



Indian Wells Valley Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2021 and 2020



History and Organization:

On January 24, 1955, the Ridgecrest County Water District was formed in accordance with Division 12, Section 30000-00901 of the California Water Code. The District was incorporated as a Political Corporation on February 1, 1955, and established as a California public entity with authority to construct, operate and maintain a community water works system, such as the District deems necessary and proper. In January 1970, the name was changed to Indian Wells Valley Water District to recognize that service had extended beyond the political boundaries of the City of Ridgecrest. Service is provided to nearly 12,000-metered sites. Voters living within the District's boundaries elect five Directors to govern the District. The District has a staff of 30 full-time regular employees. The District operates strictly from water rate charges and fees for services and has no revenue from taxes or federal sources. The District operates ten production wells, eleven water tanks that provide for 17.1 million gallons of storage, and seven booster stations.

Indian Wells Valley Water District Board of Directors as of June 30, 2021

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Charles D. Griffin	President	Elected	11/20-11/24
David C.H. Saint-Amand	Vice-President	Elected	11/18-11/22
Mallory J. Boyd	Director	Elected	11/20-11/24
Charles F. Cordell	Director	Elected	11/20-11/24
Stan G. Rajtora	Director	Elected	11/18-11/22

**Indian Wells Valley Water District
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Indian Wells Valley Water District

Annual Financial Report

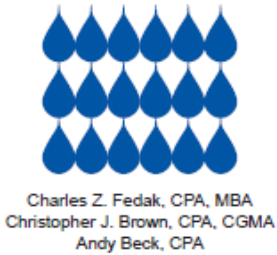
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Financial Section



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Independent Auditor's Report

Board of Directors
Indian Wells Valley Water District
Ridgecrest, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Indian Wells Valley Water District (District) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audit 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Indian Wells Valley Water District, as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the required supplementary information on pages 46 through 49 be presented to supplement the basic financial statements. Such information, 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 audits 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 February 14, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 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. This report can be found on pages 50 and 51.

Fedak & Brown LLP

Fedak & Brown LLP

Cypress, California

February 14, 2022

Indian Wells Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Indian Wells Valley Water District (District) provides an introduction to the financial statements for the fiscal years ended June 30, 2021 and 2020. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In fiscal year 2021, the District's net position increased 2.78%, or \$1,030,577 to \$38,070,555, due to a net loss of \$929,645 from ongoing operations offset by capital contributions of \$1,960,222. In fiscal year 2020, the District's net position decreased 3.48%, or \$1,334,659 to \$37,039,978, due to a net loss of \$2,043,928 from ongoing operations offset by capital contributions of \$709,269.
- Total revenues increased 25.64% or \$2,865,215 to \$14,037,888. In fiscal year 2020, the District's total revenues increased 1.38% or \$151,606 to \$11,172,673.
- Operating revenues increased 27.50% or \$2,986,638 to \$13,847,059. In fiscal year 2020, the District's operating revenues increased 2.18% or \$231,493 to \$10,860,421.
- Non-operating revenues decreased 38.89% or \$121,423 to \$190,829. In fiscal year 2020, the District's non-operating revenues decreased 20.37% or \$79,887 to \$312,252.
- Total expenses increased 13.25% or \$1,750,932 to \$14,967,533. In fiscal year 2020, the District's total expenses increased 5.76% or \$720,047 to \$13,216,601.
- Operating expenses increased 18.99% or \$1,647,117 to \$10,321,076. In fiscal year 2020, the District's operating expenses increased 19.89% or \$1,438,808 to \$8,673,959.
- Non-operating expenses decreased 2.95% or \$40,999 to \$1,347,240. In fiscal year 2020, the District's non-operating expenses decreased 28.45% or \$551,984 to \$1,388,239.
- Capital contributions increased 176.37% or \$1,250,953 to \$1,960,222. In fiscal year 2020, the District's capital contributions increased 91.13% or \$338,172 to \$709,269.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. These statements measure the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. These statements can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net change in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Indian Wells Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that help answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid. These two statements report the District's *net position* and changes in it. One can think of the District's net position (assets and deferred outflows of resources, less liabilities and deferred inflows of resources), as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 14 through 45.

Statement of Net Position

Condensed Statements of Net Position					
	2021	2020	Change	2019	Change
Assets:					
Current assets	\$ 24,033,230	25,185,602	(1,152,372)	27,463,013	(2,277,411)
Non-current assets	120,000	120,000	-	120,000	-
Capital assets, net	54,554,813	53,085,233	1,469,580	51,654,079	1,431,154
Total assets	78,708,043	78,390,835	317,208	79,237,092	(846,257)
Deferred outflows of resources	1,006,665	823,725	182,940	1,308,258	(484,533)
Liabilities:					
Current liabilities	2,763,714	2,651,712	112,002	2,452,914	198,798
Non-current liabilities	38,411,623	39,056,744	(645,121)	39,444,010	(387,266)
Total liabilities	41,175,337	41,708,456	(533,119)	41,896,924	(188,468)
Deferred inflows of resources	468,816	466,126	2,690	273,789	192,337
Net position:					
Net investment in capital assets	20,318,604	17,762,879	2,555,725	15,282,058	2,480,821
Restricted	6,839,839	10,063,771	(3,223,932)	14,900,810	(4,837,039)
Unrestricted	10,912,112	9,213,328	1,698,784	8,191,769	1,021,559
Total net position	\$ 38,070,555	37,039,978	1,030,577	38,374,637	(1,334,659)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$38,070,555 and \$37,039,978 as of June 30, 2021 and 2020, respectively.

Indian Wells Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Statement of Net Position, continued

The largest portion of the District's net position (53% and 48% as of June 30, 2021 and 2020, respectively) reflects the District's investment in capital assets (net of 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 customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2021 and 2020, the District showed a positive balance in its unrestricted net position of \$10,912,112 and \$9,213,328, respectively, which may be utilized in future years. See note 11 for further information.

Statement of Revenues, Expenses, and Changes in Net Position

Condensed Statements of Revenues, Expenses, and Changes in Net Position					
	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>2019</u>	<u>Change</u>
Revenue:					
Operating revenue	\$ 13,847,059	10,860,421	2,986,638	10,628,928	231,493
Non-operating revenue	190,829	312,252	(121,423)	392,139	(79,887)
Total revenue	<u>14,037,888</u>	<u>11,172,673</u>	<u>2,865,215</u>	<u>11,021,067</u>	<u>151,606</u>
Expense:					
Operating expense	10,321,076	8,673,959	1,647,117	7,235,151	1,438,808
Depreciation	3,299,217	3,154,403	144,814	3,321,180	(166,777)
Non-operating expense	1,347,240	1,388,239	(40,999)	1,940,223	(551,984)
Total expense	<u>14,967,533</u>	<u>13,216,601</u>	<u>1,750,932</u>	<u>12,496,554</u>	<u>720,047</u>
Net loss before capital contributions	(929,645)	(2,043,928)	1,114,283	(1,475,487)	(568,441)
Capital contributions:	<u>1,960,222</u>	<u>709,269</u>	<u>1,250,953</u>	<u>371,097</u>	<u>338,172</u>
Changes in net position	1,030,577	(1,334,659)	2,365,236	(1,104,390)	(230,269)
Net position, beginning of year	<u>37,039,978</u>	<u>38,374,637</u>	<u>(1,334,659)</u>	<u>39,479,027</u>	<u>(1,104,390)</u>
Net position, end of year	<u>\$ 38,070,555</u>	<u>37,039,978</u>	<u>1,030,577</u>	<u>38,374,637</u>	<u>(1,334,659)</u>

A closer examination of the sources of changes in net position reveal that:

In fiscal year 2021 the District's net position increased 2.78%, or \$1,030,577 to \$38,070,555, due to a net loss of \$929,645 from ongoing operations, offset by \$1,960,222 in capital contributions. In fiscal year 2020, the District's net position decreased 3.48%, or \$1,334,659 to \$37,039,978, due to a net loss of \$2,043,928 from ongoing operations, offset by \$709,269 in capital contributions.

