Twentynine Palms Water District

Twentynine Palms, California

Annual Financial Report

For the Fiscal Year Ended
June 30, 2022 and 2021

Twentynine Palms Water District

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June 30, 2022 and 2021

FINANCIAL SECTION

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Independent Auditor's Report

To the Board of Directors
Twentynine Palms Water District
Twentynine Palms, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary fund of Twentynine Palms Water District (District) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary fund of the District as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 and the schedules related to the District's pension and other post-employment benefit plans on pages 51 through 53, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated December 28, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

Eadie and Payne, LLP

Riverside, California
December 28, 2022

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Twentynine Palms Water District (District) introduces the financial statements of the District for the fiscal years ended June 30, 2022 and 2021. 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

- The District's net position increased 1.20%, or $322,746, from $26,853,602 to $27,176,348 as of June 30, 2022. The net position increased by 1.52%, or $401,324, from $26,452,278 to $26,853,602 as of June 30, 2021

- Total revenues from all sources for the District for the year ended June 30, 2022, decreased by 4.28%, or $292,388, from $6,838,077 for the year ended June 30, 2021 to $6,545,689. Total revenues from all sources for the District for the year end June 30, 2021, increased by 24.26%, or $1,335,061, from $5,503,016 for the year ended June 30, 2020 to $6,838,077.

- Total expenses for the District's operations for the year ended June 30, 2022 decreased by 3.32% or $213,810 from $6,436,753 for the year ended June 30, 2021 to $6,222,943. Total expenses for the District's operations for the year ended June 30, 2021 increased by 2.94% or $183,535 from $6,253,218 for the year ended June 30, 2020 to $6,436,753.

Using This Financial Report

These financial statements consist of several interrelated statements designed to provide the reader with relevant, understandable data about the District's financial condition and operating results.

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position provide information about the activities and performance of the District using accounting methods like those used by private sector companies. The Statements of Net Position includes all the District's investments in resources (assets) and the obligations to creditors (liabilities). 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. The current year's revenue and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine the District's profitability and credit worthiness. The Statement of Cash Flows conveys to financial statement readers how the District managed cash resources during the year. This statement converts the Change in Net Position presented on the Statement of Revenues, Expenses and Changes in Net Position into actual cash provided by or used for operations. The Statement of Cash Flows also details how the District obtains cash through financing and investing activities and, conversely, how cash is spent for these purposes.

Fiduciary funds are used to account for assets held in trust by the government for the benefit of individuals or other entities. The District maintains the Private-Purpose Trust Fund to report the assets, liabilities, deferred inflows and deferred outflows of resources, and activities of the fire protection fund. Fiduciary funds are reflected separately because the resources of those funds are not available to support the programs of the District. The fiduciary fund financial statements include the Statement of Fiduciary Net Position, and the Statement of Changes in Fiduciary Net Position.

Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position

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 Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All the current year's revenues and expenses are considered regardless of when the cash is received or paid. These two statements report the District's net position and changes in them. Think of the District's net position- the difference between assets and liabilities- 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. You will need to consider other non-financial factors; however, such as changes in the District's property tax base to assess the overall health of the District.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's pension and OPEB activities.

Statement of Net Position Proprietary Funds

Condensed Statement of Net Position

	June 30, 2022	June 30, 2021	June 30, 2020
Assets:			
Current assets	$ 9,676,047	$ 9,493,439	$ 8,181,416
Noncurrent assets	23,691,808	24,068,294	23,250,113
Total assets	33,367,855	33,561,733	31,431,529
Deferred Outflows of Resources	720,973	777,143	766,094
Liabilities			
Current liabilities	1,258,064	1,262,215	841,083
Long-term obligations	2,671,319	4,621,412	4,523,533
Total liabilities	3,929,383	5,883,627	5,364,616
Deferred Inflows of Resources	2,983,097	1,601,647	380,729
Net Position			
Net investment in capital assets	21,112,934	21,190,967	21,355,547
Restricted Net Position	-	153,500	-
Unrestricted Net Position	6,063,414	5,509,135	5,096,731
Total net position	$ 27,176,348	$ 26,853,602	$ 26,452,278

As of June 30, 2022, the District reported a net position of $27,176,348. An amount of $6,063,414 constitutes the District's unrestricted net position balance which is available for future operations at June 30, 2022. As of June 30, 2021, the District reported a net position of $26,853,602. An amount of $5,509,135 constitutes the District's unrestricted net position balance which is available for future operations at June 30, 2021. An amount of $153,500 constitutes the District's restricted net position balance at June 30, 2021.

Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	June 30, 2022	June 30, 2021	June 30, 2020
Operating Revenue	$ 6,318,317	$ 6,359,026	$ 5,168,917
Operating Expenses	(6,176,312)	(6,384,326)	(6,155,218)
Non-Operating Revenue, Net	180,741	426,624	236,099
Total Change in Net Position	322,746	401,324	(750,202)
Net Position, Beginning of Year	26,853,602	26,452,278	27,202,480
Net Position, End of Year	$ 27,176,348	$ 26,853,602	$ 26,452,278

The statement shows how the fund's net position changed during the fiscal year. In the case of the District, net position increased by $322,746 during the fiscal year ended June 30, 2022. The net position increased by $401,324 during the fiscal year ended June 30, 2021.

Proprietary Funds Revenues

	June 30, 2022	June 30, 2021	June 30, 2020
Revenues:			
Water consumption sales	$ 3,710,721	$ 3,671,784	$ 3,087,635
Water service charges	1,528,117	1,421,893	1,340,467
Water availability charge	691,365	618,498	605,404
Other service charges	388,114	646,851	135,411
Intergovernmental	-	153,500	-
Rental revenue	171,828	182,443	138,885
Investment earnings	11,111	33,532	144,202
Gain/(Loss) on sale of assets	-	19,725	6,021
Other non-operating revenue	44,433	89,851	44,991
Total revenues	$ 6,545,689	$ 6,838,077	$ 5,503,016

Revenues decreased $292,388 for the fiscal year ended June 30, 2022. Notable decreases include other service charges of $258,737 and intergovernmental revenue of $153,500 in combination with minor decreases in other categories. These notable decreases are offset by increases in water service charges of $106,224, water availability charge of $38,937, and water consumption sales of $72,867. Revenues increased $1,135,061 for the fiscal year ended June 30, 2021. Notable increases include water consumption sales of $584,149, other service charges of $511,440, and intergovernmental revenue of $153,300 in combination with minor increases in other categories. These notable increases are offset by decrease in investment earnings of $110,670.

Proprietary Funds Expenses

	June 30, 2022	June 30, 2021	June 30, 2020
Expenses:			
Source of supply	$ 454,720	$ 432,070	$ 347,946
Pumping	300,679	249,718	221,212
Transmission and distribution	1,488,472	1,526,104	1,355,204
Customer accounts	351,632	398,185	366,952
General plant	695,318	658,778	727,351
General and administrative	1,598,936	1,797,802	1,740,372
Depreciation expense	1,286,555	1,321,553	1,396,181
Interest expense	46,631	52,543	58,000
Transfer out	-	-	40,000
Total expenses	$ 6,222,943	$ 6,436,753	$ 6,253,218

Expenses decreased $213,810 for the fiscal year ended June 30, 2022. Many types of expenses experienced decreases with the largest decrease found in general and administrative expenses. On the other hand, notable increases are seen in the pumping and general plant expenses for the year. Expenses increased $183,535 for the fiscal year ended June 30, 2021. Many types of expenses experienced increases with the largest increase found in transmission and distribution expenses. On the other hand, notable decreases are seen in the general plant and the depreciation expenses for the year.

Statement of Fiduciary Net Position

Condensed Statements of Fiduciary Net Position

	June 30, 2022	June 30, 2021	June 30, 2020
Assets:			
Current assets	7,741	$ 32,784	$ 79,976
Restricted assets	1,659,726	1,844,163	1,630,409
Total assets	1,667,467	1,876,947	1,710,385
Deferred Outflows of Resources	185,112	182,369	183,841
Liabilities			
Current liabilities	3,868	14,211	4,863
Long-term obligations	12,233	507,129	400,701
Total liabilities	16,101	521,340	405,564
Deferred Inflows of Resources	250,436	215,885	201,288
Net Position			
Restricted	$ 1,586,042	$ 1,322,091	$ 1,287,374

As of June 30, 2022, the District reported a total fiduciary net position of $1,586,042, an increase of $263,951 from June 30, 2021. As of June 30, 2021, the District reported a total fiduciary net position of $1,322,091, an increase of $34,717 from June 30, 2020 . This net position is restricted for future payments towards the District exiting its CalPERS Safety Pension Plan program.

