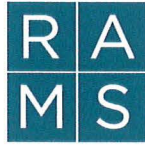


**PINE COVE WATER DISTRICT**  
**Financial Statements**  
**and**  
**Independent Auditor's Report**  
**Year ended June 30, 2022**

**Pine Cove Water District  
Financial Statements  
Year ended June 30, 2022**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	5
Basic Financial Statements:	
Statement of Net Position	12
Statement of Revenues, Expenses and Changes in Net Position	14
Statement of Cash Flows	15
Notes to Financial Statements	17
Required Supplementary Information:	
Schedule of District's Proportionate Share of the Plan's Net Pension Liability and Related Ratios as of the Measurement Date	42
Schedule of Plan Contributions	43
Schedule of Changes in the Net OPEB Liability/(Asset) and Related Ratios	44
Schedule of OPEB Plan Contributions	45
Report on Compliance and Internal Controls:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46



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

## Independent Auditor's Report

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San Bernardino, CA 92408  
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Board of Directors  
Pine Cove Water District  
Idyllwild, California

### Report on the Audit of the Financial Statements

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#### MEMBERS

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*Governmental Audit  
Quality Center*

*Employee Benefit Plan  
Audit Quality Center*

California Society of  
Certified Public Accountants



### Opinion

We have audited the financial statements of Pine Cove Water District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, of the District, as of June 30, 2022, 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.

### Emphasis of Matter

As discussed in Note 7 to the financial statements, in the year ended June 30, 2022, the District adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

## ***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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 October 14, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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  
October 14, 2022

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Pine Cove Water District  
Management's Discussion and Analysis  
June 30, 2022**

---

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, 2022. 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 1,113 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 2<sup>nd</sup> 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, 2022 by \$3,632,262 (*net position*). Accordingly, some assets are not available to meet the near-term financial requirements of the District; \$3,188,965 represents the net investment in capital assets. The remainder of the net position balance was a positive unrestricted amount of \$443,297, which is primarily due to an increase in the District's operating and non-operating revenues.
- Total assets increased by \$3,865,787, primarily due to the implementation of GASB 87 – Leases. This standard also substantially contributed to the increase in deferred inflows of resources of \$4,040,006. See Note 7 for more details.
- Total operating revenues of the District increased by \$52,650, primarily due to the water rate increase and the increase in water consumption commercial customers.
- Total operating expenses of the District increased by \$228,055, 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 \$3,632,262 at the close of the most recent fiscal year.

By far the largest portion of the District's net position, \$3,188,965 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.



**Pine Cove Water District  
Management's Discussion and Analysis  
June 30, 2022**

**Condensed Statement of Net Position**

	<u>2022</u>	<u>2021</u>	<u>Change</u>
<b>Assets:</b>			
Current and other assets	\$ 4,899,830	\$ 905,461	\$ 3,994,369
Capital assets	3,439,816	3,568,398	(128,582)
Total Assets	<u>8,339,646</u>	<u>4,473,859</u>	<u>3,865,787</u>
<b>Deferred Outflows of Resources</b>	<u>178,432</u>	<u>177,654</u>	<u>778</u>
<b>Liabilities:</b>			
Current Liabilities	107,711	108,895	(1,184)
Non-Current Liabilities	692,918	1,017,665	(324,747)
Total Liabilities	<u>800,629</u>	<u>1,126,560</u>	<u>(325,931)</u>
<b>Deferred Inflows of Resources</b>	<u>4,085,187</u>	<u>45,181</u>	<u>4,040,006</u>
<b>Net Position</b>			
Net investment in capital assets	3,188,965	3,312,284	(123,319)
Unrestricted	443,297	167,488	275,809
Total Net Position	<u>\$ 3,632,262</u>	<u>\$ 3,479,772</u>	<u>\$ 152,490</u>

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 rates, thus increasing current assets and increasing the unrestricted net position available.

**Condensed Statement of Revenues, Expenses and Changes in Net Position**

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Operating Revenues	\$ 806,671	\$ 754,021	\$ 52,650
Operating Expenses	1,229,574	1,001,519	228,055
Non-Operating Revenues (Expenses)	540,662	393,695	146,967
Change in Net Position	117,759	146,197	(28,438)
Net Position, Beginning of Year, as restated	<u>3,514,503</u>	<u>3,333,575</u>	<u>180,928</u>
Net Position, End of Year	<u>\$ 3,632,262</u>	<u>\$ 3,479,772</u>	<u>\$ 152,490</u>