The District's total revenues increased 25.64% or \$2,865,215 to \$14,037,888 in fiscal year 2021. In fiscal year 2020, the District's total revenues increased 1.38% or \$151,606 to \$11,172,673.

The District's operating revenues increased 27.50% or \$2,986,638 to \$13,847,059 in fiscal year 2021, due to increases of \$2,672,035 in water consumption sales, \$259,281 in other charges for services, \$79,626 in arsenic compliance charges, and \$14,477 in zone charges', which were offset by a decrease of \$38,781 in ready-to-serve charges as compared to the prior year. In fiscal year 2020, the District's operating revenues increased 2.18%, or \$231,493 to \$10,860,421, primarily due to increases of \$331,687 in water consumption sales and \$47,501 in zone charges', which were offset by a decrease of \$140,630 in ready-to-serve charges as compared to the prior year.

Indian Wells Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Statement of Revenues, Expenses, and Changes in Net Position, continued

The District's non-operating revenues decreased 38.89% or \$121,423 to \$190,829 in fiscal year 2021, primarily due to a decrease of \$152,036 in investment earnings, offset by increases of \$18,909 in gain on disposition of assets and \$13,463 in other revenue. In fiscal year 2020, the District's non-operating revenues decreased 20.37%, or \$79,887 to \$312,252, primarily due to decreases of \$27,406 in gain on disposition of assets and \$57,645 in other revenue.

The District's total expenses increased 13.25% or \$1,750,932 to \$14,967,533 in fiscal year 2021. In fiscal year 2020, the District's total expenses increased 5.76% or \$720,047 to \$13,216,601.

The District's operating expenses increased 18.99% or \$1,647,117 to \$10,321,076 in fiscal year 2021, primarily due to increases of \$1,663,894 in general and administrative, \$107,044 in customer service, \$20,811 in legislative expenses, and \$20,762 in arsenic plant expenses; which were offset by decreases of \$114,987 in engineering, \$30,452 in transmission and distribution, and \$23,980 in water supply as compared to the prior year. In fiscal year 2020, the District's operating expenses increased 19.89%, or \$1,438,808 to \$8,673,959, primarily due to increases of \$1,031,292 in general and administrative, \$312,836 in transmission and distribution, \$117,994 in water supply, \$45,305 in customer service, and \$42,761 in engineering; which were offset by decreases of \$53,486 in field services, \$38,831 in legislative expenses, and \$19,063 in arsenic plant expenses as compared to the prior year.

The District's depreciation increased 4.59%, or \$144,814 to \$3,299,217 in fiscal year 2021, primarily due to asset additions added to depreciable assets in the prior year. In fiscal year 2020, the District's depreciation decreased 5.02%, or \$166,777 to \$3,154,403, primarily due to the District's ongoing maturation of depreciable assets during the year.

The District's non-operating expenses decreased 2.95% or \$40,999 to \$1,347,240 in fiscal year 2021, primarily due to a decrease of \$37,058 in interest expense related to long-term debt as compared to the prior year. In fiscal year 2020, the District's non-operating expenses decreased 28.45%, or \$551,984 to \$1,388,239, primarily due to decreases of \$494,869 in debt issuance costs related to the issuance of the 2018 Certificates of Participation, \$45,422 in interest expense sourcing from the District's long-term debt, and \$11,693 in debt service costs as compared to the prior year.

The District's capital contributions increased 176.37% or \$1,250,953 to \$1,960,222 in fiscal year 2021, due to increases of \$690,116 in capital contributions from the State, \$440,037 in capital facility fees, and \$190,078 in capital contributions from developers; which were offset by decreases of \$48,973 in capital contributions for the Cash for Grass grant, and \$20,341 in capital contributions from local sources. In fiscal year 2020, the District's capital contributions increased 91.13%, or \$338,172 to \$709,269, due to increases of \$122,564 in capital facility fees, \$142,195 in capital contributions from the State, \$52,104 in capital contributions for the Cash for Grass grant, and \$38,514 in capital contributions from developers, which were offset by a decrease of \$17,205 in capital contributions from local sources.

Capital Asset Administration

Changes in capital asset amounts for 2021 were as follows:

	<u>Balance</u> <u>2020</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>2021</u>
Capital assets:				
Non-depreciable assets	\$ 6,807,777	4,784,265	(985,505)	10,606,537
Depreciable assets	109,602,452	973,037	(148,152)	110,427,337
Accumulated depreciation	<u>(63,324,996)</u>	<u>(3,299,217)</u>	<u>145,152</u>	<u>(66,479,061)</u>
Total capital assets, net	<u>\$ 53,085,233</u>	<u>2,458,085</u>	<u>(988,505)</u>	<u>54,554,813</u>

Indian Wells Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Capital Asset Administration, continued

Changes in capital asset amounts for 2020 were as follows:

	<u>Balance</u> <u>2019</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>2020</u>
Capital assets:				
Non-depreciable assets	\$ 7,561,426	5,918,443	(6,672,092)	6,807,777
Depreciable assets	104,263,246	5,339,206	-	109,602,452
Accumulated depreciation	<u>(60,170,593)</u>	<u>(3,154,403)</u>	<u>-</u>	<u>(63,324,996)</u>
Total capital assets, net	<u>\$ 51,654,079</u>	<u>8,103,246</u>	<u>(6,672,092)</u>	<u>53,085,233</u>

At the end of fiscal years 2021 and 2020, the District's investment in capital assets amounted to \$54,554,813 and \$53,085,233 (net of accumulated depreciation), respectively. This investment in capital assets includes land, transmission and distribution systems, buildings, equipment, vehicles and construction-in-process. See note 4 for further information.

Debt Administration

Changes in long-term debt amounts for 2021 were as follows:

	<u>Balance</u> <u>2020</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>2021</u>
Long-term debt:				
COPs payable	\$ 28,837,970	-	(773,658)	28,064,312
Loans payable	<u>6,484,384</u>	<u>-</u>	<u>(312,487)</u>	<u>6,171,897</u>
Total long-term debt	<u>\$ 35,322,354</u>	<u>-</u>	<u>(1,086,145)</u>	<u>34,236,209</u>

Changes in long-term debt amounts for 2020 were as follows:

	<u>Balance</u> <u>2019</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>2020</u>
Long-term debt:				
COPs payable	\$ 29,586,628	-	(748,658)	28,837,970
Loans payable	<u>6,785,393</u>	<u>-</u>	<u>(301,009)</u>	<u>6,484,384</u>
Total long-term debt	<u>\$ 36,372,021</u>	<u>-</u>	<u>(1,049,667)</u>	<u>35,322,354</u>

See note 6 for further information.

Conditions Affecting Current Financial Position

The COVID-19 pandemic in the United States has caused business disruption through labor shortages and closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. However, the related financial impact on the District and the duration cannot be estimated at this time.

Management is unaware of any other conditions which could have a significant impact on the District's current financial position, net position, or operating results based on past, present, and future events.

Indian Wells Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Chief Financial Officer at 500 West Ridgecrest Boulevard, Ridgecrest, California 93555 – (760) 375-5086.