Statement of Changes in Fiduciary Net Position

Condensed Statements of Changes Fiduciary in Net Position

	June 30, 2022	June 30, 2021	June 30, 2020
Additions	$ (171,009)	$ 179,512	$ 185,820
Deductions	434,960	(144,795)	(155,277)
Total Change in Net Position	263,951	34,717	30,543
Net Position, Beginning of Year	1,322,091	1,287,374	1,256,831
Net Position, End of Year	$ 1,586,042	$ 1,322,091	$ 1,287,374

Fiduciary Funds Additions

	June 30, 2022	June 30, 2021	June 30, 2020
Additions			
Property tax penalties	$ 27,414	$ 21,680	$ 26,080
Other revenues	24,482	20,981	30,684
Intergovernmental	1,325	7,289	15,886
Investment earnings	(224,230)	129,562	73,170
Transfers in	-	-	40,000
Total additions	$ (171,009)	$ 179,512	$ 185,820

Additions decreased by $350,521 for the fiscal year ended June 30, 2022 due to decrease in investment earnings of $353,792. Additions decreased by $6,308 for the fiscal year ended June 30, 2021 primarily due to no transfers in and decreases in most addition categories offset by increased investment earnings.

Fiduciary Funds Deductions

	June 30, 2022	June 30, 2021	June 30, 2020
Deductions:			
Pension expense	$ (463,087)	$ 122,496	$ 125,214
Transfer to San Bernardino	28,127	22,299	30,063
Total deductions	$ (434,960)	$ 144,795	$ 155,277

Deductions decreased $579,755 and $10,482 for the fiscal years ending June 30, 2022 and 2021, respectively.

Capital Asset Administration

Capital assets were as follows:

	June 30, 2022	June 30, 2021	June 30, 2020
Non-depreciable capital assets	$ 2,417,142	$ 1,550,950	$ 1,728,833
Depreciable capital assets	50,791,755	50,646,850	49,950,560
Total capital assets	53,208,897	52,197,800	51,679,393
Accumulated depreciation	(30,666,128)	(29,379,574)	(28,429,280)
Total capital assets, net	$ 22,542,769	$ 22,818,226	$ 23,250,113

Net investment in capital assets includes structures and improvements, transmission and distribution system and water equipment and construction-in-process net of related liabilities. At June 30, 2022, the District's net investment in capital assets amounted to $21,112,934, which is comprised of $22,542,769 of capital assets net of related liabilities of $1,429,835. Major capital asset additions during the year include various improvements and equipment purchases totaling $1,011,096. At June 30, 2021, the District's net investment in capital assets amounted to $21,190,967, which is comprised of capital asset of $22,818,226 net of related liabilities of $1,627,259. Major capital asset additions during the year include various improvements and equipment purchases totaling $889,666. See Note 6 for further information on the District's capital assets.

Contacting the District's Financial Management Team

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District at the Twentynine Palms Water District, 72401 Hatch Road Twentynine Palms, California 92277 or (760) 367-7546.

