



**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2022**

Idyllwild Water District

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Idyllwild Water District

List of Principal Officers as of June 30, 2022

BOARD OF DIRECTORS

| <u>Title</u> | <u>Name</u> |
|----------------|-----------------|
| President | Charles Schelly |
| Vice-President | Peter Szabadi |
| Director | Les Gin |
| Director | Steve Olson |
| Director | Steve Kunkle |

ADMINISTRATION

| | |
|-------------------------|---------------|
| General Manager | Leo Havener |
| Chief Financial Officer | Hosny Shouman |

ORGANIZATION

The Idyllwild Water District was formed on March 21, 1955 for the purpose of providing a domestic water supply to the community of Idyllwild, California under Section 30000 of the California Water Code. Improvement District No. 1 was established by Board action on March 10, 1966 to provide wastewater services within the community.



Independent Auditor's Report

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Board of Directors
Idyllwild Water District
Idyllwild, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Idyllwild 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, the financial position 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 and the State Controller's *Minimum Audit Requirements for California Special Districts*.

Basis for Opinion

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

PARTNERS

- Terry P. Shea, CPA
- Scott W. Marino, CPA, CGMA
- Leena Shanbhag, CPA, MST, CGMA
- Bradford A. Weljor, CPA, MBA, CGMA
- Jenny W. Liu, CPA, MST
- Brenda L. Oate, CPA, MST, Partner Emerita

MANAGERS STAFF

- Gardenia Duran, CPA, CGMA
- Bronni Schultz, CPA, CGMA
- Seong-Hyeon Lee, CPA, MBA
- Evelyn Moreno-Borboa, CPA
- Veronica Hernandez, CPA
- Laura Arizola, CPA
- Xinlu Zoe Zhang, CPA, MSA
- John Macabrido, CPA, MSA
- Julia Rodriguez Fuentes, CPA, MSA
- Demi Hise, CPA
- Jettrey McElreath, CPA

MEMBERS

- American Institute of Certified Public Accountants
 - PCPA Tax and CPA Attorney for CPA Firms
 - Governmental Audit Quality Center
 - Employee Benefit Plan Audit Quality Center
- California Society of Certified Public Accountants



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 and OPEB schedules 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 reports dated December 27, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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
December 27, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

The intent of the management's discussion and analysis is to provide highlights of the Idyllwild Water District's (the District) operational and financial activities for the fiscal year ended June 30, 2022. Readers are encouraged to review this section in conjunction with the accompanying financial statements and notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District operates under California Irrigation District Law as a utility enterprise. As such, the District presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting, similar to methods used by private sector companies. These financial statements are designed to provide readers with a broad overview of the finances and also present changes in cash balances, and information about both short-term and long-term activities of the District. There are three required components to these statements: the Management's Discussion and Analysis (MD&A), the financial statements, and the notes to the financial statements. As an enterprise fund, the District's financial statements include four components:

- 1) **Statement of Net Position** presents information on all of the District's assets, liabilities, and deferred inflows/outflows with the difference between the two reported as net position. The statement of net position provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net position is displayed in three categories: net investment in capital assets, restricted, and unrestricted.
- 2) **Statement of Revenues, Expenses, and Changes in Net Position** presents information which show how the District's net position changed during the year. All of the current year's revenues and expenses are recorded on an accrual basis, meaning when the underlying transaction occurs, regardless of the timing of the related cash flows. These statements measure the success of the District's operations over the past year and determine whether the District has recovered its costs through water sales, user fees, and other charges.
- 3) **Statement of Cash Flows** provides information regarding the District's cash receipts and cash disbursements during the year. These statements report cash activity in four categories: operating, noncapital financing, capital and related financing, and investing. This statement differs from the statement of revenues, expenses, and changes in net position in that it accounts only for transactions that result from cash receipts and cash disbursements. As in the past, the statement of cash flows continues to reconcile the reasons why cash from operating activities differ from operating income.
- 4) **Notes to the Basic Financial Statements** provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements. The notes are located immediately following the financial statements.

THE DISTRICT'S OPERATIONS - AN OVERVIEW

The District operates under the authority of Section 30000, Division 12 of the California Water Code and engages in water and wastewater activities, which are classified, as "proprietary". These activities are accounted for much like that of a private business using the full accrual method of accounting for financial transactions. Major activities include production and treatment of groundwater; sale and delivery of water to domestic and commercial accounts; and collection, treatment, and disposal of wastewater. The District also owns a small fleet of vehicles and other rolling stock to support the various operating activities for water and wastewater.

FINANCIAL HIGHLIGHTS

WATER SALES:

Water sales increased for the year by \$148,949 or 9.9% from the prior year's amount and ended the year at \$1,650,231. This is attributed to a changing rates for residential and commercial. Total cubic feet sold for the fiscal year was 10,177,110. The District is in Stage Two for water conservation.

WASTEWATER SALES:

Wastewater service charges increased by \$15,400 or 2.2% from the prior year and ended the year at \$703,357. The equivalent dwelling units is the same as the prior year at 1,398.0 EDU. There were no new residential or commercial connections added during the year.

CAPITAL ASSETS:

During the year, the water fund capital assets being depreciated increased by \$978,617. Overall, capital assets in the water fund increased by \$716,101, primarily due to a combination of depreciation expense of \$272,861 and additions of \$753,699 in transmission and distribution.

The water fund had the following major additions (no current year deletions):

Additions:

| | |
|-------------------------|-----------|
| • Board room upgrade | \$112,749 |
| • New meter replacement | \$538,200 |
| • South Ridge tank | \$215,500 |

During the year, the capital assets of the wastewater fund increased by \$31,751. The changes were primarily related to depreciation expense of \$112,984 and an addition in construction in progress of \$144,735.

INVESTMENT INCOME:

This past year investment income experienced a decrease in earned percentages from the prior year. There are conservative investment policy restrictions on types of investments such as treasury bills, certificates of deposits, savings, money market funds, and local agency investment funds (state and local). Total investment loss for the water and wastewater funds was a combined \$24,369.

PROPERTY TAXES:

This past year property tax revenues experienced an increase in revenues from the previous year of \$26,464, or 5.2%. Total property tax revenues for the year ended was \$532,479.

