PINE COVE WATER DISTRICT

Financial Statements
and
Independent Auditor's Report

Year ended June 30, 2023

Pine Cove Water District
Financial Statements
Year ended June 30, 2023

TABLE OF CONTENTS

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

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

Independent Auditor's Report

Board of Directors
Pine Cove Water District
Idyllwild, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pine Cove Water District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, of the District, as of June 30, 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the State Controller's *Minimum Audit Requirements for California Special Districts*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

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 25, 2023, 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 25, 2023

MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of the Pine Cove Water District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. 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 1,114 connections. The District is governed by a five-member Board of Directors that is elected at large, from the registered voters, living within the District's boundaries. The Board meets at 10:00 am on the 2nd Wednesday of each month at the District's office Board Room.

Water Supply

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

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2023 by $4,003,696 (*net position).* Accordingly, some assets are not available to meet the near-term financial requirements of the District; $2,571,349 represents the net investment in capital assets. The remainder of the net position balance was a positive unrestricted amount of $1,432,346, which is primarily due to an increase in the District's operating and non-operating revenues.
- Total assets increased by $597,460, primarily due to increases in investments and inventory.
- Total operating revenues of the District increased by $60,502, primarily due to the water rate increase and the increase in water consumption commercial customers.
- Total operating expenses of the District decreased by $126,079, primarily due to a decrease in expenses related to employees' retirement and benefits as well as in maintenance.

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 $4,003,696 at the close of the most recent fiscal year.

By far the largest portion of the District's net position, $2,571,349 reflects its net investment in capital assets (e.g., land, buildings, vehicles, wells, reservoirs, transmission mains, machinery and equipment, accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statement of Net Position

	2023	2022	Change
Assets:			
Current and other assets	$ 5,455,282	$ 4,899,830	$ 555,452
Capital assets	3,481,824	3,439,816	42,008
Total Assets	8,937,106	8,339,646	597,460
Deferred Outflows of Resources	366,738	178,432	188,306
Liabilities:			
Current Liabilities	156,006	107,711	48,295
Non-Current Liabilities	1,652,994	692,918	960,076
Total Liabilities	1,809,000	800,629	1,008,371
Deferred Inflows of Resources	3,491,148	4,085,187	(594,039)
Net Position			
Net investment in capital assets	2,571,349	3,188,965	(617,616)
Unrestricted	1,432,347	443,297	989,050
Total Net Position	$ 4,003,696	$ 3,632,262	$ 371,434