BASIC FINANCIAL STATEMENTS

Twentynine Palms Water District

STATEMENTS OF NET POSITION

June 30, 2022 and 2021

	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets:		
Cash and investments	$ 8,201,556	$ 7,856,845
Restricted - cash and investments	92,089	256,835
Accounts receivable – water sales and services, net	914,666	991,604
Accrued interest receivable	10,893	4,262
Special assessments receivable	31,197	4,283
Materials and supplies inventory	239,864	199,871
Prepaid items	80,314	84,625
Lease receivable - current portion	105,468	95,114
Total current assets	9,676,047	9,493,439
Non-current assets:		
Lease receivable - non-current portion	1,149,039	1,250,068
Capital assets – not being depreciated	2,417,142	1,550,950
Capital assets – being depreciated, net	20,125,627	21,267,276
Total non-current assets	23,691,808	24,068,294
Total assets	33,367,855	33,561,733
Deferred outflows of resources:		
Other post-employment benefits obligation related	66,786	83,704
Pension related	654,187	693,439
Total deferred outflows of resources	720,973	777,143
Total assets and deferred outflows of resources	$ 34,088,828	$ 34,338,876
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities:		
Accounts payable and accrued expenses	$ 243,943	$ 421,171
Accrued salaries and benefits	25,553	17,555
Unearned revenue and deposits	680,976	523,573
Long-term liabilities – due within one year:		
Current portion of loan payable	201,741	195,725
Compensated absences	104,116	102,491
Lease liability	1,735	1,700
Total current liabilities	1,258,064	1,262,215
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Loan payable	1,224,738	1,426,479
Compensated absences	69,411	68,328
Lease liability	1,621	3,355
Net other post-employment benefits obligation	55,941	417,608
Net pension liability	1,319,608	2,705,642
Total non-current liabilities	2,671,319	4,621,412
Total liabilities	3,929,383	5,883,627
Deferred inflows of resources:		
Lease receivable related	1,191,214	1,310,345
Other post-employment benefits obligation related	499,380	134,033
Pension related	1,292,503	157,269
Total deferred inflows of resources	2,983,097	1,601,647
Net position:		
Net investment in capital assets	21,112,934	21,190,967
Restricted for intergovernmental grant	-	153,500
Unrestricted	6,063,414	5,509,135
Total net position	27,176,348	26,853,602
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 34,088,828	$ 34,338,876

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

Twentynine Palms Water District

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Years Ended June 30, 2022 and 2021

	2022	2021
Operating Revenue		
Water consumption sales	$ 3,710,721	$ 3,671,784
Water service charges	1,528,117	1,421,893
Water availability charge	691,365	618,498
Other service charges	388,114	646,851
Total operating revenue	6,318,317	6,359,026
Operating Expenses		
Source of supply	454,720	432,070
Pumping	300,679	249,718
Transmission and distribution	1,488,472	1,526,104
Customer accounts	351,632	398,185
General plant	695,318	658,778
General and administrative	1,598,936	1,797,802
Total operating expenses	4,889,757	5,062,657
Operating income before depreciation	1,428,560	1,296,369
Depreciation expense	(1,286,555)	(1,321,553)
Operating Income (Loss)	142,005	(25,184)
Non-Operating Revenues (Expenses)		
Rental revenue	171,828	182,443
Investment earnings	11,111	33,532
Gain on sale of assets	-	19,725
Intergovernmental grant	-	153,500
Interest expense	(46,631)	(52,543)
Other non-operating revenue	44,433	89,851
Total non-operating revenues, net	180,741	426,508
Change in Net Position	322,746	401,324
Net Position, Beginning of Year	26,853,602	26,452,278
Net Position, End of Year	$ 27,176,348	$ 26,853,602

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

Twentynine Palms Water District
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Cash receipts from customers and others	$ 6,742,005	$ 6,844,443
Cash paid to employees for salaries and wages	(2,396,325)	(2,282,002)
Cash paid to vendors and suppliers for materials and services	(3,052,348)	(2,504,490)
Net cash provided by operating activities	1,293,332	2,057,951
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,011,098)	(882,944)
Proceeds from sale of assets	-	19,725
Payments on long-term debt	(197,424)	(191,556)
Net cash (used in) capital and related financing activities	(1,208,522)	(1,054,775)
Cash flows from investing activities:		
Proceeds from investment earnings	4,480	52,089
Proceeds from leases	90,675	84,294
Net cash provided by investing activities	95,155	136,383
Net increase (decrease) in cash and investments	179,965	1,139,559
Cash and investments:		
Beginning of year	8,113,680	6,974,121
End of year	$ 8,293,645	$ 8,113,680
Classification on Statements of Net Position		
Cash and investments	$ 8,201,556	$ 7,856,845
Restricted - cash and investments	92,089	256,835
	$ 8,293,645	$ 8,113,680

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

Twentynine Palms Water District

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Years Ended June 30, 2022 and 2021