Basic Financial Statements

Indian Wells Valley Water District
Statements of Net Position
June 30, 2021 and 2020

	2021	2020
Current assets:		
Cash and cash equivalents (note 2)	\$ 14,092,991	12,333,148
Restricted – cash and cash equivalents (note 2)	6,857,594	10,082,374
Accrued interest receivable	15,064	40,963
Accounts receivable – water sales and services	2,100,594	1,386,350
Accounts receivable – other	135,271	75,266
Assessment bonds receivable – delinquent (note 3)	84,578	123,517
Materials and supplies inventory	646,603	484,846
Prepaid expenses and other deposits	100,535	659,138
Total current assets	24,033,230	25,185,602
Non-current assets:		
Mitigation deposit – California Department of Fish and Game	120,000	120,000
Capital assets – not being depreciated (note 4)	10,606,537	6,807,777
Capital assets, net – being depreciated (note 4)	43,948,276	46,277,456
Total non-current assets	54,674,813	53,205,233
Total assets	78,708,043	78,390,835
Deferred outflows of resources:		
Deferred other post-employment benefit outflows (note 7)	89,664	79,259
Deferred pension outflows (note 8)	917,001	744,466
Total deferred outflows of resources	\$ 1,006,665	823,725

Continued on next page

See accompanying notes to the basic financial statements

Indian Wells Valley Water District
Statements of Net Position, continued
June 30, 2021 and 2020

	2021	2020
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,139,640	1,056,698
Accrued wages and related payables	105,397	110,462
Customer deposits	333,219	328,273
Accrued interest payable	17,755	18,603
Unearned revenue	75,446	87,527
Long-term liabilities – due within one year:		
Compensated absences (note 5)	80,275	71,768
Bonds payable (note 6)	688,750	666,250
Loans payable (note 6)	323,232	312,131
Total current liabilities	2,763,714	2,651,712
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 5)	321,099	287,070
Bonds payable (note 6)	27,375,562	28,171,720
Loans payable (note 6)	5,848,665	6,172,253
Net other post-employment benefit liability (note 7)	1,392,967	1,281,062
Net pension liability (note 8)	3,473,330	3,144,639
Total non-current liabilities	38,411,623	39,056,744
Total liabilities	41,175,337	41,708,456
Deferred inflows of resources:		
Deferred other post-employment benefit inflows (note 7)	133,930	170,546
Deferred pension inflows (note 8)	334,886	295,580
Total deferred inflows of resources	468,816	466,126
Net position:		
Net investment in capital assets (note 9)	20,318,604	17,762,879
Restricted (note 10)	6,839,839	10,063,771
Unrestricted (note 11)	10,912,112	9,213,328
Total net position	\$ 38,070,555	37,039,978

See accompanying notes to the basic financial statements

Indian Wells Valley Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2021 and 2020

	2021	2020
Operating revenues:		
Water consumption sales	\$ 6,684,360	4,012,325
Ready-to-serve charges	4,535,595	4,574,376
Arsenic compliance charges	1,832,826	1,753,200
Zone charges	213,981	199,504
Other charges for services	580,297	321,016
Total operating revenues	13,847,059	10,860,421
Operating expenses:		
Water supply	1,126,482	1,150,462
Arsenic plant	205,539	185,001
Transmission and distribution	1,633,163	1,663,391
Field services	457,819	453,794
Engineering	305,509	420,496
Customer service	560,289	453,245
Legislative	110,207	89,396
General and administrative	5,922,068	4,258,174
Total operating expenses	10,321,076	8,673,959
Operating income before depreciation expense	3,525,983	2,186,462
Depreciation expense – capital recovery	(3,299,217)	(3,154,403)
Operating income(loss)	226,766	(967,941)
Non-operating revenue(expense):		
Special assessment 87-1 for debt service	2,827	2,586
Investment earnings	104,595	256,631
Rental revenue	10,000	12,000
Interest expense	(1,341,540)	(1,378,598)
Debt service costs	(5,700)	(9,641)
Gain on disposition of assets	18,909	-
Other revenue	54,498	41,035
Total non-operating expense, net	(1,156,411)	(1,075,987)
Net loss before capital contributions	(929,645)	(2,043,928)
Capital contributions:		
Capital facility fees	774,561	334,488
Capital contributions – State	832,311	142,195
Capital contributions – Cash for Grass grant	14,026	62,999
Capital contributions – developer	300,714	110,636
Capital contributions – local	38,610	58,951
Total capital contributions	1,960,222	709,269
Changes in net position	1,030,577	(1,334,659)
Net position, beginning of year	37,039,978	38,374,637
Net position, end of year	\$ 38,070,555	37,039,978

See accompanying notes to the basic financial statements

Indian Wells Valley Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 13,149,082	10,835,431
Cash paid to employees for salaries and wages	(5,772,692)	(3,977,631)
Cash paid to vendors and suppliers for materials and services	(3,770,779)	(3,614,686)
Net cash provided by operating activities	3,605,611	3,243,114
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(4,730,187)	(4,526,606)
Proceeds from capital contributions	1,921,612	650,318
Special assessments for debt service	41,766	24,193
Bond issuance costs 2018 Certificates of Participation	-	(4,385)
Principal paid on long-term debt	(1,086,145)	(1,049,667)
Interest paid on long-term debt	(1,342,388)	(1,379,515)
Debt service costs on long-term debt	(5,700)	(5,256)
Net cash used in capital and related financing activities	(5,201,042)	(6,290,918)
Cash flows from investing activities:		
Investment earnings	130,494	248,710
Net cash provided by investing activities	130,494	248,710
Net decrease in cash and cash equivalents	(1,464,937)	(2,799,094)
Cash and cash equivalents, beginning of year	22,415,522	25,214,616
Cash and cash equivalents, end of year	\$ 20,950,585	22,415,522
 Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents	\$ 14,092,991	12,333,148
Restricted assets – cash and cash equivalents	6,857,594	10,082,374
Total cash and cash equivalents	\$ 20,950,585	22,415,522

Continued on next page

See accompanying notes to the basic financial statements

Indian Wells Valley Water District
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of operating income(loss) to net cash provided by operating activities:		
Operating income(loss)	\$ <u>226,766</u>	<u>(967,941)</u>
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:		
Depreciation	3,299,217	3,154,403
Rental revenue	10,000	12,000
Loss on disposition of assets	18,909	-
Other revenue	54,498	41,035
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase)Decrease in assets:		
Accounts receivable – water sales and services	(714,244)	(109,816)
Accounts receivable – other	(60,005)	(21,117)
Materials and supplies inventory	(161,757)	(357,480)
Prepaid expenses and other deposits	558,603	(46,956)
(Increase)Decrease in deferred outflows of resources:		
Deferred other post-employment benefit outflows	(10,405)	435,022
Deferred pension outflows	(172,535)	49,511
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	82,942	194,854
Accrued wages and related payables	(5,065)	(95,688)
Customer deposits	4,946	36,577
Unearned revenue	(12,081)	16,331
Compensated absences	42,536	56,524
Net other post-employment benefit liability	111,905	319,707
Net pension liability	328,691	333,811
Increase(Decrease) in deferred inflows of resources:		
Deferred other post-employment benefit inflows	(36,616)	146,042
Deferred pension inflows	<u>39,306</u>	<u>46,295</u>
Total adjustments	<u>3,378,845</u>	<u>4,211,055</u>
Net cash provided by operating activities	\$ <u>3,605,611</u>	<u>3,243,114</u>
Non-cash investing and financing transactions:		
Change in fair market value of investments	<u>\$ 114</u>	<u>6,689</u>

See accompanying notes to the basic financial statements

Indian Wells Valley Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Indian Wells Valley Water District (District) was formed for the purpose of furnishing potable water within the District. The District was formed under the provisions of the County Water Act found in Division 12 of the State of California Water Code. The District is located in Kern County and includes the community of Ridgecrest and provides water to approximately 12,000 customers.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

The District has adopted the following GASB pronouncements in the current year:

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

Governmental Accounting Standards Board Statement No. 84

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

Governmental Accounting Standards Board Statement No. 90

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period.

2. Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through labor shortages and closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. However, the related financial impact on the District and the duration cannot be estimated at this time.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

3. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

4. Investments

Changes in fair value that occur during a 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.

5. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity, and other assumptions that are internally generated and cannot be observed in the market.

6. Restricted Assets

Certain assets of the District are restricted for use by ordinance or debt covenant and, accordingly, are shown as restricted assets on the accompanying statements of net position. The District uses restricted resources, prior to using unrestricted resources, to pay expenditures meeting the criteria imposed on the use of restricted resources by a third party.

7. Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

8. Materials and Supplies Inventory

Materials and supplies inventory consist primarily of water meters, pipe, and pipefittings for construction and repair to the District's water transmission and distribution system. Inventory is valued at cost using the weighted-average method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

9. Prepaids

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

10. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Transmission and distribution system – 30 to 35 years
- Structures and improvements – 10 to 30 years
- Vehicles and large equipment – 3 to 10 years
- Office furniture and equipment – 3 to 10 years

11. Deferred Outflows of Resources

The statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of resources applicable to future periods and, therefore, will *not* be recognized as an outflow of resources (expenditure) until that time. The District has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred outflow which is equal to employer contributions made after the measurement date of the net other-postemployment benefit liability. This amount will be amortized-in-full against the net other-postemployment benefit liability in the next fiscal year.
- Deferred outflow for the difference in investment gains and losses of the other post-employment benefit plans' fiduciary net position. This amount is amortized over a 5-year period.

Pensions

- Deferred outflow which is equal to employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net difference between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pension through the Plan.
- Deferred outflow for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over a 5-year period.
- Deferred outflow for the net change due to the difference in the change in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pension through the Plan.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

12. Compensated Absences

The District's personnel policies provide for accumulation of vacation and sick leave. Liabilities for vacation and portions of sick leave are recorded when benefits are earned. Cash payment of unused vacation is available to those qualified employees when retired or terminated.

13. Post-Employment Benefits Other Than Pensions (OPEB)

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

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation date: June 30, 2019
- Measurement dates: June 30, 2020 and 2019
- Measurement periods: July 1, 2019 to June 30, 2020 and July 1, 2018 to June 30, 2019

14. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (Plan) and addition to/deduction from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation dates: June 30, 2019 and June 30, 2018
- Measurement dates: June 30, 2020 and June 30, 2019
- Measurement periods: July 1, 2019 to June 30, 2020 and July 1, 2018 to June 30, 2019

15. Deferred Inflows of Resources

The statements of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of resources applicable to future periods and, therefore, will *not* be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category: *Post-Employment Benefits Other Than Pensions (OPEB)*

- Deferred inflow for the change in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with other-postemployment benefits through the Plan.
- Deferred inflow for the difference between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with other-postemployment benefits through the Plan.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

15. Deferred Inflows of Resources, continued

Pensions

- Deferred inflow for the net change in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred inflow for the net difference in actual and proportionate share of employer contribution which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

16. Net Position

The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- *Unrestricted* – the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that is not included in the determination of the net investment in capital assets or restricted components of net position.

17. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies, or real estate developers desiring services that require capital expenditures or capacity commitment.

18. Budgetary Policies

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

(2) Cash and Investments

Cash and investments as of June 30 are classified as follows:

		2021	2020
Cash and cash equivalents	\$	14,092,991	12,333,148
Cash and cash equivalents – restricted		6,857,594	10,082,374
Total cash and investments	\$	20,950,585	22,415,522

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(2) Cash and Investments, continued

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

	2021	2020
Cash on hand	\$ 1,200	1,200
Deposits with financial institutions	3,831,327	3,141,050
Total cash on hand and deposits	3,832,527	3,142,250
Deposits in Local Agency Investment Fund	1,373,123	1,368,164
Deposits in Kern County Investment Pool	9,368,770	8,655,676
Deposits in money market funds	6,376,165	9,249,432
Total investments	17,118,058	19,273,272
Total cash and cash equivalents	\$ 20,950,585	22,415,522

As of June 30, the District's authorized deposits had the following average days to maturity:

	2021	2020
Deposits in Local Agency Investment Fund	291 days	191 days
Deposits in Kern County Investment Pool	639 days	529 days

Investments Authorized by the California Government Code and the District's Investment Policy

The District is legally empowered by statute and resolution to invest in money-market funds, the California State Investment Pool – Local Agency Investment Fund, and the Kern County Investment Pool. The District's investment policy identifies other investment types that are authorized for the District to invest under the California Government Code.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

Investment in Kern County Investment Pool

The Kern County Treasurer's Pooled Cash Portfolio (Pool) is a pooled investment fund program governed by the Kern County Board of Supervisors and administered by the Kern County Treasurer and Tax Collector. Investments in the Pool are highly liquid as deposits and withdrawals can be made at any time without penalty. The Pool does not impose a maximum investment limit.

The Kern County's bank deposits are either federally insured or collateralized in accordance with the California Government Code. Pool detail may be obtained from the Kern County Treasurer and Tax Collector's website at www.kcttc.co.kern.ca.us.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(2) Cash and Investments, continued

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of 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 custodial credit risk for *investments* is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental 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 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. Of the bank balances, up to \$250,000, are federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

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.

As of June 30, 2021 and 2020, the District's investments held to maturity were categorized as twelve months or less, respectively.

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. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings of investments as of June 30, 2021 were as follows:

<u>Investment Types</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>	
			<u>AAA</u>	<u>Not Rated</u>
Local Agency Investment Fund (LAIF)	\$ 1,373,123	N/A	-	1,373,123
Kern County Investment Pool	9,368,770	N/A	-	9,368,770
Money market funds	6,376,165	AAA	6,376,165	-
Total	\$ <u>17,118,058</u>		<u>6,376,165</u>	<u>10,741,893</u>

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(2) Cash and Investments, continued

Credit ratings of investments as of June 30, 2020 were as follows:

<u>Investment Types</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>	
			<u>AAA</u>	<u>Not Rated</u>
Local Agency Investment Fund (LAIF)	\$ 1,368,164	N/A	-	1,368,164
Kern County Investment Pool	8,655,676	N/A	-	8,655,676
Money market funds	9,249,432	AAA	9,249,432	-
Total	\$ <u>19,273,272</u>		<u>9,249,432</u>	<u>10,023,840</u>

Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for external investment pools) that represent 5% or more of total District investments at June 30, 2021 and 2020, respectively.

Fair Value Measurements

Investments measured at fair value on a recurring and non-recurring basis for 2021 are as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Held by bond trustee:				
Money market funds	\$ 6,376,165	6,376,165	-	-
Total investments measured at fair value	6,376,165	<u>6,376,165</u>	<u>-</u>	<u>-</u>
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	1,373,123			
Kern County Investment Pool	9,368,770			
Total	\$ <u>17,118,058</u>			

Investments measured at fair value on a recurring and non-recurring basis for 2020 are as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Held by bond trustee:				
Money market funds	\$ 9,249,432	9,249,432	-	-
Total investments measured at fair value	9,249,432	<u>9,249,432</u>	<u>-</u>	<u>-</u>
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	1,368,164			
Kern County Investment Pool	8,655,676			
Total	\$ <u>19,273,272</u>			

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(3) Assessment Bonds Receivable

The District has elected to hold the AD 87-1 Assessment District Bonds rather than sell them on the open market. Since the District has "invested" in these bonds, they are entitled to receive all revenue relating to the Assessment District Bonds.

The assessment bonds receivable at June 30 are as follows:

	2021	2020
Assessment bonds receivable – current and delinquent	\$ 84,578	123,517
Total assessments bonds receivable, net	\$ 84,578	123,517

At June 30, 2021 and 2020, the AD 87-1 Assessment District Bonds had been paid-in-full. The remaining balance represents the delinquent portion of the assessment bonds receivable balance. The balances were determined collectible at June 30, 2021 and 2020.