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

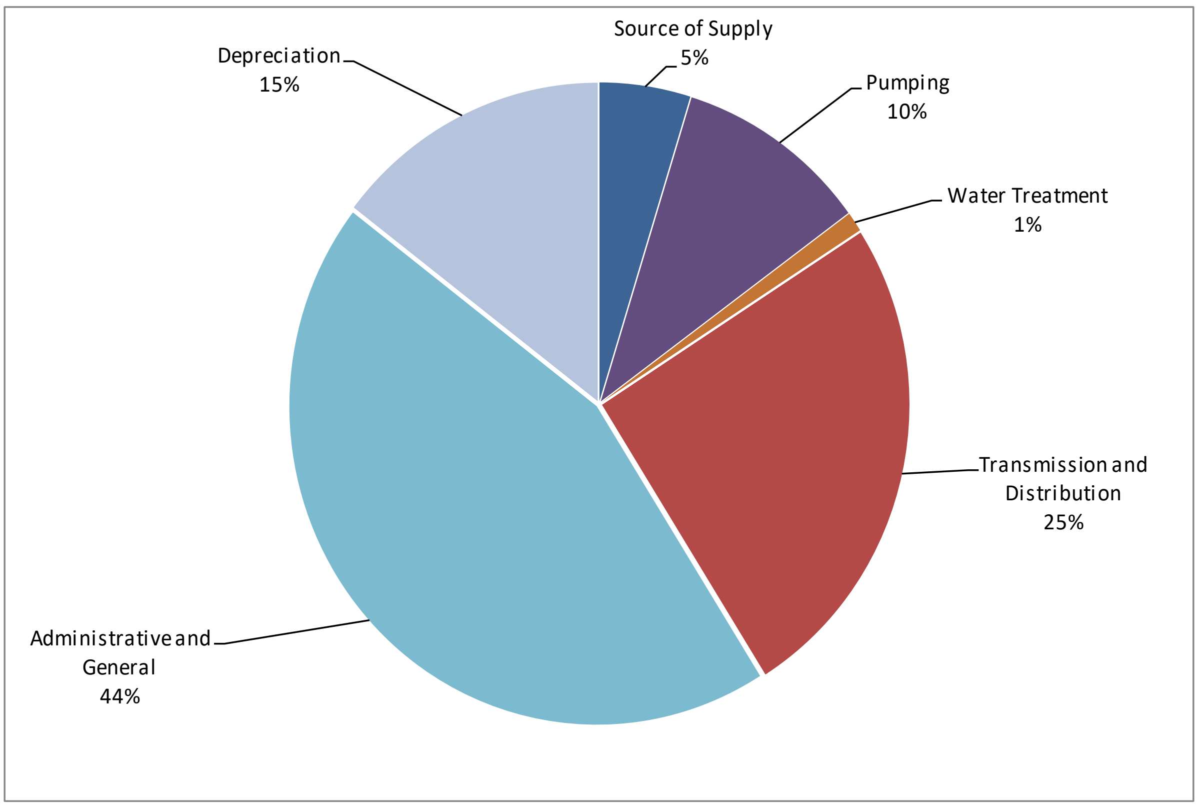
	2023	2022	Change
Operating Revenues	$ 867,173	$ 806,671	$ 60,502
Operating Expenses	1,103,495	1,229,574	(126,079)
Non-Operating Revenues (Expenses)	607,756	540,662	67,094
Change in Net Position	371,434	117,759	253,675
Net Position, Beginning of Year	3,632,262	3,514,503	117,759
Net Position, End of Year	$ 4,003,696	$ 3,632,262	$ 371,434

There was a significant change to operating revenue at the end of the current fiscal year. Operating revenues increased by $60,502 or 7.50 percent compared to the prior year. The District's operating revenues are from water sales and services to its residents.

Operating expenses decreased by $126,079 or 10.30 percent compared to the prior year, primarily due to a decrease in expenses related to employees' retirement and benefits as well as in maintenance.

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 44%, 25%, and 15%, respectively. The magnitude of these three expense categories demonstrates that the delivery of water to customers is a labor- and capital-intensive enterprise.



Capital Assets and Long-term Liability Administration

The District's net investment in capital assets totals $2,571,349 (net of accumulated depreciation), as of June 30, 2023. This investment in capital assets includes land, other physical property, construction in progress, wells, pumping plants, water treatment plants, transmission and distribution plants and other plant-related items. The increase in the District's investment in capital assets for the current fiscal year was the result of routine depreciation expenses and the District taking on new debt to fund smart meters for its customers.

The District purchased 1,100 new smart meters for its customers and began installations during the 2023 fiscal year. Costs related to the project that were previously carried in inventory totaling $132,183 were allocated to transmission and distribution plant assets. The District also purchased a new vehicle at a cost of $60,000 to carry out its services. Additional information on the District's capital assets can be found in Note 4 of this report.

At June 30, 2023 and 2022, the District had the following outstanding long-term liabilities:

	2023	2022	Change
Loans payable	$ 910,475	$ 250,851	$ 659,624
Compensated absences	17,346	11,982	5,364
Net pension liability	783,733	435,494	348,239
Total long-term liabilities	$ 1,711,554	$ 698,327	$ 1,013,227

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, 2023. Effective February 2023, the monthly minimum charge for the District was increased by $1.50 per month bringing the monthly minimum charge to $40.00.

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.