	2022	2021
Reconciliation of operating loss to net cash provided by operating activities:		
Operating income (loss)	$ 142,005	$ (25,184)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	1,286,555	1,321,553
Provision for bad debt	(38,927)	125,841
Interest expense	(46,631)	(52,543)
Rental revenue	171,828	182,443
Other non-operating revenue	44,433	89,851
Intergovernmental grant		153,500
Changes in assets – (increase) decrease:		
Accounts receivable-water sales and services	115,865	(198,058)
Special assessments receivable	(26,914)	14,824
Materials and supplies inventory	(39,993)	(23,718)
Prepaid items	4,311	(14,796)
Change in deferred outflows of resources – (increase) decrease:		
Pension and OPEB related deferred outflows of resources	56,170	(11,049)
Changes in liabilities – increase (decrease):		
Accounts payable and accrued expenses	(177,228)	269,722
Accrued salaries and related payables	7,998	6,840
Unearned revenue and deposits	157,403	117,016
Compensated absences	2,708	33,364
Net other post-employment benefits obligation	(361,667)	40,604
Net pension liability	(1,386,034)	236,299
Change in deferred inflows of resources – increase (decrease):		
Pension, OPEB and lease related deferred inflows of resources	1,381,450	(208,558)
Total adjustments	1,151,327	2,083,135
Net cash provided by operating activities	$ 1,293,332	$ 2,057,951

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

Twentynine Palms Water District
STATEMENTS OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUND
June 30, 2022 and 2021

	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets:		
Cash and investments	$ 6,479	$ 28,422
Restricted – cash and investments	1,659,726	1,844,163
Special assessments receivable	1,262	4,362
Total current assets	1,667,467	1,876,947
Deferred Outflows of Resources		
Pension related	185,112	182,369
Total Assets and Deferred Outflows of Resources	1,852,579	2,059,316
LIABILITIES, DEFERRED INFLOWS OR RESOURCES AND NET POSITION		
Current liabilities:		
Accounts payable and accrued expenses	3,868	14,211
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Net pension liability	12,233	507,129
Total liabilities	16,101	521,340
Deferred Inflows of Resources		
Pension related	250,436	215,885
Total Liabilities and Deferred Inflows of Resources	266,537	737,225
Fiduciary Net Position		
Restricted for pension liability	$ 1,586,042	$ 1,322,091

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

Twentynine Palms Water District

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

PRIVATE-PURPOSE TRUST FUND

For the Years Ended June 30, 2022 and 2021

	2022	2021
Additions		
Property tax penalties	$ 27,414	$ 21,680
Intergovernmental	1,325	7,289
Investment earnings (loss)	(224,230)	129,562
Other revenue	24,482	20,981
Total Additions	(171,009)	179,512
Deductions		
Pension expense	(463,087)	122,496
Transfer of fire revenues to San Bernardino County Fire District	28,127	22,299
Total Deductions	(434,960)	144,795
Change in Fiduciary Net Position	263,951	34,717
Fiduciary Net Position, Beginning of Year	1,322,091	1,287,374
Fiduciary Net Position, End of Year	$ 1,586,042	$ 1,322,091

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

The Twentynine Palms Water District (District) was formed in 1954 under the County Water District Law, Division 12 of the Water Code of the State of California, for the purpose of supplying potable water and for other statutory purposes, including fire protection. The District is governed by a five-member Board of Directors whose members are elected by the registered voters in the District to staggered four-year terms.

On July 1, 2016, the District reorganized its fire protection services to the San Bernardino County Fire Protection District per the San Bernardino County LAFCO decision on February 17, 2016.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of U.S. GAAP. 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 for a component that has substantively the same governing body as the District's governing body, and additionally (I) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit.

The Twentynine Palms Water District Financing Corporation (Corporation) has a financial and operational relationship which meets the reporting entity definition criteria under U.S. GAAP, for inclusion of the Corporation as a component unit of the District. The Corporation is governed by a five-member board appointed by the District board. Although it is legally separated from the District, the Corporation is reported as a blended component unit of the primary government because its sole purpose is to provide financing assistance to the District for construction and acquisition of major capital facilities.

Basis of Accounting and Measurement Focus

The District's financial statements are prepared in conformity with U.S. GAAP. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

The District reports its activities as a proprietary fund (enterprise fund). Proprietary funds are accounted for using the *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Fiduciary Fund

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. The accounting used for fiduciary funds is much like that used for proprietary funds.

The District utilizes the Fire Protection Fund to account for resources held in trust for retirees and beneficiaries covered by the Public Safety Employees' Pension Plan. The District has determined that the remaining activities in the Fire Protection Fund after the transfer of services to the San Bernardino County Fire District are fiduciary in nature under the provisions of GASB Statement No. 84.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value.