(4) Capital Assets

Changes in capital assets for 2021 were as follows:

	Balance 2020	Additions/	Deletions/ Transfers	Balance 2021
Non-depreciable assets:				
Land and land rights	\$ 2,870,035	-	-	2,870,035
Construction-in-process	3,937,742	4,784,265	(985,505)	7,736,502
Total non-depreciable assets	6,807,777	4,784,265	(985,505)	10,606,537
Depreciable assets:				
Transmission and distribution system	62,009,777	761,125	-	62,770,902
Production and source of supply	32,804,071	9,998	-	32,814,069
General plant	14,788,604	201,914	(148,152)	14,842,366
Total depreciable assets	109,602,452	973,037	(148,152)	110,427,337
Accumulated depreciation:				
Depreciable assets	(63,324,996)	(3,299,217)	145,152	(66,479,061)
Total accumulated depreciation	(63,324,996)	(3,299,217)	145,152	(66,479,061)
Total depreciable assets, net	46,277,456	(2,326,180)	(3,000)	43,948,276
Total capital assets, net	\$ 53,085,233	2,458,085	(988,505)	54,554,813

Major capital assets additions during the years include upgrades and extensions of the District's water transmission and distribution system, general plant, and equipment purchases.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(4) Capital Assets, continued

Changes in capital assets for 2020 were as follows:

	<u>Balance 2019</u>	<u>Additions/</u>	<u>Deletions/ Transfers</u>	<u>Balance 2020</u>
Non-depreciable assets:				
Land and land rights	\$ 2,870,035	-	-	2,870,035
Construction-in-process	4,691,391	5,918,443	(6,672,092)	3,937,742
Total non-depreciable assets	<u>7,561,426</u>	<u>5,918,443</u>	<u>(6,672,092)</u>	<u>6,807,777</u>
Depreciable assets:				
Transmission and distribution system	57,997,385	4,012,392	-	62,009,777
Production and source of supply	32,200,305	603,766	-	32,804,071
General plant	14,065,556	723,048	-	14,788,604
Total depreciable assets	<u>104,263,246</u>	<u>5,339,206</u>	<u>-</u>	<u>109,602,452</u>
Accumulated depreciation:				
Depreciable assets	(60,170,593)	(3,154,403)	-	(63,324,996)
Total accumulated depreciation	<u>(60,170,593)</u>	<u>(3,154,403)</u>	<u>-</u>	<u>(63,324,996)</u>
Total depreciable assets, net	<u>44,092,653</u>	<u>2,184,803</u>	<u>-</u>	<u>46,277,456</u>
Total capital assets, net	\$ <u>51,654,079</u>	<u>8,103,246</u>	<u>(6,672,092)</u>	<u>53,085,233</u>

(5) Compensated Absences

Changes to compensated absences for 2021 were as follows:

	<u>Balance 2020</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2021</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$	<u>358,838</u>	<u>356,602</u>	<u>(314,066)</u>	<u>401,374</u>	<u>80,275</u>	<u>321,099</u>

Changes to compensated absences for 2020 were as follows:

	<u>Balance 2019</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2020</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$	<u>302,314</u>	<u>298,053</u>	<u>(241,529)</u>	<u>358,838</u>	<u>71,768</u>	<u>287,070</u>

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(6) Long-term Debt

Changes in long-term debt amounts for 2021 were as follows:

	<u>Balance 2020</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2021</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Bonds payable:						
2018 Certificates of participation	\$ 25,750,000	-	(666,250)	25,083,750	688,750	24,395,000
Premium on issuance – 2018 Series	3,087,970	-	(107,408)	2,980,562	-	2,980,562
Total bonds payable	<u>28,837,970</u>	<u>-</u>	<u>(773,658)</u>	<u>28,064,312</u>	<u>688,750</u>	<u>27,375,562</u>
Loans payable:						
Mission Bank – 2016 loan	6,484,384	-	(312,487)	6,171,897	323,232	5,848,665
Total long-term debt	<u>\$ 35,322,354</u>	<u>-</u>	<u>(1,086,145)</u>	<u>34,236,209</u>	<u>1,011,982</u>	<u>33,224,227</u>

Changes in long-term debt amounts for 2020 were as follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2020</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Bonds payable:						
2018 Certificates of participation	\$ 26,391,250	-	(641,250)	25,750,000	666,250	25,083,750
Premium on issuance – 2018 Series	3,195,378	-	(107,408)	3,087,970	-	3,087,970
Total bonds payable	<u>29,586,628</u>	<u>-</u>	<u>(748,658)</u>	<u>28,837,970</u>	<u>666,250</u>	<u>28,171,720</u>
Loans payable:						
Mission Bank – 2016 loan	6,785,393	-	(301,009)	6,484,384	312,131	6,172,253
Total loans payable	<u>6,785,393</u>	<u>-</u>	<u>(301,009)</u>	<u>6,484,384</u>	<u>312,131</u>	<u>6,172,253</u>
Total long-term debt	<u>\$ 36,372,021</u>	<u>-</u>	<u>(1,049,667)</u>	<u>35,322,354</u>	<u>978,381</u>	<u>34,343,973</u>

2018 Series Certificates of Participation – Water Revenue Refunding Bonds

On November 13, 2018, the District issued 2018 Series Certificates of Participation Water Revenue Bonds, not to exceed \$38,000,000 for the purpose of advance refunding its outstanding 2009 Series Certificates of Participation Water Revenue Bonds and to finance new capital improvement projects. As a result of the refunding, the District's 2009 Certificates of Participation issue is considered defeased and the liability for that obligation has been removed from the District's financial statements. The District completed the advance refunding to reduce the District's total debt service payments over a 20-year period by a present-value amount of approximately \$2.905 million to obtain an economic gain of approximately \$3.831 million.

The certificates-of-participation are scheduled to mature in fiscal year 2049. An interest rate premium in the amount of \$3,258,032 was calculated on the issuance of the refunding revenue bonds and will be amortized over the life of the debt. Principal and interest are payable in monthly installments due on the 1st of each month at rates ranging from 4.00% to 5.00% with monthly principal installments ranging from \$43,333 to \$129,583.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(6) Long-term Debt, continued

2018 Series Certificates of Participation – Water Revenue Refunding Bonds, continued

Future long-term debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 688,750	1,201,500	1,890,250
2023	710,000	1,172,200	1,882,200
2024	747,500	1,136,700	1,884,200
2025	780,000	1,099,325	1,884,200
2026	818,750	1,060,325	1,884,200
2027-2031	4,761,250	4,645,500	9,392,126
2032-2036	6,106,250	3,326,125	9,431,125
2037-2041	5,285,000	1,716,875	9,192,312
2042-2046	3,162,500	799,013	3,958,500
2047-2049	2,023,750	156,200	3,766,800
Total	25,083,750	<u>16,313,763</u>	<u>45,165,913</u>
Current	(688,750)		
Bond premium	<u>2,980,562</u>		
Long-term	<u>\$ 27,375,562</u>		

Mission Bank – 2016 Loan

On April 1, 2016, the District entered into a loan agreement to receive an \$8,000,000 loan from Mission Bank to finance the construction of the Solar Power Facility project. Terms of the agreement call for annual payments including interest at 3.50% maturing in fiscal year 2036.

Future long-term debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 323,232	210,900	534,132
2023	334,729	199,403	534,132
2024	346,123	188,009	534,132
2025	358,944	175,188	534,132
2026	371,711	162,421	534,132
2027-2031	2,066,117	604,544	2,670,660
2032-2036	<u>2,371,041</u>	<u>209,998</u>	<u>2,670,660</u>
Total	6,171,897	<u>1,750,463</u>	<u>8,011,980</u>
Current	<u>(323,232)</u>		
Long-term	<u>\$ 5,848,665</u>		

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(7) Other Post-Employment Benefit (OPEB) Plan

Plan Description

The District provides other post-employment benefits (OPEB) to qualified employees who retire from the District and meet the District’s vesting requirements. The Plan is a single-employer defined benefit OPEB plan administered by the District. The District’s Board has the authority to establish and amend the benefit terms and financing requirements of the Plan. The District participates in CalPERS California Employer’s Retiree Benefit Trust Program (CERBT), a trust fund intended to perform an essential government function within the meaning of Section 115 of the Internal Revenue Code. Copies of CalPERS CERBT audited financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA 95814.

Benefits Provided

The District provides post-employment health care benefits to all employees who retire from the District and meet certain eligibility requirements. Retirees may enroll in any plan available through CalPERS medical, dental and vision programs. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

To be eligible for retiree health benefits, an employee must retire from the District on or after age 55 with at least 15 years of District service. As of June 30, 2021 and 2020, the District’s contribution was \$700 per month for eligible employees regardless of the year in which the employee retired.