**Pine Cove Water District  
Management's Discussion and Analysis  
June 30, 2022**

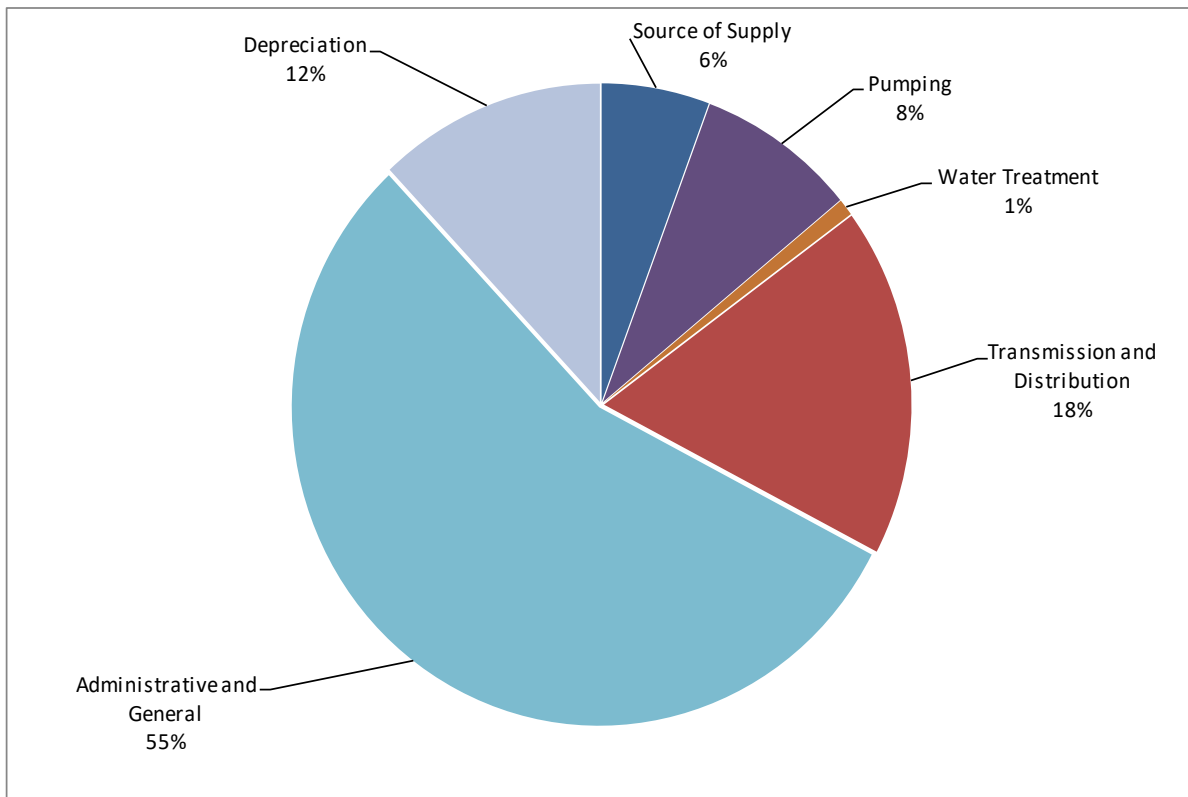
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There was a significant change to operating revenue at the end of the current fiscal year. Operating revenues increased by \$52,650 or 6.98 percent compared to the prior year. The District's operating revenues are from water sales and services to its residents.

Operating expenses increased by \$228,055 or 22.8 percent compared to the prior year, primarily due to the increase in expenses related to employees' retirement, salaries, and benefits as well as 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 55%, 18%, and 12%, respectively. The magnitude of these three expense categories demonstrates that the delivery of water to customers is a labor- and capital-intensive enterprise.



**Pine Cove Water District  
Management's Discussion and Analysis  
June 30, 2022**

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**Capital Assets and Long-term Liability Administration**

The District's net investment in capital assets totals \$3,188,965 (net of accumulated depreciation), as of June 30, 2022. 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 decrease in the District's investment in capital assets for the current fiscal year was the result of routine depreciation expenses and the fact that no new significant investments in capital assets were made during the year. Additional information on the District's capital assets can be found in Note 4 of this report.

At June 30, 2022 and 2021, the District had the following outstanding long-term liabilities:

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Loans payable	\$ 250,851	\$ 256,114	\$ (5,263)
Compensated absences	11,982	62,848	(50,866)
Net pension liability	<u>435,494</u>	<u>703,966</u>	<u>(268,472)</u>
Total long-term liabilities	<u>\$ 698,327</u>	<u>\$ 1,022,928</u>	<u>\$ (324,601)</u>

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 February 1, 2022. Effective February 2022, the monthly minimum charge for the District was increased by \$1.50 per month bringing the monthly minimum charge to \$38.50.

**Capital Improvements**

The District completed an aggressive main line replacement program early in the fiscal year. We installed new service lines on our most recent main lines (South Central Pipeline Replacement Project), utilizing District personnel only. Costs related to the project that were previously capitalized as construction in progress totaling \$446,796 were allocated to general plant assets.