Investments

Investments are reported at fair value. Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the balance sheet, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

> Level 1 inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.
>
> Level 2 inputs, other than quoted prices included in Level I, that are observable for the asset or liability through corroboration with market data at the measurement date.
>
> Level 3 unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Allowance for Doubtful Accounts

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. Uncollectable accounts are based on prior experience and management's assessment of the collectability of existing accounts.

Special Assessments Receivable

The District contracts with the County of San Bernardino Tax Collector to collect the District's special assessments on the annual tax-roll billings. The County of San Bernardino Tax Collector remits the receipts from these collections to the District throughout the year.

Materials and Supplies Inventory

Inventories consist of expendable supplies and are valued at the lower of cost or market using first-in first-out basis.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid items.

Lease Receivable

The District recorded lease receivable as a result of implementing Governmental Accounting Standards Board Statement 87, Leases (GASB 87). Lease receivable is measured at the present value of lease payments expected to be received during the lease term. A deferred inflow is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

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 acquisition 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:

Asset Class	Useful Lives
Buildings and structures	20 - 50 years
Improvements	20 - 70 years
Pumping and treatment equipment	10 - 25 years
Office equipment	3 - 10 years
Other equipment	3 - 20 years
Vehicles	5 years

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Construction in progress includes all capitalized costs for expenditures directly incurred to bring a capital asset to a useable condition. These capitalized costs will be recorded to capital assets when the asset is operational. At that time, the costs will be depreciated or amortized over the respective capital asset's useful life.

Right-to-use Assets

The District has recorded right-to-use assets as a result of implementing GASB 87. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets, which are included in capital assets in the statement of net position, are amortized on a straight line basis over the life of the related lease.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred inflows of resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, will not be recognized as a revenue until that time.

Compensated Absences

Employees are entitled to accumulate vacation leave. The total accumulated vacation time shall not exceed that amount earned by the employee in two years, not to exceed a maximum of 24 days per year, 48 days in a two-year period. The employee will be required to accept compensation in lieu of vacation for the vacation time accrued in excess of the maximum in January of each year. Upon termination of employment for any reason, the District shall compensate the employee for his/her accumulated vacation time at his/her straight time rate of pay at the time of termination. In accordance with generally accepted accounting principles, the liability is reflected on the balance sheet and the current year allocation has been expensed.

Sick leave with pay will be granted to each employee at the rate of one day per month. Accumulated sick leave will not be paid to employees upon termination of employment. In December of each year, as long as a water department employee has accrued in excess of 5 days sick leave, he/she may choose to either be paid for any sick leave in excess of the 5 days or leave it to accumulate. Employees who do not utilize unused sick leave accrued in excess of 5 days between December 1st and November 30th each year, may be reimbursed at the rate of 100 percent if they have been employed during the entire period.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalPERS plan governed by the Public Employees' Medical & Hospital Care Act (PEMHCA) and additions to/deductions from PEMHCA's fiduciary net position have been determined on the same basis as they are reported by PEMHCA. For this purpose, PEMHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 8). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

CalPERS	June 30, 2022	June 30, 2021
Valuation date	June 30, 2020	June 30, 2019
Measurement date	June 30, 2021	June 30, 2020
Measurement period	July 1, 2020 to June 30, 2021	July 1, 2019 to June 30, 2020

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Net Position

In the statement of net position, net position is categorized as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net amount of assets that are not included in the determination of *restricted* or *net investment in capital assets.*

Note 2 – Cash and Investments

Cash and investments as of June 30, 2022 and 2021, consisted of the following:

Description	2022	2021
Cash on hand	$ 1,350	$ 1,350
Demand deposits with financial institutions	2,463,153	2,234,219
Investments	7,495,347	7,750,696
Total cash and investments	$ 9,959,850	$ 9,986,265

Demand Deposits

At June 30, 2022, the carrying amount of the District's demand deposits was $2,463,153 and the financial institution balance was $2,447,670. The $15,483 net difference as of June 30, 2022, represents outstanding checks, deposits-in-transit and/or other reconciling items. At June 30, 2021, the carrying amount of the District's demand deposits was $2,234,219 and the financial institution balance was $2,215,729. The $18,490 net difference as of June 30, 2021, represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to $250,000 by the FDIC.