The remainder of this page intentionally left blank.

BASIC FINANCIAL STATEMENTS

Pine Cove Water District
Statement of Net Position
June 30, 2023

ASSETS		
Current Assets:		
Cash (Note 3)	$	55,060
Imprest cash		299
Investments (Note 3)		864,381
Interest receivable		39,690
Accounts receivable - water sales		103,384
Deposits		1,844
Lease receivable - current portion (Note 7)		153,674
Unbilled revenue		23,804
Due from other governmental agencies		11,694
Inventories of materials and supplies		724,136
Total Current Assets		1,977,966
Noncurrent Assets:		
Net OPEB asset		73,898
Lease receivable (Note 7)		3,403,418
Capital assets not being depreciated (Note 4):		
Land		357,178
Other physical property		271,312
Construction in progress		10,790
Capital assets, net of accumulated depreciation (Note 4)		2,842,544
Total Noncurrent Assets		6,959,140
TOTAL ASSETS		8,937,106
DEFERRED OUTFLOWS OF RESOURCES		
Pension related (Note 8)		354,112
OPEB related (Note 9)		12,626
Total Deferred Outflows of Resources		366,738

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

LIABILITIES	
Current Liabilities:	
Unearned revenue	$ 97,446
Loans payable - current portion	58,560
Total Current Liabilities	156,006
Noncurrent Liabilities:	
Loans payable - long-term portion (Note 6)	851,915
Compensated absences payable (Note 5)	17,346
Net pension liability (Note 8)	783,733
Total Noncurrent Liabilities	1,652,994
TOTAL LIABILITIES	1,809,000
DEFERRED INFLOWS OF RESOURCES	
Pension related (Note 8)	76,548
OPEB related (Note 9)	59,323
Lease related (Note 7)	3,355,277
Total Deferred Inflows	3,491,148
NET POSITION	
Net investment in capital assets	2,571,349
Unrestricted	1,432,347
TOTAL NET POSITION	$ 4,003,696

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, 2023

OPERATING REVENUES	
Water sales:	
Residential	$ 752,177
Business	53,888
Meters and connections	31,695
Water services:	
Other	29,413
Total Operating Revenues	867,173
OPERATING EXPENSES	
Source of supply:	
Supervision, labor and expenses	52,671
Pumping:	
Supervision, labor and expenses	48,082
Power purchased for pumping	63,829
Water treatment:	
Supervision, labor and expenses	10,985
Transmission and distribution:	
Supervision, labor and expenses	277,750
Administrative and general:	
Salaries	114,785
Office supplies and other expenses	39,724
Office utilities	8,045
Property insurance, injuries, and damages	57,117
Employees' retirement and benefits	84,295
Maintenance, general plant - auto	15,948
Maintenance, general plant - other	69,400
Professional services	99,899
Other operating:	
Depreciation	160,965
Total Operating Expenses	1,103,495
Operating Loss	(236,322)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	102,049
Taxes and assessments	230,166
Franchise and lease revenue	253,539
Miscellaneous income	35,879
Interest on long-term debt	(6,831)
Miscellaneous expenses	(7,046)
Total Non-Operating Revenues (Expenses)	607,756
CHANGE IN NET POSITION	371,434
BEGINNING NET POSITION	3,632,262
ENDING NET POSITION	$ 4,003,696

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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	814,383
Cash payments to suppliers for goods/services		(826,994)
Cash payments to employees for services		(745,213)
Other operating revenues		29,413
Net Cash Used for Operating Activities		(728,411)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes and assessments		226,825
Franchise and lease payments		151,740
Non-operating revenues		35,879
Non-operating expenses		(7,046)
Net Cash Provided by Noncapital Financing Activities		407,398
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets		(202,973)
Proceeds from debt issuance		665,033
Principal payments on debt		(5,409)
Interest paid		(6,831)
Net Cash Provided by Capital and Related Financing Activities		449,820
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments		97,074
Net Cash Provided by Investing Activities		97,074
Net Increase in Cash and Cash Equivalents		225,881
Cash and Cash Equivalents - Beginning of Year		693,859
Cash and Cash Equivalents - End of Year	$	919,740
Cash and Cash Equivalents - End of Year Includes:		
Cash	$	55,060
Imprest cash		299
Investments		864,381
Totals	$	919,740