**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](http://www.pcwd.org).

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**BASIC FINANCIAL STATEMENTS**

**Pine Cove Water District**  
**Statement of Net Position**  
**June 30, 2022**

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**ASSETS**

Current Assets:

Cash (Note 3)	\$	124,841
Imprest cash		300
Investments (Note 3)		568,718
Interest receivable		34,715
Accounts receivable - water sales		79,110
Lease receivable - current portion (Note 7)		142,677
Unbilled revenue		26,545
Due from other governmental agencies		8,353
Inventories of materials and supplies		<u>258,396</u>

Total Current Assets 1,243,655

Noncurrent Assets:

Net OPEB asset		107,336
Lease receivable (Note 7)		3,548,839
Capital assets not being depreciated (Note 4):		
Land		357,178
Other physical property		271,312
Capital assets, net of accumulated depreciation (Note 4)		<u>2,811,326</u>

Total Noncurrent Assets 7,095,991

**TOTAL ASSETS** 8,339,646

**DEFERRED OUTFLOWS OF RESOURCES**

Pension related (Note 8)		177,358
OPEB related (Note 9)		<u>1,074</u>

Total Deferred Outflows of Resources 178,432

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

**Pine Cove Water District**  
**Statement of Net Position, Continued**  
**June 30, 2022**

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**LIABILITIES**

Current Liabilities:

Accounts payable and accrued expenses	\$ 7,292
Unearned revenue	95,010
Loans payable - current portion	<u>5,409</u>
Total Current Liabilities	<u>107,711</u>

Noncurrent Liabilities:

Loans payable - long-term portion (Note 6)	245,442
Compensated absences payable (Note 5)	11,982
Net pension liability (Note 8)	<u>435,494</u>
Total Noncurrent Liabilities	<u>692,918</u>

**TOTAL LIABILITIES**

800,629

**DEFERRED INFLOWS OF RESOURCES**

Pension related (Note 8)	399,737
OPEB related (Note 9)	91,514
Lease related (Note 7)	<u>3,593,936</u>
Total Deferred Inflows	<u>4,085,187</u>

**NET POSITION**

Net investment in capital assets	3,188,965
Unrestricted	<u>443,297</u>

**TOTAL NET POSITION**

\$ 3,632,262

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, 2022**

---

**OPERATING REVENUES**

Water sales:		
Residential	\$	705,130
Business		49,987
Meters and connections		31,400
Water services:		
Other		20,154
Total Operating Revenues		<u>806,671</u>

**OPERATING EXPENSES**

Source of supply:		
Supervision, labor and expenses		69,728
Pumping:		
Supervision, labor and expenses		52,936
Power purchased for pumping		49,969
Water treatment:		
Supervision, labor and expenses		10,441
Transmission and distribution:		
Supervision, labor and expenses		218,361
Administrative and general:		
Salaries		36,766
Office supplies and other expenses		38,169
Office utilities		7,338
Property insurance, injuries, and damages		55,160
Employees' retirement and benefits		330,837
Maintenance, general plant - auto		9,454
Maintenance, general plant - other		102,259
Professional services		100,718
Other operating:		
Depreciation		147,438
Total Operating Expenses		<u>1,229,574</u>
Operating Loss		<u>(422,903)</u>

**NON-OPERATING REVENUES (EXPENSES)**

Interest income		87,218
Taxes and assessments		203,718
Franchise and lease revenue		252,908
Miscellaneous income		7,264
Interest on long-term debt		(6,977)
Miscellaneous expenses		(3,469)
Total Non-Operating Revenues (Expenses)		<u>540,662</u>

**CHANGE IN NET POSITION**

117,759

**BEGINNING NET POSITION, AS RESTATED (NOTE 11)**

3,514,503

**ENDING NET POSITION**

\$ 3,632,262

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, 2022**

---

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 737,763
Cash payments to suppliers for goods/services	(363,353)
Cash payments to employees for services	(632,551)
Other operating revenues	<u>20,154</u>

Net Cash Used for Operating Activities (237,987)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Property taxes and assessments	204,196
Franchise and lease payments	155,851
Non-operating revenues	7,264
Non-operating expenses	<u>(3,469)</u>

Net Cash Provided by Noncapital Financing Activities 363,842

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(18,856)
Principal payments on debt	(5,263)
Interest paid	<u>(6,977)</u>

Net Cash Used for Capital and Related Financing Activities (31,096)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on investments	<u>52,827</u>
-------------------------	---------------