DISTRICT OPERATIONS:

Combined operating expenses, excluding depreciation expense of \$385,845 totaled \$1,938,635 which represents a decrease of \$134,915 or an decrease of 6.16% from the prior year. Decreases occurred in the following expense categories: General Plant Expenses, Wages, and Legal Expense.

DEPRECIATION EXPENSE:

The water fund's depreciation expense was \$272,861 and the wastewater fund's was \$112,984 for a total of \$385,845, an increase of \$2,697 or 0.70% from the prior year. The allocation of depreciation expense between the water and wastewater fund changed in the current year and will be applied prospectively.

**Idyllwild Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

TOTAL REVENUES:

Combined revenues for the year totaled \$2,989,968 compared to the prior year of \$2,794,932, an increase of \$195,033 or 7.0%. The increase is primarily due to increase in water sales and increase in wastewater services. The following table presents a comparison of revenues by category for the two years of 2020/2021 and 2021/2022:

**COMBINED REVENUES BY CATEGORY
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2022**

| <i>Revenue category</i> | 2020/2021 | | 2021/2022 | | Change | |
|-------------------------|---------------------|-------------|---------------------|-------------|-------------------|-------------|
| | Amount | % of total | Amount | % of total | Amount | % |
| Water sales | \$ 1,501,282 | 53.71% | \$ 1,650,231 | 55.19% | \$ 148,949 | 9.9% |
| Wastewater services | 687,957 | 24.61% | 703,357 | 23.52% | 15,400 | 2.2% |
| Service fees and other | 14,207 | 0.51% | 13,168 | 0.44% | (1,039) | -7.3% |
| Investment income | 16,357 | 0.59% | (24,369) | -0.82% | (40,726) | -249.0% |
| Property taxes - 1% | 506,015 | 18.10% | 532,479 | 17.81% | 26,464 | 5.2% |
| Standby charge | 26,000 | 0.93% | 23,339 | 0.78% | (2,661) | -10.2% |
| Capacity fee | 43,114 | 1.54% | 58,790 | 1.98% | 15,676 | 36.4% |
| Other income | - | 0.00% | 32,970 | 1.10% | 32,970 | 100.0% |
| Total revenues | <u>\$ 2,794,932</u> | <u>100%</u> | <u>\$ 2,989,965</u> | <u>100%</u> | <u>\$ 195,033</u> | <u>7.0%</u> |

TOTAL EXPENSES:

Combined expenses for the year totaled \$2,325,387 compared to a prior year of \$2,261,590, an increase of \$63,797 or 2.8%, which includes total operating expenses of \$2,324,480 (excluding other operating, non-operating and interest) compared to the prior year of \$2,189,565. The primary reason for this increase in the operating and general administration expenses and engineering studies compared with the previous year.

**COMBINED EXPENSES BY CATEGORY
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2022**

| <i>Expense category</i> | 2020/2021 | | 2021/2022 | | Change | |
|-------------------------|---------------------|---------------|---------------------|---------------|------------------|-------------|
| | Amount | % of total | Amount | % of total | Amount | % |
| Water operations | \$ 672,956 | 29.8% | \$ 676,423 | 29.1% | \$ 3,467 | 0.5% |
| Wastewater operations | 241,622 | 10.7% | 294,371 | 12.7% | 52,749 | 21.8% |
| General and admin | 877,639 | 38.8% | 955,642 | 41.1% | 78,003 | 8.9% |
| Other operating | 397,348 | 17.6% | 398,044 | 17.1% | 696 | 0.2% |
| Other non-operating | 72,025 | 3.2% | 907 | 0.0% | (71,118) | -98.7% |
| Total expenses | <u>\$ 2,261,590</u> | <u>100.0%</u> | <u>\$ 2,325,387</u> | <u>100.0%</u> | <u>\$ 63,797</u> | <u>2.8%</u> |

**Idyllwild Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

STATEMENT OF NET POSITION:

The District's net position increased by \$664,578 or 6.2%, due to current operations. The District ended the year with \$11,352,497 in total net position. Following is a summary table of statement of net position comparing the changes from fiscal year 2020/2021 and 2021/2022:

STATEMENT OF NET POSITION:

| | 2020/2021 | 2021/2022 | Change | |
|----------------------------------|---------------|---------------|-------------|--------|
| | | | Amount | % |
| Assets: | | | | |
| Current | \$ 5,860,830 | \$ 5,818,765 | \$ (42,065) | -0.7% |
| Non-current: capital | 6,584,781 | 7,332,634 | 747,853 | 11.4% |
| Total assets | 12,445,611 | 13,151,399 | 705,788 | 5.7% |
| Deferred outflow of resources | | | | |
| OPEB related | 106,962 | 122,295 | 15,333 | 14.3% |
| Liabilities: | | | | |
| Current | 150,749 | 133,529 | (17,220) | -11.4% |
| Other non-current | 1,505,511 | 1,409,572 | (95,939) | -6.4% |
| Total liabilities | 1,656,260 | 1,543,101 | (113,159) | -6.8% |
| Deferred inflow of resources | | | | |
| OPEB related | 208,394 | 378,096 | 169,702 | 81.4% |
| Net position: | | | | |
| Net investment in capital assets | 6,584,781 | 7,332,634 | 747,853 | 11.4% |
| Unrestricted | 4,103,138 | 4,019,863 | (83,275) | -2.0% |
| Total net position | \$ 10,687,919 | \$ 11,352,497 | \$ 664,578 | 6.2% |

CHANGES IN FINANCIAL CONDITION OF THE DISTRICT:

The following provides explanations for some of the changes between fiscal years, as reflected in the above balance sheet data:

CURRENT ASSETS:

Current assets decreased by \$42,065 or -0.72% from the prior year. This is due primarily from the decrease in cash of \$41,109. Service receivables decreased by \$9,287 or 13.35% and property tax receivable increased by \$247 or 1.18%. In addition, interest receivable and inventories increased by \$2,870 and \$6,041, respectively.

CURRENT LIABILITIES:

Current liabilities decreased by \$17,220 due primarily to accounts payable, payroll liabilities and compensated absences balances.

LONG-TERM DEBT OUTSTANDING:

The District currently has no long-term debt outstanding.

**Idyllwild Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

TOTAL OPEB LIABILITY:

The District had an actuarial firm perform calculation of the total OPEB liability for the "Retiree's Health Benefit Plan" in accordance with GASB Statement 75. A net decrease in the total OPEB liability was recorded in the current fiscal year in the amount of \$117,278. See note 9 for more information.