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

RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Operating Loss	$	(236,322)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation		160,965
Change in assets and liabilities:		
Increase in accounts receivable - water sales		(24,274)
Decrease in unbilled revenue		2,741
Increase in deposits from customers		(1,844)
Increase in net OPEB asset		33,438
Increase in inventories of materials and supplies		(465,740)
Increase in deferred outflows of resources		(188,306)
Decrease in accounts payable and accrued expenses		(7,292)
Increase in compensated absences payable		5,364
Increase in net pension liability		348,239
Decrease in deferred inflows of resources		(355,380)
Net Cash Used for Operating Activities	$	(728,411)

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

Note 1 – Summary of Significant Accounting Policies

Description of the Reporting Entity

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

District officers are as follows:

Name	Title	Term Expires
Robert Hewitt	Board President	December 3, 2022
Diana Eskew	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, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

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, 2022
Measurement Period	July 1, 2021 to June 30, 2022

Note 2 – Property Tax Calendar

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

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

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

Note 3 – Cash and Investments

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

Statement of Net Position:	
Cash in demand account	$ 55,060
Cash on hand	299
Investments	864,381
Total Cash and Investments	$ 919,740

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

Cash on hand	$ 55,359
Investments	864,381
Total Cash and Investments	$ 919,740

Investments Authorized by the District's Investment Policy

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

Note 3 – Cash and Investments, (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

	Fair Value	Maturity Date
LAIF Investment Pool	$864,381	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, 2023, none of the District's deposits with financial institutions were in excess of federal depository insurance limits.

Note 3 – Cash and Investments, (continued)

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. 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 $2,660.770 million. LAIF's (and the District's) exposure to risk (credit, market or legal) is not currently available.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

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

Note 4 – Capital Assets

Activities relating to Capital Assets for the year ended June 30, 2023 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	-	10,790	-	10,790
Total capital assets, not being depreciated	628,490	10,790	-	639,280
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	2,575,507	132,183	-	2,707,690
General plant	1,990,902	60,000	-	2,050,902
Total capital assets, being depreciated	5,738,480	192,183	-	5,930,663
Less accumulated depreciation for:				
Source of supply plant wells	421,151	14,045	-	435,196
Pumping plant	232,975	6,521	-	239,496
Water treatment plant	178,210	13,601	-	191,811
Transmission and distribution plant	1,445,872	65,647	-	1,511,519
General plant	648,946	61,151	-	710,097
Total accumulated depreciation	2,927,154	160,965	-	3,088,119
Total capital assets, being depreciated, net	2,811,326	31,218	-	2,842,544
Total capital assets, net of depreciation	$ 3,439,816	$ 42,008	$ -	$ 3,481,824

Depreciation expense for the year ended June 30, 2023 was $160,965.

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, 2023. The change in compensated absences payable for the year ended June 30, 2023, was as follows.

Description	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
Compensated Absences Payable	$ 11,982	$ 29,053	$ (23,689)	$ 17,346

Note 6 – Long-Term Debt

Activities relating to Long-Term Debt for the year ended June 30, 2023, are presented as follows:

Description	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year	Due Within One Year
Loan Payable - USDA Loan	$ 250,851	$ -	$ 5,409	$ 245,442	$ 5,560
Loan Payable - Smart Meters	-	665,033	-	665,033	53,000
Total	$ 250,851	$ 665,033	$ 5,409	$ 910,475	$ 58,560

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
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	6,206	6,034	12,240
2029 - 2033	33,720	27,480	61,200
2034 - 2038	38,684	22,516	61,200
2039 - 2043	44,379	16,821	61,200
2044 - 2048	50,913	10,287	61,200
2049 - 2053	48,353	2,892	51,245
Total	$ 245,442	$ 111,803	$ 357,245