Net Cash Provided by Investing Activities 52,827

Net Increase in Cash and Cash Equivalents 147,586

Cash and Cash Equivalents - Beginning of Year 546,273

Cash and Cash Equivalents - End of Year \$ 693,859

**Cash and Cash Equivalents - End of Year Includes:**

Cash	\$ 124,841
Imprest cash	300
Investments	<u>568,718</u>

Totals \$ 693,859

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, 2022**

---

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR  
OPERATING ACTIVITIES:**

Operating Loss	\$ (422,903)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	147,438
Change in assets and liabilities:	
Increase in accounts receivable - water sales	(48,587)
Increase in unbilled revenue	(167)
Increase in net OPEB asset	(74,167)
Decrease in inventories of materials and supplies	1,567
Increase in deferred outflows of resources	(778)
Decrease in accounts payable and accrued expenses	(1,853)
Decrease in compensated absences payable	(50,866)
Decrease in net pension liability	(233,741)
Increase in deferred inflows of resources	446,070
Net Cash Used for Operating Activities	<u><u>\$ (237,987)</u></u>

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:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

**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, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

**Pine Cove Water District  
Notes to Financial Statements  
Year ended June 30, 2022**

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**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 – 1 <sup>st</sup> installment
	February 1 – 2 <sup>nd</sup> installment
Delinquent Date	December 10 – 1 <sup>st</sup> installment
	April 10 – 2 <sup>nd</sup> 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, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash in demand account	\$ 124,841
Cash on hand	300
Investments	<u>568,718</u>
Total Cash and Investments	<u><u>\$ 693,859</u></u>

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

Cash on hand	\$ 125,141
Investments	<u>568,718</u>
Total Cash and Investments	<u><u>\$ 693,859</u></u>

**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:

	<u>Fair Value</u>	<u>Maturity Date</u>
LAIF Investment Pool	\$568,718	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, 2022, 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. Withdrawals of over \$10,000,000 require at least 24 hours' notice. In addition, there is a \$5,000 minimum withdrawal amount and a limit of 15 transactions per month.

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 \$2,051,660. 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.



**Pine Cove Water District  
Notes to Financial Statements  
Year ended June 30, 2022**

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**Note 4 – Capital Assets**

Activities relating to Capital Assets for the year ended June 30, 2022 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	446,796	-	(446,796)	-
	<u>1,075,286</u>	<u>-</u>	<u>(446,796)</u>	<u>628,490</u>
Total capital assets, not being depreciated				
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	-	(17,612)	2,575,507
General plant	1,525,250	465,652	-	1,990,902
	<u>5,290,440</u>	<u>465,652</u>	<u>(17,612)</u>	<u>5,738,480</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Source of supply plant wells	406,270	14,881	-	421,151
Pumping plant	224,148	8,827	-	232,975
Water treatment plant	164,609	13,601	-	178,210
Transmission and distribution plant	1,409,006	54,478	(17,612)	1,445,872
General plant	593,295	55,651	-	648,946
	<u>2,797,328</u>	<u>147,438</u>	<u>(17,612)</u>	<u>2,927,154</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>2,493,112</u>	<u>318,214</u>	<u>-</u>	<u>2,811,326</u>
Capital assets, net of depreciation	<u>\$ 3,568,398</u>	<u>\$ 318,214</u>	<u>\$ (446,796)</u>	<u>\$ 3,439,816</u>

Depreciation expense for the year ended June 30, 2022 was \$147,438.

**Pine Cove Water District  
Notes to Financial Statements  
Year ended June 30, 2022**

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**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, 2022. The change in compensated absences payable for the year ended June 30, 2022, was as follows.

Description	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
Compensated Absences Payable	\$ 62,848	\$ 25,810	\$ (76,676)	\$ 11,982

**Note 6 – Long-Term Debt**

Activities relating to Long-Term Debt for the year ended June 30, 2022, are presented as follows:

Description	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year	Due Within One Year
Loan Payable - USDA Loan	\$ 256,114	\$ -	\$ 5,263	\$ 250,851	\$ 5,409
Total	<u>\$ 256,114</u>	<u>\$ -</u>	<u>\$ 5,263</u>	<u>\$ 250,851</u>	<u>\$ 5,409</u>

*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
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	6,038	6,202	12,240
2028 - 2032	32,806	28,394	61,200
2033 - 2037	37,636	23,564	61,200
2038 - 2042	43,177	18,023	61,200
2043 - 2047	49,533	11,667	61,200
2048 - 2052	56,826	4,374	61,200
2053 - 2057	2,277	8	2,285
Total	<u>\$ 250,851</u>	<u>\$ 118,634</u>	<u>\$ 369,485</u>

**Note 7 – Leases Receivable**

For the year ended 6/30/2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below. Note that for each lease, the land estimated useful life was 0 months as of the contract commencement.

On 07/01/2021, the District entered into a 340-month lease as Lessor for the use of Communication Facility - AT&T. An initial lease receivable was recorded in the amount of \$908,197. As of 06/30/2022, the value of the lease receivable is \$886,956. The lessee is required to make annual fixed payments of \$29,414. The lease has an interest rate of 2.7000%. The value of the deferred inflow of resources as of 06/30/2022 was \$876,143, and the District recognized lease revenue of \$32,054 during the fiscal year. The lessee has 5 extension option(s), each for 60 months.