Employees Covered by Benefit Terms

At June 30 the following employees were covered by the benefit terms:

	2021	2020
Active plan members	31	31
Retirees and beneficiaries receiving benefits	9	9
Total Plan membership	40	40

Contributions

The contribution requirements for eligible retired employees of the District are established and may be amended by the Board of Directors. The District contributes towards the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the District. The annual contribution is based on the actuarially determined contribution.

For the years ended June 30, the contributions were as follows:

	2021	2020
Contributions – employer	\$ 79,915	79,529

Net OPEB Liability

The District’s net OPEB liability was measured as of June 30, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(7) Other Post-Employment Benefit (OPEB) Plan, continued

Actuarial Assumptions

The net OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

The following is a summary of the actuarial assumptions and methods:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Discount rate	7.00 percent
Healthcare cost trend rates	4.00 percent
Retirees' share of benefit-related costs	100 percent of the District's share of projected health insurance premiums for retirees age 55 with a minimum 15 years of service hired before July 1, 2013. 100 percent of the District's share of projected health insurance premiums for retirees age 60 with a minimum 15 years of service hired on or after January 1, 2013.

Discount Rate

At June 30, 2021 and 2020, the discount rate used to measure the net OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates.

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. The asset class percentages were taken from the current composition of the CERBT trust, and the expected yields were taken from a CalPERS publication for the Pension Fund. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(7) Other Post-Employment Benefit (OPEB) Plan, continued

Discount Rate, continued

Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2021 and 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation* CERBT Strategy 1</u>	<u>Expected Real Return**</u>
Global equity	59%	7.79%
Fixed income	25%	4.50%
Treasury inflation-protected securities	5%	3.25%
Commodities	3%	7.80%
Real estate trusts	8%	7.50%
Total	<u>100%</u>	

* Policy target effective October 1, 2018

** Assumed long-term rate of inflation - 2.75%

*** Expected long-term net rate of return, rounded - 6.75%

Changes in the Net OPEB Liability

Changes in net OPEB liability for the years were as follows:

	<u>June 30, 2021</u>		<u>June 30, 2020</u>	
	<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability</u>	<u>Net OPEB Liability</u>
Balance at beginning of year	\$ 2,337,166	1,056,104	1,281,062	961,355
Changes for the year:				
Service cost	66,154	-	66,154	43,624
Interest	163,097	-	163,097	97,754
Expected investment income	-	73,909	(73,909)	(49,717)
Administrative expense	-	(516)	516	214
Employer contributions	-	79,259	(79,259)	(61,487)
Actual benefit payments	(79,259)	(79,259)	-	-
Expected minus actual benefit payments	(1,305)	-	(1,305)	16,420
Experience (gains)/losses	-	-	-	(17,713)
Changes in assumption	-	-	-	(603,686)
Changes in benefit terms	-	-	-	906,443
Investment gains/(losses)	-	(36,611)	36,611	(12,145)
Net change	<u>148,687</u>	<u>36,782</u>	<u>111,905</u>	<u>319,707</u>
Balance at end of year	\$ <u>2,485,853</u>	<u>1,092,886</u>	<u>1,392,967</u>	<u>1,281,062</u>

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(7) Other Post-Employment Benefit (OPEB) Plan, continued

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following tables present the District's net OPEB liability calculated using the discount rate, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

As of June 30, 2021, the discount rate comparison was as follows:

	Discount Rate - 1% 6.00%	Current Discount Rate 7.00%	Discount Rate + 1% 8.00%
District's net OPEB liability	\$ <u>1,732,707</u>	<u>1,392,967</u>	<u>1,110,803</u>

As of June 30, 2020, the discount rate comparison was as follows:

	Discount Rate - 1% 6.00%	Current Discount Rate 7.00%	Discount Rate + 1% 8.00%
District's net OPEB liability	\$ <u>1,602,406</u>	<u>1,281,062</u>	<u>1,013,778</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

As of June 30, 2021, the healthcare cost trend rate comparison was as follows:

	1% Decrease 3.00%	Current Healthcare Cost Trend Rate 4.00%	1% Increase 5.00%
District's net OPEB liability	\$ <u>1,125,025</u>	<u>1,392,967</u>	<u>1,712,966</u>

As of June 30, 2020, the healthcare cost trend rate comparison was as follows:

	1% Decrease 3.00%	Current Healthcare Cost Trend Rate 4.00%	1% Increase 5.00%
District's net OPEB liability	\$ <u>1,050,559</u>	<u>1,281,062</u>	<u>1,550,740</u>

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(7) Other Post-Employment Benefit (OPEB) Plan, continued

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

For the years ended June 30, 2021 and 2020, the District recognized OPEB expense of \$144,799 and \$980,030, respectively.

As of June 30, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	June 30, 2021		June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$ 79,915	-	79,259	-
Changes in assumptions	-	(132,540)	-	(142,261)
Differences between expected and actual experience	-	(1,390)	-	(191)
Investment gains and losses	9,749	-	-	(28,094)
Total	\$ 89,664	(133,930)	79,259	(170,546)

As of June 30 2021 and 2020, employer OPEB contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$79,529 and \$61,487 will be/were recognized as a reduction of the net OPEB liability for the fiscal years ended June 30, 2022 and 2021, respectively.

As of June 30, 2021, other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources, Net
2022	\$ (11,059)
2023	(11,059)
2024	(4,933)
2025	(2,508)
2026	(9,827)
Thereafter	(84,795)
Total	\$ (124,181)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 46 and 47 for the Required Supplementary Information.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(8) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District’s separate Miscellaneous Employee, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Local Government 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 or may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District’s CalPERS 2.0% at 55 Risk Pool to new employee entrants, not previously employed by an agency under CalPERS, effective December 31, 2012. All employees hired after January 1, 2013 are eligible for the District’s CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The Plan’s provisions and benefits in effect at June 30, 2021 and 2020, are summarized as follows:

	Miscellaneous Plan	
	Tier 1	Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 60	52 - 62
Monthly benefits, as a % of eligible compensation	1.5% to 2.4%	1.0% to 2.5%
2021:		
Required employee contribution rates	6.918%	6.750%
Required employer contribution rates	10.409%	7.732%
2020:		
Required employee contribution rates	6.915%	6.750%
Required employer contribution rates	8.081%	6.985%

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(8) Defined Benefit Pension Plan, continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers to be determined on an annual basis by an actuary and shall be effective on the July 1, following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

As of the fiscal years ended June 30, the contributions to the Plan were as follows:

	Miscellaneous Plan	
	2021	2020
Contributions – employer	\$ 429,611	262,567

Net Pension Liability

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

	Proportionate Share of Net Pension Liability	
	2021	2020
Miscellaneous Plan	\$ 3,473,330	3,144,639

The District's net pension liability for the PERF C is measured as the proportionate share of the net pension liability for the miscellaneous pool. As of June 30, 2021 and 2020, the net pension liability of the Plan is measured as of June 30, 2020 and 2019 (the measurement dates), respectively. The total pension liability for the PERF C's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and 2018 (valuation dates), rolled forward to June 30, 2020 and 2019, respectively, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's change in the proportions of the net pension liability as of June 30, were as follows:

	Miscellaneous Plan	
	2021	2020
Proportion – beginning of year	0.03069%	0.02917%
Proportion – end of year	0.03192%	0.03069%
Change – increase (decrease)	0.00123%	0.00152%

Pension Expense and Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2021 and 2020, the District recognized pension expense of \$625,073 and \$692,184, respectively.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(8) Defined Benefit Pension Plan, continued

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

As of June 30, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

<u>Description</u>	<u>2021</u>		<u>2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 429,611	-	262,567	-
Net difference between actual and expected experience	178,991	-	201,484	-
Net change in assumptions	-	(24,773)	96,795	-
Net difference between projected and actual earnings on plan investments	103,181	-	-	(54,978)
Differences between actual contribution and proportionate share of contribution	-	(310,113)	-	(240,602)
Net adjustment due to differences in proportions of net pension liability	<u>205,218</u>	<u>-</u>	<u>183,620</u>	<u>-</u>
Total	<u>\$ 917,001</u>	<u>(334,886)</u>	<u>744,466</u>	<u>(295,580)</u>

As of June 30 2021 and 2020, the District reported \$429,611 and \$262,567, respectively, as deferred outflows of resources related to contributions subsequent to the measurement dates. Pension contributions subsequent to the measurement date for the year ended June 30, 2021, will be recognized as a reduction of the net pension liability for the year ended June 30, 2022. Pension contributions subsequent to the measurement date for the year ended June 30, 2020, were recognized as a reduction of the net pension liability for the year ended June 30, 2021.