Note 6 – Long-Term Debt, (continued)

Government Capital Lease Purchase Agreement

On March 2, 2023, the District entered into a lease-purchase agreement with Government Capital Corporation in the amount of $665,033 with a fixed interest rate of 4.949%, annual payments of principal and interest of $85,910 beginning March 2, 2024. The purpose of this loan is to provide for the purchase of new smart meters for the District's customers. In the event of default, the lessor may take action to collect any amounts due and/or repossess the property. Future payment requirements are as follows:

Loan Payable - Smart Meters			
June 30,	Principal	Interest	Total
2024	$ 53,000	$ 32,910	$ 85,910
2025	55,623	30,287	85,910
2026	58,375	27,535	85,910
2027	61,264	24,646	85,910
2028	64,296	21,614	85,910
2029 - 2033	372,475	57,076	429,551
Total	$ 665,033	$ 194,068	$ 859,101

Note 7 – Leases Receivable

The District has entered into leases (as the lessor) for various properties associated with communications facilities and cell towers as well as the Pine Cove Temporary Fire Station. The lease terms range from 36 to 346 months. Monthly fixed payments range from $1,654 to $29,414 with interest rates ranging from 0.845% to 2.721%. Certain lessees have extension options of 60 months. For each lease, the land estimated useful life was 0 months as of the contract commencement.

During the year ended June 30, 2023, the District recognized $238,659 in lease revenue.

Future payment requirements are as follows:

Fiscal Year	Principal	Interest	Total
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	144,384	72,658	217,042
2029 - 2033	891,788	308,472	1,200,260
2034 - 2038	786,288	208,609	994,896
2039 - 2043	529,604	119,010	648,614
2044 - 2048	503,137	59,060	562,197
2049 - 2050	121,233	3,284	124,516

Note 7 – Leases Receivable, (continued)

Activity related to deferred inflows and lease receivable balances during the year is as follows:

Deferred Inflow of Resources	Balance as of July 1, 2022	Additions	Reductions	Balance as of June 30, 2023
Communication Facility - AT&T	$ 876,143	$ -	$ 32,054	$ 844,089
Pine Cove Temporary Fire Station	27,244	-	13,622	13,622
CHARTER - TIME WARNER CABLE	556,194	-	46,349	509,844
Communication Facility - Comtronix	40,592	-	20,296	20,296
Communication Facility - HUSD	75,093	-	14,772	60,321
Communication Facility - Verizon	453,727	-	26,821	426,905
Communication Facility - RUSD	751,427	-	42,334	709,093
Communication Facility - SCE Marion Ridge	233,804	-	21,582	212,222
Communications Site Lease - T-Mobile	579,713	-	20,828	558,885
Total Deferred Inflow of Resources	$ 3,593,936	$ -	$ 238,659	$ 3,355,277

Lease Receivable	Balance as of July 1, 2022	Additions	Reductions	Balance as of June 30, 2023
Communication Facility - AT&T	$ 886,956	$ -	$ 6,497	$ 880,460
Pine Cove Temporary Fire Station	27,359	-	13,621	13,737
CHARTER - TIME WARNER CABLE	571,861	-	32,367	539,494
Communication Facility - Comtronix	41,436	-	12,018	29,418
Communication Facility - HUSD	75,927	-	13,586	62,341
Communication Facility - Verizon	480,548	-	15,070	465,478
Communication Facility - RUSD	773,917	-	20,192	753,725
Communication Facility - SCE Marion Ridge	239,125	-	16,783	222,341
Communications Site Lease - T-Mobile	594,387	-	4,289	590,098
Total Land Lease Receivable	$ 3,691,516	$ -	$ 134,424	$ 3,557,092

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

General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at www.calpers.ca.gov.