CAPITAL ASSETS:

The District reported total capital assets of \$7,332,634, net of accumulated depreciation, at the end of the fiscal year compared to \$6,584,782 in fiscal year 2021, an increase of \$747,852 or 11.4%. See note 4 for more information. The following is a table comparing the change in capital assets between the two fiscal years:

**CAPITAL ASSETS
AS OF JUNE 30, 2021 AND 2022**

| | 2020/2021 | 2021/2022 | Change | |
|--------------------------------------|---------------------|---------------------|-------------------|--------------|
| | | | Amount | % |
| Construction in progress | \$ 17,138 | \$ 172,218 | \$ 155,080 | 904.9% |
| Land and land improvements | 606,101 | 606,101 | - | 0.0% |
| Source of supply | 1,392,503 | 1,395,506 | 3,003 | 0.2% |
| Pumping plant | 97,161 | 97,161 | - | 0.0% |
| Treatment plant | 872,162 | 872,162 | - | 0.0% |
| Transmission and distribution | 7,150,904 | 7,904,603 | 753,699 | 10.5% |
| General plant | 1,465,742 | 1,687,657 | 221,915 | 15.1% |
| Subsurface lines | 1,389,330 | 1,389,330 | - | 0.0% |
| Wastewater treatment facilities | 1,121,335 | 1,121,335 | - | 0.0% |
| Wastewater disposal facilities | 413,024 | 413,024 | - | 0.0% |
| Total capital assets | 14,525,400 | 15,659,097 | 1,133,697 | 7.8% |
| Less accumulated depreciation | (7,940,618) | (8,326,463) | (385,845) | 4.9% |
| Net capital assets, net | \$ 6,584,782 | \$ 7,332,634 | \$ 747,852 | 11.4% |

**Idyllwild Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

DISTRICT REVENUES AND EXPENSES ACTUAL VS. BUDGET:

The table below compares actual revenues and expenses of the District to budgeted and/or projected amounts used by the District to monitor performance during the fiscal year.

**ACTUAL VERSUS BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

| <u>Revenues</u> | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> |
|---------------------------------------|-------------------|-------------------|------------------|
| Water base fees and revenue | \$ 1,663,249 | \$ 1,509,871 | \$ 153,378 |
| Wastewater base fees and revenue | 703,507 | 714,796 | (11,289) |
| Interest and other revenues | 67,391 | 96,300 | (28,909) |
| Property taxes - 1% and standby fees | 555,818 | 468,289 | 87,529 |
| Total revenues | 2,989,965 | 2,789,256 | 200,709 |
| <u>Expenses</u> | | | |
| Water operations (including G&A) | 1,488,682 | 1,608,619 | 119,937 |
| Wastewater operations (including G&A) | 449,953 | 601,309 | 151,356 |
| Depreciation | 385,845 | - | (385,845) |
| Other expense | 907 | (1,200) | (2,107) |
| Total expenses | 2,325,387 | 2,208,728 | (116,659) |
| Change in net position | \$ 664,578 | \$ 580,528 | \$ 84,050 |

The District's capital budget was \$1,146,500. The District incurred capital costs of \$1,133,697 during the year.

UPCOMING EVENTS:

The District is currently working on a Pipeline Replacement Project for Strawberry creek diversion.

The District is working on updating its Water Service Policies and Procedures and Employees Policies and Procedures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT:

This management's discussion and analysis section is designed to provide Idyllwild Water District elected officials, our customers, and creditors with a general overview of the District's financial activities for fiscal year 2022 for public monies it receives and expends. If you have any questions regarding this section or require additional financial information, please contact the District, at 25945 CA-243, Idyllwild, California, 92549 or online at idyllwildwater.com.

Idyllwild Water District
Statement of Net Position
June 30, 2022

| | Water | Improvement District No. 1 - Wastewater | Total |
|--|---------------------|---|----------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and investments | \$ 2,407,705 | \$ 3,089,176 | \$ 5,496,881 |
| Certificates of deposit | 25,899 | 161,026 | 186,925 |
| Accounts receivable, net: | | | |
| Sales and service | 43,220 | 17,054 | 60,274 |
| Taxes and assessments | 19,507 | 1,711 | 21,218 |
| Accrued interest receivable | 2,840 | 2,239 | 5,079 |
| Inventories | 40,226 | - | 40,226 |
| Prepays | 6,122 | 2,040 | 8,162 |
| | <u>2,545,519</u> | <u>3,273,246</u> | <u>5,818,765</u> |
| Capital assets: | | | |
| Land and land improvements | 580,135 | 25,966 | 606,101 |
| Construction in progress | 27,483 | 144,735 | 172,218 |
| Property, plant and equipment, net | 6,019,978 | 534,337 | 6,554,315 |
| | <u>6,627,596</u> | <u>705,038</u> | <u>7,332,634</u> |
| Total assets | <u>9,173,115</u> | <u>3,978,284</u> | <u>13,151,399</u> |
| Deferred Outflows of Resources | | | |
| OPEB related | 91,721 | 30,574 | 122,295 |
| | <u>91,721</u> | <u>30,574</u> | <u>122,295</u> |
| Total deferred outflows of resources | <u>91,721</u> | <u>30,574</u> | <u>122,295</u> |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 64,126 | 40,113 | 104,239 |
| Compensated absences payable | 21,967 | 7,323 | 29,290 |
| | <u>86,093</u> | <u>47,436</u> | <u>133,529</u> |
| Total current liabilities | <u>86,093</u> | <u>47,436</u> | <u>133,529</u> |
| Noncurrent liabilities: | | | |
| Total OPEB liability | 1,041,175 | 347,058 | 1,388,233 |
| Unearned Revenue | 16,005 | 5,334 | 21,339 |
| | <u>1,057,180</u> | <u>352,392</u> | <u>1,409,572</u> |
| Total noncurrent liabilities | <u>1,057,180</u> | <u>352,392</u> | <u>1,409,572</u> |
| Total liabilities | <u>1,143,273</u> | <u>399,828</u> | <u>1,543,101</u> |
| Deferred Inflows of Resources | | | |
| OPEB related | 283,572 | 94,524 | 378,096 |
| | <u>283,572</u> | <u>94,524</u> | <u>378,096</u> |
| Total deferred inflows of resources | <u>283,572</u> | <u>94,524</u> | <u>378,096</u> |
| Net Position | | | |
| Net investment in capital assets | 6,627,596 | 705,038 | 7,332,634 |
| Unrestricted | 1,210,395 | 2,809,468 | 4,019,863 |
| | <u>7,837,991</u> | <u>3,514,506</u> | <u>11,352,497</u> |
| Total net position | <u>\$ 7,837,991</u> | <u>\$ 3,514,506</u> | <u>\$ 11,352,497</u> |

The notes are an integral part of these financial statements.