On 07/01/2021, the District entered into a 36-month lease as Lessor for the use of Pine Cove Temporary Fire Station. An initial lease receivable was recorded in the amount of \$40,865. As of 06/30/2022, the value of the lease receivable is \$27,359. The lessee is required to make monthly fixed payments of \$1,150. The lease has an interest rate of 0.8450%. The value of the deferred inflow of resources as of 06/30/2022 was \$27,244, and the District recognized lease revenue of \$13,622 during the fiscal year. The lessee had a termination period of 1 month as of the lease commencement.

On 07/01/2021, the District entered into a 156-month lease as Lessor for the use of Charter – Time Warner Cable. An initial lease receivable was recorded in the amount of \$602,543. As of 06/30/2022, the value of the lease receivable is \$571,861. The lessee is required to make monthly fixed payments of \$3,438. The lease has an interest rate of 1.9660%. The value of the deferred inflow of resources as of 06/30/2022 was \$556,194, and the District recognized lease revenue of \$46,349 during the fiscal year. The lessee had a termination period of 6 months as of the lease commencement.

On 07/01/2021, the District entered into a 36-month lease as Lessor for the use of Communication Facility - Comtronix. An initial lease receivable was recorded in the amount of \$60,887. As of 06/30/2022, the value of the lease receivable is \$41,436. The lessee is required to make monthly fixed payments of \$1,654. The lease has an interest rate of 0.8450%. The value of the deferred inflow of resources as of 06/30/2022 was \$40,592, and the District recognized lease revenue of \$20,296 during the fiscal year.

**Note 7 – Leases Receivable, (continued)**

On 07/01/2021, the District entered into a 73-month lease as Lessor for the use of Communication Facility - HUSD. An initial lease receivable was recorded in the amount of \$89,866. As of 06/30/2022, the value of the lease receivable is \$75,927. The lessee is required to make annual fixed payments of \$14,038. The lease has an interest rate of 1.3350%. The value of the deferred inflow of resources as of 06/30/2022 was \$75,093, and the District recognized lease revenue of \$14,772 during the fiscal year. The lessee has 1 extension option(s), each for 60 months.

On 07/01/2021, the District entered into a 215-month lease as Lessor for the use of Communication Facility - Verizon. An initial lease receivable was recorded in the amount of \$480,548. As of 06/30/2022, the value of the lease receivable is \$480,548. The lessee is required to make annual fixed payments of \$26,473. The lease has an interest rate of 2.3730%. The value of the deferred inflow of resources as of 06/30/2022 was \$453,727, and the District recognized lease revenue of \$26,821 during the fiscal year. The lessee has 3 extension option(s), each for 60 months.

On 07/01/2021, the District entered into a 225-month lease as Lessor for the use of Communication Facility - RUSD. An initial lease receivable was recorded in the amount of \$793,761. As of 06/30/2022, the value of the lease receivable is \$773,917. The lessee is required to make monthly fixed payments of \$3,092. The lease has an interest rate of 2.4550%. The value of the deferred inflow of resources as of 06/30/2022 was \$751,427, and the District recognized lease revenue of \$42,334 during the fiscal year. The lessee has 3 extension option(s), each for 60 months.

On 07/01/2021, the District entered into a 142-month lease as Lessor for the use of Communication Facility - SCE Marion Ridge. An initial lease receivable was recorded in the amount of \$255,386. As of 06/30/2022, the value of the lease receivable is \$239,125. The lessee is required to make monthly fixed payments of \$1,702. The lease has an interest rate of 1.8850%. The value of the deferred inflow of resources as of 06/30/2022 was \$233,804, and the District recognized lease revenue of \$21,582 during the fiscal year. The lessee has 1 extension option(s), each for 120 months. The lessee had a termination period of 12 months as of the lease commencement.

On 07/01/2021, the District entered into a 346-month lease as Lessor for the use of Communications Site Lease - T-Mobile. An initial lease receivable was recorded in the amount of \$600,541. As of 06/30/2022, the value of the lease receivable is \$594,387. The lessee is required to make annual fixed payments of \$19,771. The lease has an interest rate of 2.7210%. The value of the deferred inflow of resources as of 06/30/2022 was \$579,713, and the District recognized lease revenue of \$20,828 during the fiscal year. The lessee has 5 extension option(s), each for 60 months.