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

General Information about the Pension Plan, (continued)

Benefits Provided

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

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

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

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7 % @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employer contribution rates	14.03%	7.47%

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.

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

General Information about the Pension Plan, (continued)

Employer Contributions to the Plan for the fiscal year ended June 30, 2023 were $97,142. The actual employer payments of $107,061 made to CalPERS by the District during the measurement period ended June 30, 2022 differed from the District's proportionate share of the employer's contributions of $98,648, by $8,413, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

Net Pension Liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 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

The collective total pension liability for the June 30, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Acturial Cost Method
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table [(1)]	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

[(1)] The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

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)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

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

Asset Class	Assumed Asset Allocation	Real Return[1,2]
Global equity - cap-weighted	30.00%	4.54%
Global equity - non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

[1] An expected inflation of 2.30% used for this period.

[2] Figures are based on the 2021 Asset Liability Management study.

Changes of Assumptions

Effective with the June 30, 2021, valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

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

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. 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.

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

Proportionate Share of Net Pension Liability

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

	Increase (Decrease)		
	Plan Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Plan Net Pension Liability (c) = (a) - (b)**
Balance at: 6/30/2021 (VD)	$ 2,565,451	$ 2,129,957	$ 435,494
Balance at: 6/30/2022 (MD)	2,685,527	1,901,794	783,733
Net Changes during 2021-22	$ 120,076	$ (228,163)	$ 348,239

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. The District's proportionate share of the net pension liability for the Miscellaneous Plan as of the June 30, 2021 and 2022 measurement dates was as follows:

Proportionate Share - June 30, 2022	0.02294%
Proportionate Share - June 30, 2023	0.01675%
Change - Increase (Decrease)	-0.00619%

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 6.90 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 (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

	Discount Rate - 1% (5.90%)	**Current Discount Rate (6.90%)**	**Discount Rate + 1% (7.90%)**
Plan's Net Pension Liability	$ 1,149,819	$ 783,733	$ 482,535

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, 2022 is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of the active employees) by 153,587 (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, 2021), the District's net pension liability was \$435,494. For the measurement period ending June 30, 2022 (the measurement date), the District incurred pension income of \$54,561.

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, 2023, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 15,739	$ (10,541)
Changes of assumptions	80,310	-
Differences between projected and actual investment earnings	143,559	-
Change in employer's proportion	-	(66,007)
Differences between employer's contributions and proportionate share of contributions	17,362	-
Pension contributions made subsequent to measurement date	97,142	-
Total	$ 354,112	$ (76,548)

These amounts above are net of outflows and inflows recognized in the 2021-2022 measurement period income/expense. Contributions subsequent to the measurement date of $97,142 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources
2024	$ 42,513
2025	33,330
2026	16,773
2027	87,806

Payable to the Pension Plan

At June 30, 2023, the District reported a payable of $-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

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, 2022 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	1
Total	5

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, 2022 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, 2022, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Contribution Policy	District contributes full ADC
Discount Rate	6.20%
General Inflation	2.50%
Mortality, Retirement, Disability, Termination	2017 CalPERS Experience Study; Improvement using MacLeod Watts Scale 2018
Salary increases	3.00%
Medical Trend	5.60% in 2023, 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 6.20% 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 trust rate of return and discount rate decreased from 6.25% to 6.20%, reflecting updated long-term rates of return provided by CalPERS in March 2022 as applied to the District's projected annual retiree benefit payouts.