The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Note 2 – Cash and Investments (Continued)

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery versus- payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. 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 (such as LAIF).

As of June 30, 2022 and 2021, none of the District's deposits and investments were exposed to disclosable custodial credit risk.

Investments

Investments as of June 30, 2022, consisted of the following:

Investments	Measurement Input	Credit Rating	Fair Value June 30, 2022	Maturity 12 Months or Less
External Investment Pools:				
California Local Agency Investment Fund (LAIF)	Level 2	n/a	$ 5,743,532	$ 5,743,532
Held with Fiscal Agent:				
PARS Pension Trusts	Level 2	n/a	1,751,815	1,751,815
Total investments			$ 7,495,347	$ 7,495,347

Investments as of June 30, 2021, consisted of the following:

Investments	Measurement Input	Credit Rating	Fair Value June 30, 2021	Maturity 12 Months or Less
External Investment Pools:				
California Local Agency Investment Fund (LAIF)	Level 2	n/a	$ 5,803,198	$ 5,803,198
Held with Fiscal Agent:				
PARS Pension Trust	Level 2	n/a	1,947,498	1,947,498
Total investments			$ 7,750,696	$ 7,750,696

Note 2 – Cash and Investments (Continued)

Authorized Investments and Investment Policy

The District has adopted an investment policy directing the Fiscal Officer to deposit funds in financial institutions.

Investments are to be made in the following areas:

External Investment Pools:
California Local Agency Investment Fund (LAIF)
Non-negotiable certificates-of-deposit
Governmental agency securities

Held with Fiscal Agent:
PARS Pension Trust

Investment in California - Local Agency Investment Fund (LAIF)

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the entity'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. Further information about LAIF is available on the California State Controller's website: www.treasurer.ca.gov/pmia-laif/

The District's investment with LAIF at June 30, 2022 and 2021, included a portion of the pool funds invested in structured notes and asset-backed securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally, mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2022 and 2021, the value of LAIF's portfolio approximated $35.761 billion and $37.067 billion, respectively. As of June 30, 2022 and 2021, the District had $5,743,532 and $5,803,198 invested in LAIF, respectively. LAIF had invested 1.14% and 3.37% of the pool's investment funds in structured notes and medium-term asset-backed securities at June 30, 2022 and 2021, respectively.

Public Agency Retirement Services (PARS) Pension Trust

The District established an IRS Section 115 pension irrevocable trust account with the Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the District's CalPERS Defined Benefit Safety and Miscellaneous Employees' Pension Plans. The PARS Trust's specific cash and investments are managed by a third-party portfolio manager and invested under a pool arrangement using certain investment guidelines offered by PARS.

Note 2 – Cash and Investments (Continued)

Fair Value Measurement Input

The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the table above.

Credit Risk

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. As of June 30, 2022 and 2021, the District's investment in the LAIF is noted in the table above.

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 fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments except for those in LAIF.

Note 3 – Accounts Receivable, Net

The accounts receivable, net balance as of June 30, 2022 and 2021 consisted of the following:

Description	2022	2021
Accounts receivable – water sales and services	$ 1,364,930	$ 1,480,795
Allowance for doubtful accounts	(450,264)	(489,191)
Total accounts receivable, net	$ 914,666	$ 991,604

Note 4 – Special Assessments Receivable

The Water Operations Fund receives water availability charge assessments of $30 for each parcel that is one acre or less, whether serviced or un-serviced. These amounts are increased by amounts ranging from $7.50 to $8.00 per acre for incremental acreage. For the years ended June 30, 2022 and 2021, the District recorded revenue from this special assessment of $691,365 and $618,498 as water availability charges, respectively. At June 30, 2022 and 2021, the outstanding balance of the special assessment receivable was $31,197 and $4,283, respectively.

Note 5 – Lease Receivable

In April 2002, the District entered into a 5-year cell tower lease with T-Mobile with an option to renew every five years for 25 more years. The initial lease payment $12,000 per year. The annual lease payment is adjusted annually by an amount not to exceed the rate of inflation as indicated by the change in Consumer Price Index (CPI) or 3%, whichever is greater.

In June 2005, the District entered into a 5-year cell tower lease with AT&T with an option to renew every five years for 20 more years. The initial lease payment $26,400 per year. The annual lease payment is adjusted annually by an amount not to exceed the rate of inflation as indicated by the change in Consumer Price Index (CPI) or 3%, whichever is greater.