**Pine Cove Water District  
Notes to Financial Statements  
Year ended June 30, 2022**

**Note 7 – Leases Receivable, (continued)**

Future payment requirements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 142,677	\$ 87,081	\$ 229,758
2024	153,674	84,455	238,129
2025	128,833	81,738	210,571
2026	139,401	78,954	218,355
2027	150,498	75,931	226,429
2028 - 2032	836,864	327,654	1,164,519
2033 - 2037	819,999	227,860	1,047,860
2038 - 2042	613,041	134,098	747,140
2043 - 2047	471,359	71,826	543,185
2048 - 2051	235,169	9,653	244,822

<u>Deferred Inflow of Resources</u>	<u>Balance as of July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance as of June 30, 2022</u>
Communication Facility - AT&T	\$ -	\$ 908,197	\$ 32,054	\$ 876,143
Pine Cove Temporary Fire Station	-	40,865	13,622	27,244
Charter - Time Warner Cable	-	602,543	46,349	556,194
Communication Facility - Comtronix	-	60,887	20,296	40,592
Communication Facility - HUSD	-	89,866	14,772	75,093
Communication Facility - Verizon	-	480,548	26,821	453,727
Communication Facility - RUSD	-	793,761	42,334	751,427
Communication Facility - SCE Marion Ridge	-	255,386	21,582	233,804
Communications Site Lease - T-Mobile	-	600,541	20,828	579,713
<b>Total Deferred Inflow of Resources</b>	<b>\$ -</b>	<b>\$ 3,832,595</b>	<b>\$ 238,659</b>	<b>\$ 3,593,936</b>

<u>Lease Receivable</u>	<u>Balance as of July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance as of June 30, 2022</u>
Communication Facility - AT&T	\$ -	\$ 908,197	\$ 21,241	\$ 886,956
Pine Cove Temporary Fire Station	-	40,865	13,507	27,359
Charter - Time Warner Cable	-	602,543	30,682	571,861
Communication Facility - Comtronix	-	60,887	19,452	41,436
Communication Facility - HUSD	-	89,866	13,938	75,927
Communication Facility - Verizon	-	480,548	-	480,548
Communication Facility - RUSD	-	793,761	19,844	773,917
Communication Facility - SCE Marion Ridge	-	255,386	16,261	239,125
Communications Site Lease - T-Mobile	-	600,541	6,153	594,387
<b>Total Lease Receivable</b>	<b>\$ -</b>	<b>\$ 3,832,595</b>	<b>\$ 141,079</b>	<b>\$ 3,691,516</b>

**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](http://www.calpers.ca.gov).

*Benefits Provided*

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 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, 2022, are summarized as follows:

	<b>Miscellaneous</b>	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
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	14.19%	7.73%

**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, 2022 were \$107,061. The actual employer payments of \$102,502 made to CalPERS by the District during the measurement period ended June 30, 2021 differed from the District’s proportionate share of the employer’s contributions of \$83,775, by \$18,727, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

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

***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, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows:

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

All other actuarial assumptions used in the June 30, 2020 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](http://www.calpers.ca.gov).

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
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 <sup>(1)</sup>	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.

***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.



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

***Net Pension Liability, (continued)***

*Long-term Expected Rate of Return, (continued)*

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

<b>Asset Class<sup>1</sup></b>	<b>Current Target Allocation</b>	<b>Real Return Years 1 - 10<sup>2,4</sup></b>	<b>Real Return Years 11+<sup>3,4</sup></b>
Public 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%)

<sup>1</sup> In the System's Annual Comprehensive Financial Report (ACFR), 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.

<sup>2</sup> An expected inflation of 2.00% used for this period

<sup>3</sup> An expected inflation of 2.92% used for this period

<sup>4</sup> Figures are based on previous ALM of 2017

***Changes of Assumptions***

There were no changes of assumptions for measurement date June 30, 2021.

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

***Net Pension Liability, (continued)***

*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.

*Subsequent Events*

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

*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](http://www.calpers.ca.gov). The plan’s fiduciary net position and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

**Pine Cove Water District  
Notes to Financial Statements  
Year ended June 30, 2022**

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

***Proportionate Share of Net Pension Liability***

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

	<b>Increase (Decrease)</b>		
	<b>Plan Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Plan Net Pension Liability (c) = (a) - (b)</b>
<b>Balance at: 6/30/2020 (VD)</b>	\$ 2,438,845	\$ 1,734,879	\$ 703,966
<b>Balance at: 6/30/2021 (MD)</b>	2,565,451	2,129,957	435,494
<b>Net Changes during 2020-21</b>	<u>\$ 126,606</u>	<u>\$ 395,078</u>	<u>\$ (268,472)</u>

Valuation Date (VD), Measurement Date (MD)

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](http://www.calpers.ca.gov). The District’s proportionate share of the net pension liability for the Miscellaneous Plan as of the June 30, 2020 and 2021 measurement dates was as follows:

Proportionate Share - June 30, 2020	0.01669%
Proportionate Share - June 30, 2021	0.02294%
Change - Increase (Decrease)	0.00625%

***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:

	<b>Discount Rate - 1% (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>Discount Rate + 1% (8.15%)</b>
Plan's Net Pension Liability	\$ 774,212	\$ 435,494	\$ 155,480

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

***Proportionate Share of Net Pension Liability, (continued)***

*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.