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

Changes in the OPEB Liability/(Asset)

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

	(a) Total OPEB Liability	(b) Plan Fiduciary Net Position	(a) - (b) = (c) Net OPEB Liability/(Asset)
Balance at June 30, 2022 (6/30/21 measurement date)	$ 65,955	$ 173,291	$ (107,336)
Changes recognized for the measurement period:			
Service cost	5,126	-	5,126
Interest	4,443	-	4,443
Expected investment income	-	10,829	(10,829)
Administrative expense	-	(44)	44
Investment experience	-	(34,028)	34,028
Change in discount rate	626	-	626
Net changes	10,195	(23,243)	33,438
Balance at June 30, 2023 (6/30/22 measurement date)	$ 76,150	$ 150,048	$ (73,898)

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, 2022:

	1% Decrease (5.20%)	**Current Discount Rate (6.20%)**	**1% Increase (7.20%)**
Net OPEB Liability (Asset)	$ (59,931)	$ (73,898)	$ (85,317)

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, 2022:

	1% Decrease	**Current Healthcare Cost Trend Rates**	**1% Increase**
Net OPEB Liability (Asset)	$ (87,693)	$ (73,898)	$ (56,295)

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

OPEB Plan Fiduciary Net Position

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

Recognition of Deferred Outflows and Deferred Inflows of Resources

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

Liability changes due to plan experience which differs from what was assumed in the prior year and/or from assumption changes during the year are recognized over the plan's EARSL. The EARSL period is 10.58 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, 2023, the District recognized OPEB income of $10,305. As of fiscal year ended June 30, 2023, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 1,265	$ 14,180
Differences between expected and actual experience	-	45,143
Net difference between projected and actual earnings on OPEB plan investments	11,361	-
Total	$ 12,626	$ 59,323

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

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

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

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2024	$ (8,800)
2025	(8,441)
2026	(6,906)
2027	(1,129)
2028	(5,029)
Thereafter	(16,392)

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, 2023, the District paid $1,127 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, 2023, there were no such liabilities to be reported.

REQUIRED SUPPLEMENTARY INFORMATION

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

Measurement Date	Employer's Proportion of the Collective Net Pension Liability[1]	Employer's Proportionate Share of the Collective Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Covered Payroll	Pension's Plans Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2014	0.00667%	$ 415,223	$ 238,383	174%	78%
6/30/2015	0.00716%	491,160	206,680	238%	75%
6/30/2016	0.00669%	579,154	217,508	266%	70%
6/30/2017	0.00660%	654,374	237,267	276%	70%
6/30/2018	0.00655%	631,555	250,695	252%	72%
6/30/2019	0.00654%	669,971	261,688	256%	71%
6/30/2020	0.00647%	703,966	285,981	246%	71%
6/30/2021	0.00805%	435,494	325,526	134%	83%
6/30/2022	0.00678%	783,733	330,991	237%	71%

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

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

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

Fiscal Year	Contractually Determined Contributions	Contributions in Relation to the Contractually Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2014-15	$ 53,988	$ (53,988)	$ -	$ 206,680	26.12%
2015-16	57,273	(57,273)	-	217,508	26.33%
2016-17	63,180	(63,180)	-	237,267	26.63%
2017-18	68,871	(68,871)	-	250,695	27.47%
2018-19	78,383	(78,383)	-	261,688	29.95%
2019-20	89,950	(89,950)	-	285,981	31.45%
2020-21	102,502	(102,502)	-	325,526	31.49%
2021-22	107,061	(107,061)	-	330,991	32.35%
2022-23	97,142	(97,142)	-	374,674	25.93%

* 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, 2021 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial 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.

dNotes to Schedule:

Changes in assumptions:

Trust rate of return and discount rate	Decreased from 6.25% to 6.20%, reflecting updated long-term rates of return provided by CalPERS in March 2022 as applied to the District's projected annual retiree benefit payouts.

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	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	$ -	$ -	$ -	$ -	$ 5,699	$ 7,450
Contributions in relation to the ADC	-	-	-	-	5,699	7,450
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 392,397	$ 367,323	$ 373,654	$ 360,166	$ 278,024	$ 269,273
Contributions as a percentage of covered-employee payroll	0.0%	0.0%	0.0%	0.0%	2.1%	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.

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

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

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

Independent Auditor's Report

Board of Directors
Pine Cove Water District
Idyllwild, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pine Cove Water District (the District), as of and for the year ended June 30, 2023, 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 25, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on 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 25, 2023