At June 30, 2021, other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized as pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Deferred Net Outflows / (Inflows) of Resources</u>
2022	\$ 22,516
2023	46,226
2020	40,456
2025	43,306

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(8) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liability in the June 30, 2019 and 2018, actuarial valuation reports were determined using the following actuarial assumptions:

Valuation dates	June 30, 2019 and 2018
Measurement dates	June 30, 2020 and 2019
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50 % net of pension plan investment and administrative expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' membership data for all funds
Period upon which actuarial experience survey assumptions were based	1997-2015
Post retirement benefit	COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at <https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf>.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(8) Defined Benefit Pension Plan, continued

Discount Rate, continued

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

At June 30, 2021 and 2020, the long-term expected real rate of return by asset class was as follows:

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Year 11+**</u>
Global equity	50.00%	4.80%	5.98%
Global fixed income	28.00%	1.00%	2.62%
Inflation sensitive	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

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

The following table presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

As of June 30, 2021, the discount rate comparison was as follows::

	<u>Discount Rate 1% Decrease 6.15%</u>	<u>Current Discount Rate 7.15%</u>	<u>Discount Rate 1% Increase 8.15%</u>
District's net pension liability	\$ <u>5,509,766</u>	<u>3,473,330</u>	<u>1,790,687</u>

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(8) Defined Benefit Pension Plan, continued

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

As of June 30, 2020, the discount rate comparison was as follows:

	Discount Rate 1% Decrease 6.15%	Current Discount Rate 7.15%	Discount Rate 1% Increase 8.15%
District's net pension liability	\$ <u>5,068,655</u>	<u>3,144,639</u>	<u>1,556,500</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 48 and 49 for the Required Supplementary Information.

Payable to the Pension Plan

As of June 30, 2021 and 2020, the District reported no payables for the outstanding amount of contribution to the pension plan.

(9) Net Investment in Capital Assets

Calculation of net investment in capital assets as of June 30 were as follows:

	2021	2020
Capital assets:		
Capital assets – not being depreciated	\$ 10,606,537	6,807,777
Capital assets, net – being depreciated	43,948,276	46,277,456
Current:		
Certificates-of-participation	(688,750)	(666,250)
Loans payable	(323,232)	(312,131)
Non-current:		
Certificates-of-participation	(27,375,562)	(28,171,720)
Loans payable	<u>(5,848,665)</u>	<u>(6,172,253)</u>
Total net investment in capital assets	<u>\$ 20,318,604</u>	<u>17,762,879</u>

(10) Restricted

Calculation of restricted net position as of June 30 was as follows:

	2021	2020
Restricted – cash and cash equivalents	\$ 6,857,594	10,082,374
Accrued interest payable	<u>(17,755)</u>	<u>(18,603)</u>
Total restricted net position	<u>\$ 6,839,839</u>	<u>10,063,771</u>

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(11) Unrestricted

Unrestricted net position as of June 30 were categorized as follows:

	2021	2020
Non-spendable net position:		
Materials and supplies inventory	\$ 646,603	484,846
Prepaid expenses and other deposits	100,535	659,138
Mitigation deposit – California Department of Fish and Game	120,000	120,000
Total non-spendable net position	867,138	1,263,984
Spendable net position:		
Capital replacement reserve	6,696,649	5,299,563
Rate stabilization reserve	3,348,325	2,649,781
Total spendable net position	10,044,974	7,949,344
Total unrestricted net position	\$ 10,912,112	9,213,328

(12) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in two Deferred Compensation Programs (Programs): A 457 plan and a 401(a) plan. The purpose of these Programs is to provide deferred compensation for public employees that elect to participate in the Programs. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District and are not subject to claims of the District’s general creditors. For the District’s 457 plan, the market value of all plan assets held in trust by Mutual of America at June 30, 2021 and 2020, was \$2,922,731 and \$2,465,805, respectively. For the District’s 401(a) plan, the market value of all plan assets held in trust by Mutual of America at June 30, 2021 and 2020, was \$49,365 and \$5,812, respectively.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for these plans, the assets and related liabilities are not shown on the statements of net position.

(13) Debt Without District Commitment

Special Assessment Districts

The District maintains two Assessment Districts. These Assessment Districts were established under the Municipal Improvement Act of 1913 and partially financed with the 1951 Improvement Act bonds. Accounting for these Assessment Districts follows the Governmental Accounting Standards Board Statement No. 6, *Accounting and Financial Reporting for Special Assessments*. GASB No. 6 states that enterprise funds, such as that of the District, are to account for special assessment financing debt on the books of the District only if one of the following conditions exists:

1. The District is directly liable for the special assessment debt.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(13) Debt Without District Commitment, continued

Special Assessment Districts, continued

2. The District is not directly liable for the special assessment debt, but the debt is expected to be repaid from revenues of the District.

Since the District is not directly liable for the Assessment District debt and it is expected all such debt will be repaid from landowner assessments and not District revenues, the special assessment debt is not included in the District's financial statements. The District acts solely as an agent for the bondholders in collecting and forwarding the special assessments.

Assessment District No. 87-1

The District acquired the Ridgecrest Heights Water System during the 1988 fiscal year. In order to finance the construction of the estimated \$6,741,000 of required improvements the District formed Assessment District 87-1 on June 14, 1989. The District holds the Assessment District Bonds and did not sell them on the open market. Bond principal and interest revenues will be used to repay loans received to finance construction from the State of California. At June 30, 2020, the bond debt service was paid-in-full.

Assessment District No. 91-1

Assessment District 91-1 consists of approximately 300 acres of land subdivided into 133 residential lots contiguous to the southwesterly boundary of the City of Ridgecrest, California. The District formed Assessment District 91-1 on January 15, 1992, for the design and construction of a domestic water system for the property within the Assessment District. The cost of this construction was estimated at \$1,508,000. Total assessments were \$1,508,000 and \$237,551 was collected during the cash collection period which ended February 15, 1992.

The remaining unpaid assessments of \$1,270,449 were bonded and these limited obligation improvement bonds were sold on July 13, 1992. On August 23, 2001, the District approved resolution 01-05 under the California Streets and Highways Code Section 8771, 8772 and 8773, that the terms and conditions of the bond repayment schedule be modified as of June 30, 2008. The outstanding bonds and interest due to the bond holder were paid under the modified payment schedule. As of June 30, 2021, Assessment District 91-1 did not hold a cash balance in the Kern County Treasury. These funds are available for District expenses/improvements with the appropriate Board action/approvals.

(14) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2021, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,500,000, combined single limit at \$2,500,000 per occurrence. The District purchased additional excess coverage layers: to a combined total coverage limit of \$10,000,000 for general, auto and public officials' liability, increasing the limits on the insurance coverage noted above. Deductibles: General Liability Property Damage- \$500, Auto Liability Property Damage - \$1,000

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(14) Risk Management, continued

In addition, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$1,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis. A combined total of \$1 billion per occurrence (pool limit), subject to a \$1,000 deductible per occurrence unless otherwise listed in declarations.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence (pool limit), subject to a \$1,000 deductible per occurrence, unless other specific object or peril as listed on the declaration.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim, and an annual pool aggregate of \$8,500,000.
- Workers' compensation insurance up to statutory limits and Employer's Liability Coverage up to \$5 million.