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, 2021 is 3.7 years, which was obtained by dividing the total service years of 561,622 (the sum of remaining service lifetimes of the active employees) by 150,648 (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, 2020), the District’s net pension liability was \$703,966. For the measurement period ending June 30, 2021 (the measurement date), the District incurred pension expense of \$222,390.

**Pine Cove Water District  
Notes to Financial Statements  
Year ended June 30, 2022**

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**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, 2022, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 48,836	\$ -
Changes of assumptions	-	-
Differences between projected and actual investment earnings	-	(380,163)
Change in employer's proportion	-	(19,574)
Differences between employer's contributions and proportionate share of contributions	21,461	-
Pension contributions made subsequent to measurement date	107,061	-
Total	<u>\$ 177,358</u>	<u>\$ (399,737)</u>

These amounts above are net of outflows and inflows recognized in the 2020-2021 measurement period income/expense. Contributions subsequent to the measurement date of \$107,061 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:

<u>Fiscal Year Ending June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2023	\$ (65,812)
2024	(73,329)
2025	(85,242)
2026	(105,057)
2027	-
Remaining	-

***Payable to the Pension Plan***

At June 30, 2022, the District reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

**Note 9 – Other Postemployment Benefits (OPEB)**

***Plan Description***

The District administers an agent multiple 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, 2021 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	<u><u>4</u></u>

***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, 2021 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, 2021, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Contribution Policy	District contributes full ADC
Discount Rate	6.25%
General Inflation	2.50%
Mortality, Retirement, Disability, Termination	2017 CalPERS Experience Study; Improvement using MacLeod Watts Scale 2018
Salary increases	3.00%
Medical Trend	6.50% in 2021, fluctuates until ultimate rate of 4.0% in 2076
Healthcare Participation	70% 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***

The mortality improvement scale was updated from MacLeod Watts Scale 2018 to MacLeod Watts Scale 2020.

Pre-retirement mortality and disability decrements were removed, given the small size of the active employee population and very low expectation of occurrence.

Assumed healthcare increases were updated from the Getzen 2019\_b model to the Getzen 2021\_b model, and published by the SOA.

Retiree participation rates decreased from 90% to 70% for active employees currently enrolled and from 70% to 35% for active employees currently waiving District coverage, based on a review of recent and expected future retiree elections.

**Pine Cove Water District  
Notes to Financial Statements  
Year ended June 30, 2022**

**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)	(b) Plan	(a) - (b) = (c)
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2021 (6/30/20 measurement date)	\$ 102,790	\$ 135,959	\$ (33,169)
Changes recognized for the measurement period:			
Service cost	5,637	-	5,637
Interest	6,777	-	6,777
Expected investment income	-	8,496	(8,496)
Employer contributions	-	-	-
Changes of benefit terms	-	-	-
Administrative expense	-	(51)	51
Other expenses	-	-	-
Benefit payments	-	-	-
Assumption changes	(13,059)	-	(13,059)
Plan experience	(36,190)	-	(36,190)
Investment experience	-	28,887	(28,887)
Recognized deferred resources	-	-	-
Employer contributions in fiscal year	-	-	-
Net changes	<u>(36,835)</u>	<u>37,332</u>	<u>(74,167)</u>
Balance at June 30, 2022 (6/30/21 measurement date)	<u>\$ 65,955</u>	<u>\$ 173,291</u>	<u>\$ (107,336)</u>

***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, 2021:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Net OPEB Liability (Asset)	\$ (94,801)	\$ (107,336)	\$ (117,551)

***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, 2021:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability (Asset)	\$ (119,284)	\$ (107,336)	\$ (92,090)



**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](http://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, 2022, the District recognized OPEB income of \$12,677. As of fiscal year ended June 30, 2022, the District reported deferred outflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ 1,074	\$ 16,283
Differences between expected and actual experience	-	54,062
Net difference between projected and actual earnings on OPEB plan investments		21,169
Contributions to OPEB plan subsequent to the measurement date	-	-
Total	<u>\$ 1,074</u>	<u>\$ 91,514</u>

**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.

<u>Fiscal Year Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2023	\$ (15,954)
2024	(15,665)
2025	(15,306)
2026	(13,771)
2027	(7,992)
Thereafter	(21,752)

**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, 2022, the District paid \$1,815 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, 2022, there were no such liabilities to be reported.

**Note 11 – Prior Period Adjustment**

Due to the implementation of GASB 87 (as described in Note 7), a prior period correction in the amount of \$34,731 was recorded, resulting in a restated beginning net position of \$3,514,503.