Idyllwild Water District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022

| | Water | Improvement District No. 1 - Wastewater | Total |
|---------------------------------|---------------------|---|----------------------|
| Operating Revenues | | | |
| Sales and charges for services: | | | |
| Residential | \$ 1,101,918 | \$ 223,012 | \$ 1,324,930 |
| Commercial | 548,313 | 480,345 | 1,028,658 |
| Other fees and charges | 13,018 | 150 | 13,168 |
| | <u>1,663,249</u> | <u>703,507</u> | <u>2,366,756</u> |
| Operating Expenses | | | |
| Source of supply | 235,209 | 809 | 236,018 |
| Transmission and distribution | 119,940 | - | 119,940 |
| Pumping | 34,672 | - | 34,672 |
| Water treatment | 194,226 | - | 194,226 |
| Customer accounts | 92,376 | 5,950 | 98,326 |
| Wastewater collection | - | 12,578 | 12,578 |
| Wastewater treatment | - | 219,078 | 219,078 |
| Wastewater disposal | - | 55,956 | 55,956 |
| Other operating expenses | 319,344 | 78,700 | 398,044 |
| General and administrative | 765,776 | 189,866 | 955,642 |
| | <u>1,761,543</u> | <u>562,937</u> | <u>2,324,480</u> |
| Total operating expenses | <u>1,761,543</u> | <u>562,937</u> | <u>2,324,480</u> |
| Operating income (loss) | <u>(98,294)</u> | <u>140,570</u> | <u>42,276</u> |
| Nonoperating Revenues | | | |
| Investment income | (13,688) | (10,681) | (24,369) |
| Property taxes and assessments | 391,684 | 140,795 | 532,479 |
| Standby fees | 18,174 | 5,165 | 23,339 |
| Capacity fees | 47,896 | 10,894 | 58,790 |
| Other nonoperating revenue | 32,970 | - | 32,970 |
| | <u>477,036</u> | <u>146,173</u> | <u>623,209</u> |
| Total nonoperating revenues | <u>477,036</u> | <u>146,173</u> | <u>623,209</u> |
| Nonoperating Expenses | | | |
| Tax collection fees | 907 | - | 907 |
| | <u>907</u> | <u>-</u> | <u>907</u> |
| Total nonoperating expenses | <u>907</u> | <u>-</u> | <u>907</u> |
| Change in net position | 377,835 | 286,743 | 664,578 |
| Net position, beginning of year | <u>7,460,156</u> | <u>3,227,763</u> | <u>10,687,919</u> |
| Net position, end of year | <u>\$ 7,837,991</u> | <u>\$ 3,514,506</u> | <u>\$ 11,352,497</u> |

The notes are an integral part of these financial statements.

Idyllwild Water District
Statement of Cash Flows
For the Year Ended June 30, 2022

| | Water | Improvement District No. 1 - Wastewater | Total |
|---|---------------------|---|---------------------|
| Cash Flows from Operating Activities | | | |
| Cash received from customers | \$ 1,665,457 | \$ 710,586 | \$ 2,376,043 |
| Cash payments for services, supplies and employees | <u>(1,517,215)</u> | <u>(402,030)</u> | <u>(1,919,245)</u> |
| Net cash (used for) provided by operating activities | <u>148,242</u> | <u>308,556</u> | <u>456,798</u> |
| Cash Flows from Noncapital Financing Activities | | | |
| Property taxes -1% received | 387,849 | 144,383 | 532,232 |
| Other nonoperating income | 51,144 | 5,165 | 56,309 |
| Other nonoperating expenses | <u>(907)</u> | <u>-</u> | <u>(907)</u> |
| Net cash provided by (used by) noncapital financing activities | <u>438,086</u> | <u>149,548</u> | <u>587,634</u> |
| Cash Flows from Capital and Related Financing Activities | | | |
| Acquisition and construction of capital assets | (988,962) | (144,735) | (1,133,697) |
| Capacity fees received | <u>47,896</u> | <u>10,894</u> | <u>58,790</u> |
| Net cash (used for) provided by capital and related financing activities | <u>(941,066)</u> | <u>(133,841)</u> | <u>(1,074,907)</u> |
| Cash Flows from Investing Activities | | | |
| Investment income | <u>712</u> | <u>(11,946)</u> | <u>(11,234)</u> |
| Net cash provided by investing activities | <u>712</u> | <u>(11,946)</u> | <u>(11,234)</u> |
| Net (decrease) increase in cash and cash equivalents | (354,026) | 312,317 | (41,709) |
| Cash and cash equivalents, beginning of year | <u>2,787,630</u> | <u>2,937,885</u> | <u>5,725,515</u> |
| Cash and cash equivalents, end of year | <u>\$ 2,433,604</u> | <u>\$ 3,250,202</u> | <u>\$ 5,683,806</u> |

Cash and Investments are presented in the Statement of Net Position as follows:

| | | | |
|-------------------------|---------------------|---------------------|---------------------|
| Cash and investments | \$ 2,407,705 | \$ 3,089,176 | \$ 5,496,881 |
| Certificates of deposit | <u>25,899</u> | <u>161,026</u> | <u>186,925</u> |
| Total | <u>\$ 2,433,604</u> | <u>\$ 3,250,202</u> | <u>\$ 5,683,806</u> |

The notes are an integral part of these financial statements.