Settled claims have not exceeded any of the coverage amounts in the last three fiscal years. There were no reductions in insurance coverage in fiscal years 2021, 2020, and 2019. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2021, 2020, and 2019.

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2021, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 89, continued

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

Governmental Accounting Standards Board Statement No. 98

In October 2021, the GASB issued Statement No. 98 – *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement’s introduction of the new term is founded on a commitment to promoting inclusiveness.

The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(16) Commitments and Contingencies

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and capital contributions.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(17) Subsequent Events

Management is not aware of any events or transactions, including estimates that provide additional evidence about conditions which existed after June 30, 2021, which require disclosure as of February 14, 2022, which is the date the financial statements were available to be issued.

Required Supplementary Information

Indian Wells Valley Water District
Schedules of Changes in the District's Net OPEB Liability and Related Ratios
As of June 30, 2021
Last Ten Fiscal Years*

Fiscal year ending	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB liability				
Service cost	\$ 66,154	43,624	42,456	41,320
Interest	163,097	97,754	70,031	91,646
Assumption changes	-	(603,686)	485,414	-
Changes in benefit terms	-	906,443	-	-
Expected benefit payments	-	-	(44,151)	-
Experience (gains)/losses	-	(17,713)	-	-
Actual benefit payments from employer	(79,259)	(61,487)	-	-
Actual minus expected benefit payments	-	-	1,172	(42,438)
Expected minus actual benefit payments	(1,305)	16,420	-	-
Net change in total OPEB liability	148,687	381,355	554,922	90,528
Total OPEB liability – beginning	2,337,166	1,955,811	1,400,889	1,310,361
Total OPEB liability – ending	\$ 2,485,853	2,337,166	1,955,811	1,400,889
Plan Fiduciary Net Position				
Employer contributions as benefit payments	\$ 79,259	61,487	-	-
Expected investment income	73,909	49,717	46,906	-
Investment gains/(losses)	(36,611)	12,145	30,630	-
Actual investment income	-	-	-	97,323
Administrative expenses	(516)	(214)	(1,787)	(811)
Actual benefit payments from employer	(79,259)	(61,487)	-	-
Expected benefit payments	-	-	(44,151)	-
Benefit payments	-	-	-	(42,438)
Actual minus expected benefit payments	-	-	1,172	-
Other **	-	-	1,190	-
Net change in plan fiduciary net position	36,782	61,648	33,960	54,074
Plan fiduciary net position – beginning	1,056,104	994,456	960,496	906,422
Plan fiduciary net position – ending	\$ 1,092,886	1,056,104	994,456	960,496
Net OPEB liability – ending	\$ 1,392,967	1,281,062	961,355	440,393
Covered payroll	\$ 2,086,299	1,984,705	2,305,138	2,156,274
Net OPEB liability as a percentage of covered payroll	66.77%	64.55%	41.70%	20.42%

Notes to Schedule:

Valuation dates	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2017
Method and assumptions used to determine contribution rates:				
Single and agent employers	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization period	(1)	(1)	(1)	(1)
Asset valuation method	Market value	Market value	Market value	Market value
Inflation	2.75%	2.75%	2.75%	2.75%
Salary increases	2.75%	2.75%	2.75%	2.75%
Investment rate of return	7.00%	7.00%	5.00%	7.00%
Mortality, retirement, disability				
Termination	(3)	(3)	(3)	(3)

(1) Level percentage of payroll, closed

(2) Pre-retirement mortality based on RP-2014 Employee Mortality Tables, Post retirement mortality rates based on RP-2014 Health Annuitant Mortality Table

(3) CalPERS 1997-2015 Experience Study

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Indian Wells Valley Water District
Schedules of OPEB Plan Contributions
As of June 30, 2021
Last Ten Fiscal Years*

Fiscal year ending	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Actuarially determined contribution	\$ 79,915	79,259	61,487	57,651
Contributions in relation to the actuarially determined contribution	<u>(79,915)</u>	<u>(79,259)</u>	<u>(61,487)</u>	<u>(57,651)</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ <u>2,086,299</u>	<u>1,984,705</u>	<u>2,305,138</u>	<u>2,156,274</u>
Contribution's as a percentage of covered payroll	<u>3.83%</u>	<u>3.99%</u>	<u>2.67%</u>	<u>2.67%</u>

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Indian Wells Valley Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2021
Last Ten Fiscal Years*

Fiscal years	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement dates	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	<u>0.03192%</u>	<u>0.03069%</u>	<u>0.02917%</u>	<u>0.02875%</u>	<u>0.02712%</u>	<u>0.02292%</u>	<u>0.02885%</u>
District's proportionate share of the net pension liability	<u>\$ 3,473,330</u>	<u>3,144,639</u>	<u>2,810,828</u>	<u>2,851,601</u>	<u>2,346,813</u>	<u>1,573,256</u>	<u>1,795,052</u>
District's covered payroll	<u>\$ 2,086,299</u>	<u>1,984,705</u>	<u>2,305,138</u>	<u>2,156,274</u>	<u>2,095,489</u>	<u>2,075,823</u>	<u>1,907,011</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>166.48%</u>	<u>158.44%</u>	<u>121.94%</u>	<u>132.25%</u>	<u>111.99%</u>	<u>75.79%</u>	<u>94.13%</u>
District's fiduciary net position as a percentage of the District's total pension liability	<u>77.30%</u>	<u>78.02%</u>	<u>79.45%</u>	<u>78.83%</u>	<u>80.54%</u>	<u>86.11%</u>	<u>83.61%</u>

Notes to schedule:

Benefits changes:

There were no changes in benefits

Changes in assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses.

The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

The asset valuation method changed from the 15 year smoothed market method to the market value method.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%

The inflation rate was reduced from 2.75% to 2.625%

From fiscal year June 30, 2018 to June 30, 2019:

The inflation rate was reduced from 2.625% to 2.50%

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no changes in assumptions.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

**Indian Wells Valley Water District
Schedules of Pension Plan Contributions
As of June 30, 2021
Last Ten Fiscal Years***

Fiscal years	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Actuarially determined contribution	\$ 403,812	380,872	317,222	261,417	232,521	170,777	136,504
Contribution's in relation to the actuarially determined contribution	<u>(403,812)</u>	<u>(380,872)</u>	<u>(317,222)</u>	<u>(261,417)</u>	<u>(232,521)</u>	<u>(170,777)</u>	<u>(136,504)</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ <u>2,086,299</u>	<u>1,984,705</u>	<u>2,305,138</u>	<u>2,156,274</u>	<u>2,095,489</u>	<u>2,075,823</u>	<u>1,907,011</u>
Contribution's as a percentage of covered payroll	<u>19.36%</u>	<u>19.19%</u>	<u>13.76%</u>	<u>12.12%</u>	<u>11.10%</u>	<u>8.23%</u>	<u>7.16%</u>
Notes to schedule:							
Valuation dates	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Methods and assumptions used to: determine contribution rates:							
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market value	Market value	Market value	Market value	Market value	Market value	15 year Smoothed Market Method
Inflation	2.500%	2.625%	2.750%	2.750%	2.750%	2.750%	2.750%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.000% (3)	7.250% (3)	7.375% (3)	7.500% (3)	7.500% (3)	7.500% (3)	7.500% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level of percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) 50 for all plans with exception of 52 for Miscellaneous 2% @62

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Report on Internal Controls and Compliance



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**Independent Auditor's Report on Internal Controls Over Financial Reporting
and on Compliance and Other Matters Based on Audits of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
Indian Wells Valley Water District
Ridgecrest, 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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Indian Wells Valley Water District (District) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated February 14, 2022.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 audits 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*.

**Independent Auditor's Report on Internal Controls Over Financial Reporting
and on Compliance and Other Matters Based on Audits of Financial Statements
Performed in Accordance with *Government Auditing Standards*, (continued)**

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.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
February 14, 2022