**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\***

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<u>Measurement Date</u>	<u>Employer's Proportion of the Collective Net Pension Liability<sup>1</sup></u>	<u>Employer's Proportionate Share of the Collective Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Covered Payroll</u>	<u>Pension's Plans Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
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%
6/30/2021	0.00805%	435,494	325,526	134%	71%

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

<sup>1</sup> 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.

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

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<u>Fiscal Year</u>	<u>Contractually Determined Contributions</u>	<u>Contributions in Relation to the Contractually Determined Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
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%
2021-22	107,061	(107,061)	-	330,991	32.35%

\* 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:**

**Changes in Benefit Terms:** There were no changes to benefit terms that applied to all members of the Public Agency Pool. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2020 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

**Changes in Assumptions:** There were no assumption changes for 2021. For 2020, 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. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

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

Fiscal Year End Measurement Period	2022	2021	2020	2019	2018
	06/30/21	06/30/20	06/30/19	06/30/18	06/30/17
<b>Total OPEB Liability</b>					
Service cost	\$ 5,637	\$ 5,473	\$ 6,784	\$ 6,570	\$ 6,431
Interest	6,777	6,046	6,965	6,156	6,633
Differences between expected and actual experience	(36,190)	-	(20,064)	-	(23,783)
Changes of assumptions	(13,059)	-	(7,065)	-	2,954
Benefit payments	-	-	-	-	-
Net change in total OPEB liability	(36,835)	11,519	(13,380)	12,726	(7,765)
Total OPEB liability - beginning	102,790	91,271	104,651	91,925	99,690
Total OPEB liability - ending (a)	65,955	102,790	91,271	104,651	91,925
<b>Plan Fiduciary Net Position</b>					
Contributions – employer	-	-	5,699	7,450	7,656
Net investment income	37,383	4,643	7,350	8,116	9,085
Benefit payments	-	-	-	-	-
Administrative expense	(51)	(64)	(25)	(55)	(47)
Other expenses	-	-	-	(136)	-
Net change in plan fiduciary net position	37,332	4,579	13,024	15,375	16,694
Plan fiduciary net position - beginning	135,959	131,380	118,356	102,981	86,287
Plan fiduciary net position - ending (b)	173,291	135,959	131,380	118,356	102,981
Net OPEB liability (asset) - ending (a) - (b)	\$ (107,336)	\$ (33,169)	\$ (40,109)	\$ (13,705)	\$ (11,056)
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	262.7%	132.3%	143.9%	113.1%	112.0%
Covered-employee payroll	\$ 332,570	\$ 360,166	\$ 278,024	\$ 269,273	\$ 250,695
Net OPEB liability (asset) as a percentage of covered-employee payroll	-32.3%	-9.2%	-14.4%	-5.1%	-4.4%

**Notes to Schedule:**

Changes in assumptions:

Mortality Improvement	The mortality improvement scale was updated from MacLeod Watts Scale 2018 to MacLeod Watts Scale 2020.
Pre-retirement mortality and disability decrements	Removed, given the small size of the active employee population and very low expectation of occurrence
Medical Trend	Assumed healthcare increases were updated from the Getzen 2019_b model to the Getzen 2021_b model, and published by the SOA.
Retiree participation rates	Decreased from 90% to 70% for active employees currently enrolled, and from 70% to 35% for active employees currently waiving District coverage, based on a review of recent and expected future retiree elections.

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	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution (ADC)	\$ -	\$ -	\$ -	\$ 5,699	\$ 7,450
Contributions in relation to the ADC	-	-	-	5,699	7,450
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 340,000	\$ 325,526	\$ 285,981	\$ 261,688	\$ 250,695
Contributions as a percentage of covered-employee payroll	0.0%	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**

**PARTNERS**

Terry P. Shea, CPA  
Scott W. Manno, CPA, CGMA  
Leena Shanbhag, CPA, MST, CGMA  
Bradferd A. Welebir, CPA, MBA, CGMA  
Jenny W. Liu, CPA, MST  
Brenda L. Odle, CPA, MST (Partner Emeritus)

*Independent Auditor's Report*

Board of Directors  
Pine Cove Water District  
Idyllwild, California

**MANAGERS / STAFF**

Gardenya Duran, CPA, CGMA  
Brianna Schultz, CPA, CGMA  
Seong-Hyea Lee, CPA, MBA  
Evelyn Morentin-Barcena, CPA  
Veronica Hernandez, CPA  
Laura Arvizu, CPA  
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John Maldonado, CPA, MSA  
Thao Le, CPA, MBA  
Julia Rodriguez Fuentes, CPA, MSA  
Demi Hite, CPA

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 14, 2022.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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.

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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  
October 14, 2022