Idyllwild Water District
Statement of Cash Flows (continued)
For the Year Ended June 30, 2022

| | Water | Improvement District No. 1 - Wastewater | Total |
|--|-------------------|---|-------------------|
| Reconciliation of Operating Income (Loss) to Net Cash (used for) Provided by Operating Activities | | | |
| Operating income (loss) | \$ (98,294) | \$ 140,570 | \$ 42,276 |
| Adjustments to reconcile operating income (loss) to net cash (used for) provided by operating activities: | | | |
| Depreciation | 272,861 | 112,984 | 385,845 |
| (Increase) decrease in assets and deferred outflows of resources: | | | |
| Receivables | 2,208 | 7,079 | 9,287 |
| Inventories | (6,042) | - | (6,042) |
| Prepays | 170 | 57 | 227 |
| OPEB related deferred outflows of resources | (11,499) | (3,834) | (15,333) |
| Increase (decrease) in liabilities and deferred inflows of resources: | | | |
| Accounts payable | (50,950) | 33,104 | (17,846) |
| Total OPEB liability | (87,958) | (29,320) | (117,278) |
| Compensated absences payable | 469 | 157 | 626 |
| OPEB related deferred inflows of resources | 127,277 | 42,425 | 169,702 |
| Net cash (used for) provided by operating activities | <u>\$ 148,242</u> | <u>\$ 308,556</u> | <u>\$ 456,798</u> |
| Noncash, investing, capital and financing activities | None | None | |

The notes are an integral part of these financial statements.

Note 1: Significant accounting policies

Description of reporting entity

The Idyllwild Water District was formed on March 21, 1955 for the purpose of providing a domestic water supply to the community of Idyllwild, California under Section 30000 of the California Water Code. Improvement District No. 1 was established by Board action on March 10, 1966 to provide wastewater services within the community. The financial statements of the Idyllwild Water District include the financial activities of Improvement District No. 1 as an oversight component of the District. The oversight responsibility of the District arises from the fact that the two operations are related financially and have the same management and governing board.

The District reports the following enterprise funds:

Water – This fund is used to account for the sale of water to domestic and commercial accounts. It is also used to account for the costs of distributing, new construction, and repair and maintenance of various water facilities and other related infrastructure.

Improvement District No. 1 Wastewater – This fund is used to account for the treatment and disposal of wastewater. It is also used to account for the costs of collection, new construction, and repair and maintenance of various wastewater facilities and other related infrastructure.

Measurement focus and basis of accounting

The District utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, revenue and expenses are recognized on an accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods (water) in connection with the principal ongoing operations.

The District recognizes revenue from water sales, wastewater service fees and water availability fees as it is earned. Taxes and assessments are recognized as revenue based upon amounts reported to the District by the County of Riverside, net of an allowance for delinquencies.

Net position flow assumption

At various times the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Budgetary accounting

The District prepares and adopts budgets for both the Water and Improvement District, but does not present budgetary information because it is not legally required to adopt and adhere to a budget. All budgets are adopted on a basis consistent with generally accepted accounting principles.

Use of estimates

The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the statements. Actual results could differ from those estimates.

Note 1: Significant accounting policies, continued

Property tax calendar

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

| | |
|-----------------|--|
| Lien date | March 1 |
| Levy date | July 1 through June 30 |
| Due date | November 1 – First installment March 1 – Second installment |
| Delinquent date | December 10 – First installment April 10 – Second installment |

Under California law, property taxes and other charges (such as assessments) are assessed and collected by counties up to 1% of assessed value, plus other increases approved by voters. Property tax revenues are pooled and then allocated to agencies based on complex formulas prescribed by state statutes. The County of Riverside bills, collects and remits to the District property taxes and assessments through the County's property tax billing process.

Cash and cash equivalents

For purposes of the statement of cash flows, the District considers all investments purchases with a maturity of three months or less to be cash equivalents.

Deposits and investments

Investments for the District are reported at fair value as applicable.

Water receivables

No allowance for doubtful accounts is provided because management believes all receivables are collectible.

Materials inventory

Inventory consists primarily of supplies used in the maintenance of plant and equipment and is valued at weighted average cost using the first in/first out (FIFO) method.

Capital assets and depreciation

Acquisitions of property, plant and equipment of \$5,000 or more with a useful life of greater than three years are capitalized and depreciated. Contributed assets are recorded at their fair value at the date of contribution. Donated capital assets as recorded at their acquisition value at the date of donation. Self-constructed assets are recorded at the amount of direct labor and materials.

Depreciation is provided on the straight-line method over the following estimated useful lives:

| <u>Water District</u> | <u>Years</u> |
|-------------------------------|--------------|
| Source of supply | 15 - 100 |
| Pumping plant | 7 - 50 |
| Treatment plant | 25 - 40 |
| Transmission and distribution | 40 - 60 |
| General plant | 3 - 40 |

Note 1: Significant accounting policies, continued

Capital assets and depreciation, continued

| <u>Improvement District No.1</u> | <u>Years</u> |
|----------------------------------|--------------|
| Subsurface lines | 20 - 40 |
| Wastewater treatment facilities | 5 - 40 |
| Wastewater disposal facilities | 12 - 100 |
| General plant | 3 - 20 |

Net position is categorized as follows

- *Net investment in capital assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Other Post-Employment Benefits (OPEB)

For purposes of measuring the total 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 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

Note 2: Concentrations

During the year ended June 30, 2022, the District has revenues from an unrelated party which amount to more than 10% of net sales. Net sales and accounts receivable to this customer for the year ended were as follows:

| | <u>Net Sales</u> | | <u>Accounts Receivable</u> | |
|------------|-------------------|--|----------------------------|--|
| | <u>Water</u> | <u>Improvement District No. 1 - Wastewater</u> | <u>Water</u> | <u>Improvement District No. 1 - Wastewater</u> |
| Customer A | <u>\$ 165,796</u> | <u>\$ 106,496</u> | <u>\$ 14,776</u> | <u>\$ 8,875</u> |

Note 3: Cash and investments

Cash and cash equivalents are displayed on the financial statements at June 30, 2022 as follows:

| | <u>Water</u> | <u>Improvement District No. 1</u> |
|---|-----------------------------|---------------------------------------|
| Current assets: | | |
| Cash and investments | \$ 2,407,705 | \$ 3,089,176 |
| Certificates of deposit | 25,899 | 161,026 |
| | <u> </u> | <u> </u> |
| Total cash and investments | <u>\$ 2,433,604</u> | <u>\$ 3,250,202</u> |
| Cash consisted of the following at June 30: | | |
| Deposits with financial institutions | \$ 909,969 | \$ 1,806,537 |
| Money Market | - | 102,064 |
| Cash on hand | 275 | - |
| LAIF | 1,497,461 | 1,180,575 |
| Certificates of deposit | 25,899 | 161,026 |
| | <u> </u> | <u> </u> |
| Total cash and cash equivalents | <u>\$ 2,433,604</u> | <u>\$ 3,250,202</u> |

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. Each participant may invest up to \$75,000,000. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. Also, LAIF is overseen by the Local Agency Investment Advisory Board which consists of five members, in accordance with State statute. LAIF is not currently rated by any rating agency. LAIF allows a maximum of 15 transactions per month, with a minimum of \$5,000 per transaction. Any withdrawal of over \$10,000,000 requires a 24 hour notice.

