Management has corrected all misstatements identified by us.
12. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
13. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
14. All funds and activities are properly classified.
15. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
16. All components of net position are properly classified and, if applicable, approved.
17. Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available is appropriately disclosed and net position is properly recognized under the policy.
18. Deposit and investment risks have been properly and fully disclosed.
19. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
20. All required supplementary information is measured and presented within the prescribed guidelines.
21. With regard to investments and other instruments reported at fair value:
    a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
    b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
    c. The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
    d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

22. With respect to the preparation of the financial statements, we have performed the following:
    a. Made all management decisions and performed all management functions;
    b. Assigned a competent individual to oversee the services;
    c. Evaluated the adequacy of the services performed;
    d. Evaluated and accepted responsibility for the results of the service performed; and
    e. Established and maintained internal controls, including monitoring ongoing activities.

Information Provided

23. We have provided you with:
    a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the business-type activities referred to above, such as records, documentation, meeting minutes, and other matters;
    b. Additional information that you have requested from us for the purpose of the audit; and
    c. Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
24. All transactions have been recorded in the accounting records and are reflected in the financial statements.
25. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
26. We have no knowledge of any fraud or suspected fraud that affects the District and involves:
    a. Management;
    b. Employees who have significant roles in internal control; or
    c. Others where the fraud could have a material effect on the financial statements.
27. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the District's financial statements communicated by employees, former employees, vendors, regulators, or others.
28. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
29. We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.
30. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
31. The District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
32. We have disclosed to you all guarantees, whether written or oral, under which the District is contingently liable.
33. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

34. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

35. There are no:

    a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.

    b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.

    c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.

    d. Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).

36. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.

37. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Required Supplementary Information

38. With respect to the required supplementary information accompanying the financial statements:

    a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.

    b. We believe the required supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.

    c. The methods of measurement or presentation have not changed from those used in the prior period.

Use of a Specialist

39. An actuary has been used by the District to measure pension and other postemployment benefit liabilities and costs.

    a. We have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

    b. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.

Jerry Holdber, General Manager