Interest rate risk

The District has adopted an investment policy which limits the weighted average maturity of the District's investments to one year as a means of managing their exposure to fair value losses arising from increasing interest rates.

Concentration of credit risk

During the fiscal year, the District did not hold investments in one issuer that represented 5% or more of the District's total investment portfolio. Investments issued or explicitly guaranteed by the U.S. government as well as mutual funds, external investment pools and other pooled assets are exempt from disclosure.

Idyllwild Water District
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 3: Cash and investments, continued

Investments authorized by the California Government Code and the Districts' Investment Policy

The table on the next page identifies the investment types that are authorized by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by trustees that are governed by the provisions of debt agreements, rather than the general provisions of the California Government Code or the Districts' investment policies.

| Authorized investment type | Maximum percentage of portfolio* | Maximum investment in one issuer |
|--|----------------------------------|----------------------------------|
| United States treasury obligations | 100% | None |
| US government sponsored securities | None | None |
| California State warrants/notes/bonds | None | None |
| Local Agency Investment Fund | None | \$75,000,000 |
| Money market mutual funds | 20% | None |
| Non-negotiable certificates of deposit | None | 50% |
| District bonds | None | None |

Any other investment authorized by the provisions of CGC 5922 and 53601

* = Surplus funds (monies not expected to be expended for at least six months from the date of investment of such monies.

Investments authorized by debt agreements

Investments of debt proceeds held by trustees (fiscal agents) are governed by provisions of the debt agreements, rather than the provisions of the California Government Code or the Districts' investment policies. The District currently does not have any debt or cash held by trustees.

Investment maturities at June 30, 2022 were as follows:

| Investment type | Fair value | Remaining maturity | |
|---|---------------------|---------------------|------------------|
| | | 12 months or less | 13 to 60 months |
| <i>Water District</i> | | | |
| Local Agency Investment Fund | \$ 1,497,461 | \$ 1,497,461 | \$ - |
| Certificates of deposit | 25,899 | 25,899 | - |
| Total investments - Water District | \$ 1,523,360 | \$ 1,523,360 | \$ - |
| <i>Improvement District No. 1</i> | | | |
| Local Agency Investment Fund | \$ 1,180,575 | \$ 1,180,575 | \$ - |
| Certificates of deposit | 161,026 | 134,118 | 26,908 |
| Public funds money market | 102,064 | 102,064 | - |
| Total investments - Improvement District No. 1 | \$ 1,443,665 | \$ 1,416,757 | \$ 26,908 |

Note 3: Cash and investments, continued

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of a 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 California Government Code requires that a financial institute secure deposits made by state and local governmental units by pledging securities in an individual 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 pool must equal at least 110% of the total amount deposited by public agencies.

California law also allows financial institutions to secure the Districts' deposits by pledging first trust deed mortgage notes, having a value of 150% of the secured public deposits. At June 30, 2022, the District's deposits (bank balances) were insured by the Federal Depository Insurance Corporation or collateralized as required under California law.

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.

Non-negotiable certificates of deposit and investments in LAIF are not subject to fair value measurements.

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. State law limits investments in certain investments in commercial paper, corporate bonds and mutual funds to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy further limits investments in Money Market Mutual Funds to funds that carry the highest rating of at least two of the three largest national rating organizations.

| <u>Investment type</u> | <u>Amount</u> | <u>Minimum legal rating</u> | <u>Rating</u> | <u>Not rated</u> |
|--|---------------------|-----------------------------|---------------|--------------------|
| <i>Water District</i> | | | | |
| Local Agency Investment Fund | \$ 1,497,461 | NA | NA | \$ 1,497,461 |
| Certificates of deposit | 25,899 | None | NA | 25,899 |
| Total investments - Water District | <u>\$ 1,523,360</u> | | | <u>\$1,523,360</u> |
| <i>Improvement District No. 1</i> | | | | |
| Local Agency Investment Fund | \$ 1,180,575 | NA | NA | \$ 1,180,575 |
| Certificates of deposit | 161,026 | None | NA | 161,026 |
| Public funds money market | 102,064 | None | NA | 102,064 |
| Total investments - Improvement District No. 1 | <u>\$ 1,443,665</u> | | | <u>\$1,443,665</u> |

Idyllwild Water District
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 4: Capital assets

The investment in capital assets at June 30, 2022 consists of the following:

| | Beginning balance | Additions | Deletions | Transfers | Ending balance |
|---|----------------------|------------|-----------|-----------|-------------------|
| <i>Water District</i> | | | | | |
| Capital assets not being depreciated: | | | | | |
| Construction in progress | \$ 17,138 | \$ 10,345 | \$ - | \$ - | \$ 27,483 |
| Land and land improvements | 580,135 | - | - | - | 580,135 |
| Total capital assets not being depreciated | 597,273 | 10,345 | - | - | 607,618 |
| Capital assets being depreciated: | | | | | |
| Source of supply | 1,392,505 | 3,001 | - | - | 1,395,506 |
| Pumping plant | 97,162 | - | - | - | 97,162 |
| Treatment plant | 872,161 | - | - | - | 872,161 |
| Transmission and distribution | 7,150,904 | 753,699 | - | - | 7,904,603 |
| General plant | 1,294,880 | 221,917 | - | - | 1,516,797 |
| Total capital assets being depreciated | 10,807,612 | 978,617 | - | - | 11,786,229 |
| Less accumulated depreciation | (5,493,390) | (272,861) | - | - | (5,766,251) |
| Net capital assets being depreciated | 5,314,222 | 705,756 | - | - | 6,019,978 |
| Net capital assets | \$ 5,911,495 | \$ 716,101 | \$ - | \$ - | \$ 6,627,596 |
| <i>Improvement District No. 1</i> | | | | | |
| Capital assets not being depreciated: | | | | | |
| Construction in progress | \$ - | \$ 144,735 | \$ - | \$ - | \$ 144,735 |
| Land | 25,966 | - | - | - | 25,966 |
| Total capital assets not being depreciated | 25,966 | 144,735 | - | - | 170,701 |
| Capital assets being depreciated: | | | | | |
| Subsurface lines | 1,389,330 | - | - | - | 1,389,330 |
| Wastewater treatment facilities | 1,121,335 | - | - | - | 1,121,335 |
| Wastewater disposal facilities | 413,024 | - | - | - | 413,024 |
| General plant | 170,860 | - | - | - | 170,860 |
| Total capital assets being depreciated | 3,094,549 | - | - | - | 3,094,549 |
| Less accumulated depreciation | (2,447,228) | (112,984) | - | - | (2,560,212) |
| Net capital assets being depreciated | 647,321 | (112,984) | - | - | 534,337 |
| Net capital assets | \$ 673,287 | \$ 31,751 | \$ - | \$ - | \$ 705,038 |

Idyllwild Water District
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 5: Net position

The District has adopted net position reserve policies which clearly identify reserve categories and purposes while also setting target levels that are consistent with the District's mission, uniqueness and philosophy. The District believes the reserves are prudent fiscal management tools which provide a cornerstone of long-term financial management. The reserve balances are reviewed annually to ensure they meet the needs, current and long-term, of the District. At June 30, 2022, the District had the following reserves in unrestricted net position:

| Net position reserves | Water | Improvement District No. 1 - Wastewater |
|--------------------------------------|------------|---|
| Working capital | \$ 112,500 | \$ 37,500 |
| Emergency | 150,000 | 50,000 |
| Capital improvement and replacement | 150,000 | 50,000 |
| Vehicle and equipment replacement | 75,000 | 25,000 |
| Vacation/sick/annual leave liability | 16,810 | 5,603 |
| OPEB | 486,880 | 162,292 |
| | | |
| Total reserves | \$ 991,190 | \$ 330,395 |

Note 6: Compensated absences payable

Vested or accumulated vacation leave is recognized as an expense and liability as the benefits accrue to the employees. The change in compensated absences for the year is as follows:

| | Beginning balance | Additions | Deletions | Ending balance |
|----------------------|----------------------|-----------|-------------|-------------------|
| Compensated absences | \$ 28,664 | \$ 40,792 | \$ (40,166) | \$ 29,290 |

Note 7: Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2022, the District participated in the Association of California Water Agencies Joint Powers Insurance Authority (JPIA), which was organized for the purpose of providing liability insurance for the member agencies. The JPIA is a risk-pooling self-insurance authority created under the provisions of California Government Code Section 6500. The JPIA is governed by a board consisting of a representative from each member agency. The board controls the operations of the JPIA, including selections of management and approval of operating budgets. The purpose of the JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. The accounts and records of ACWA/JPIA are audited by an independent certified public accounting firm.

Note 7: Risk management, continued

The District has deductibles as follows:

| | |
|---|---------|
| Buildings, fixed equipment and personal property: | \$2,500 |
| Mobile equipment: | \$2,500 |
| Licensed vehicles: | \$1,000 |
| Crime | \$1,000 |
| Boiler and machinery | various |

The District pays annual premiums for the coverages, which are subject to retrospective adjustments based on claims experience. The nature and amounts of these adjustments cannot be estimated and there were no instances in the past three years where a settlement exceeded the District's coverage.

Note 8: Employees' retirement plan – defined contribution

All permanent employees hired on or before December 31, 2013 are covered under the Idyllwild Water District Money Purchase Pension Plan (the Plan) 401(a) administered by the District through ING Pension acting as trustee. The Plan is fully funded by a contribution rate of 21.5% of eligible salaries and wages made entirely by the District. The Board of Directors of the District has the authority, in its sole discretion, to amend, reduce contributions or terminate the plan at any time.

The District adopted a new pension plan 457(b) starting January 1, 2014. For new hires on or after January 1, 2014, the District contributes 10% for each new employee and matching up to 5% if the employee elects to contribute up to 5%. The 457(b) Plan is administered by the District through ING pension acting as trustee.

The 457(b) Plan is also available to all current employees hired before December 31, 2013 however, the District will not provide matching contributions. In addition, District employees are also covered under Social Security, funded equally by the District and the employee, or as prescribed by applicable laws.

The District's contributions to the employees' retirement plans for the year ended June 30, 2022 were \$24,996.

Note 9: Postemployment benefits other than pensions

Plan description

The District has established a single-employer Retiree Healthcare Plan (HC Plan). This coverage is available for employees who reach the following: 1) age 55 and ten years of service (before 1/1/2014, closed to new entrants) or 2) age 65 with ten years of service (after 12/31/2013, open to new entrants). The healthcare coverage provided by the District meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. A separate financial report is not prepared for the HC Plan.

Plan benefits

For the closed plan, the District will pay a varied percentage (50% - 100%) of the retiree and spouses pre-Medicare medical premiums and 100% of the retiree and spouse supplemental Medicare and prescription drug coverage upon reaching Medicare age.

For the open plan, the District will only pay a varied percentage (50% - 100%) of the retiree and spouses Medicare supplement and prescription drug coverage.

Note 9: Postemployment benefits other than pensions, continued

Employees covered

As of the June 30, 2021 actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

| | |
|--|-----------|
| Active employees | 6 |
| Inactive employees or beneficiaries currently receiving benefits | 6 |
| Total | <u>12</u> |

Contributions

The HC Plan and its contribution requirements are established by the Board of Directors and may be amended by the Board of Directors. For the fiscal year ended June 30, 2022, the District's cash contributions were \$37,219 in payments to for insurance premiums not reimbursed by a trust. Implicit contributions amounted to \$12,864 for total payments of \$50,083.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated June 30, 2019, based on the following actuarial methods and assumptions:

Actuarial assumptions:

| | |
|---|--|
| Discount rate | 2.18% |
| Inflation | 2.50% |
| Salary increases | 3.00% per year, used only to allocate the cost of benefits between service years |
| Investment rate of return | NA |
| Mortality rate | MacLeod Watts Scale 2022 applied generationally |
| Pre-retirement turnover healthcare trend rate | 5.80% in 2022, fluctuating down to 3.9% by 2076 |

Discount rate

The discount rate used to measure the total OPEB liability was 2.18% percent. The District is currently financing its OPEB liability on a pay-as-you-go basis. The discount rate used in the valuation is based on the S&P Municipal Bond 20 Year High Grade Index.

Changes of Assumptions

The discount rate decreased from 2.66% in 2021 to 2.18% in 2022.

The mortality improvement scale was updated from MacLeod Watts Scale 2020 to MacLeod Watts Scale 2022.

Medical trend was updated from the Getzen Model 2019 B to Getzen Model 2022 b

Note 9: Postemployment benefits other than pensions, continued

Changes in the OPEB Liability

The changes in the total OPEB liability for the HC Plan are as follows:

| | Total OPEB Liability (a) |
|---|---|
| Balance at June 30, 2021 (Measurement Date June 30, 2020) | <u>\$ 1,505,511</u> |
| Changes during the period: | |
| Service cost | 108,708 |
| Interest | 42,137 |
| Changes of assumptions | 39,727 |
| Plan experience differences | (247,615) |
| Contributions - employer | - |
| Net investment income | - |
| Benefit payments | <u>(60,235)</u> |
| Net changes in fiscal year 2021-2022 | <u>(117,278)</u> |
| Balance at June 30, 2022 (Measurement Date June 30, 2021) | <u><u>\$ 1,388,233</u></u> |

Sensitivity of the total OPEB Liability to changes in the Discount Rate

The following presents the total OPEB liability 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:

| | Discount Rate | | |
|----------------------|---------------------|---------------------|---------------------|
| | 1% Decrease | Current rate | 1% Increase |
| | 1.18% | 2.18% | 3.18% |
| Total OPEB Liability | <u>\$ 1,632,480</u> | <u>\$ 1,388,233</u> | <u>\$ 1,197,792</u> |

Sensitivity of the total OPEB Liability to changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability 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:

| | Healthcare Cost Trend Rates | | |
|----------------------|-----------------------------|---------------------|---------------------|
| | 1% Decrease | Current rate | 1% Increase |
| Total OPEB Liability | <u>\$ 1,184,214</u> | <u>\$ 1,388,233</u> | <u>\$ 1,656,736</u> |

Note 9: Postemployment benefits other than pensions, continued

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability 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 recognition period differs depending on the source of the gain or loss:

| | |
|---|--|
| Net difference between projected and actual earnings on OPEB plan investments | 5 years |
| All other amounts | Expected average remaining service lifetime (EARSL) 7.02 years |

OPEB expense and deferred outflows/inflows of resources related to OPEB

For the fiscal year ended June 30, 2022, the District recognized OPEB expense of \$87,174. The following is a breakdown of items impacting OPEB expense:

| | |
|-------------------------------------|------------------|
| Service cost | \$ 108,708 |
| Interest cost | 42,137 |
| Recognized deferred resources items | |
| Assumption changes | - |
| Plan experience | <u>(63,671)</u> |
| Total OPEB expense | <u>\$ 87,174</u> |

As of fiscal year ended June 30, 2022, the District reported deferred outflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| OPEB contributions subsequent to measurement date | \$ 50,083 | \$ - |
| Differences between expected and actual experience | - | 338,428 |
| Changes of assumptions | <u>72,212</u> | <u>39,668</u> |
| Total | <u>\$ 122,295</u> | <u>\$ 378,096</u> |

Note 9: Postemployment benefits other than pensions, continued

OPEB expense and deferred outflows/inflows of resources related to OPEB, continued

The \$50,083 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability during the upcoming fiscal year. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as expense as follows:

| Fiscal Year Ended June 30: | Deferred Outflows/ (Inflows) of Resources |
|-------------------------------|--|
| 2023 | \$ (63,671) |
| 2024 | (63,671) |
| 2025 | (57,420) |
| 2026 | (53,914) |
| 2027 | (38,862) |
| Thereafter | (28,346) |

Idyllwild Water District
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last 10 years*

| Fiscal year | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | | | |
| Service Cost | \$ 108,708 | \$ 101,592 | \$ 111,866 | \$ 103,549 | \$ 114,967 |
| Interest on the Total OPEB Liability | 42,137 | 40,665 | 47,273 | 45,325 | 38,546 |
| Plan experience differences | (247,615) | - | (211,280) | - | - |
| Changes in assumptions | 39,727 | 31,426 | (16,483) | 32,602 | (89,965) |
| Changes in benefit terms | - | - | - | - | - |
| Benefit payments | (60,235) | (48,226) | (51,602) | (51,445) | (33,233) |
| Net change in Total OPEB Liability | (117,278) | 125,457 | (120,226) | 130,031 | 30,315 |
| Total OPEB Liability - beginning | 1,505,511 | 1,380,054 | 1,500,280 | 1,370,249 | 1,339,934 |
| Total OPEB Liability - ending (a) | \$ 1,388,233 | \$ 1,505,511 | \$ 1,380,054 | \$ 1,500,280 | \$ 1,370,249 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Covered-employee payroll | \$ 707,862 | \$ 487,181 | \$ 642,100 | \$ 564,056 | \$ 474,999 |
| Total OPEB liability as a percentage of covered-employee payroll | 196.12% | 309.02% | 214.93% | 265.98% | 288.47% |

Notes to Schedule:

Changes Since the Prior Valuation:

Discount rate: Decreased from 2.66% to 2.18%.

Demographic assumptions: Demographic actuarial assumptions used in this valuation are based on the 2017 experience study of the California Public Employees Retirement System using data from 1997 to 2015, except for a different basis used to project future mortality improvements. The representative mortality rates were the published CalPERS rates, adjusted to back out 15 years of Scale MP 2016 to central year 2015.

Mortality improvement: Scale was Updated from MacLeod Watts Scale 2020 to MacLeod Watts Scale 2022.

Medical trend: Updated from Getzen Model 2019_B to Getzen Model 2022_b, which was published by the Society of Actuaries.

The District does not have assets accumulated in a trust that meets 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.