In February 2013, the District entered into a 5-year cell tower lease with AT&T with an option to renew every five years for 20 more years. The initial lease payment $60,000 per year. The annual lease payment is adjusted annually by 3%.

The District recorded the lease receivable as of July 1, 2020 measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 2.0%.

During the years ended June 30, 2022 and 2021, the District recognized lease revenue related to the above leases of $191,130 each year. Interest revenue for the years ended June 30, 2022 and 2021 were $21,444 and $22,905, respectively.

The future minimum lease payments receivable are as follows:

Year Ending June 30,	Principal	Interest
2023	$ 103,353	$ 19,716
2024	108,899	17,860
2025	114,663	15,901
2026	120,649	13,832
2027	126,866	11,649
2028-2032	564,511	24,601
2033-2037	138,835	2,700
2038	15,161	63
Total	$ 1,292,937	$ 106,322

Note 6 – Capital Assets

Changes in capital assets for the year ended June 30, 2022 were as follows:

	Balance July 1, 2021	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2022
Non-depreciable capital assets:				
Land	$ 174,626	$ -	$ -	$ 174,626
Construction-in-process	1,376,324	987,598	(121,406)	2,242,516
Total non-depreciable capital assets	1,550,950	987,598	(121,406)	2,417,142
Depreciable capital assets:				
Source of supply plant	14,596,498	87,874	-	14,684,372
Pumping plant	295,464	5,975	-	301,439
Transmission and distribution plant	30,264,595	23,498	-	30,288,093
Buildings and structures	2,261,941	22,400	-	2,284,341
Office equipment	402,083	5,157	-	407,240
Transportation/heavy equipment	1,932,694	-	-	1,932,694
Radio and communication equipment	148,616	-	-	148,616
Field equipment and tolls	738,238	-	-	738,238
Lease asset	6,722	-	-	6,722
Total depreciable capital assets	50,646,851	144,904	-	50,791,755
Less accumulated depreciation	(29,379,575)	(1,286,553)	-	(30,666,128)
Total depreciable capital assets, net	21,267,276	(1,141,649)	-	20,125,627
Total capital assets, net	$ 22,818,226	$ (154,051)	$ (121,406)	$ 22,542,769

Note 6 – Capital Assets (Continued)

Changes in capital assets for the year ended June 30, 2021 were as follows:

	Balance July 1, 2020	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2021
Non-depreciable capital assets:				
Land	$ 174,626	$ -	$ -	$ 174,626
Construction-in-process	1,554,207	612,436	(790,319)	1,376,324
Total non-depreciable capital assets	1,728,833	612,436	(790,319)	1,550,950
Depreciable capital assets:				
Source of supply plant	13,843,265	753,233	-	14,596,498
Pumping plant	434,992	19,075	(158,603)	295,464
Transmission and distribution plant	29,984,826	279,769	-	30,264,595
Buildings and structures	2,267,655	-	(5,714)	2,261,941
Office equipment	491,731	-	(89,648)	402,083
Transportation/heavy equipment	1,966,306	8,750	(42,363)	1,932,693
Radio and communication equipment	148,616	-	-	148,616
Field equipment and tolls	813,169	-	(74,931)	738,238
Lease asset	-	6,722	-	6,722
Total depreciable capital assets	49,950,560	1,067,549	(371,259)	50,646,850
Less accumulated depreciation	(28,429,280)	(1,321,553)	371,259	(29,379,574)
Total depreciable capital assets, net	21,521,280	(254,004)	-	21,267,276
Total capital assets, net	$ 23,250,113	$ 358,432	$ (790,319)	$ 22,818,226

Construction in progress consist of several capital projects in which the District has expended $2,242,516 as of June 30, 2022. The District estimates that the projects will be completed in the fiscal year 2023 and will need to expend an additional $85,000 to bring the projects to completion.

Note 7 – Compensated Absences

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. The District's liability for compensated absences is determined annually.

Changes in compensated absences balances for the year ended June 30, 2022 were as follows:

Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Current	Non-current
$ 170,819	$ 210,823	$ (208,115)	$ 173,527	$ 104,116	$ 69,411

Note 7 – Compensated Absences (Continued)

Changes in compensated absences balances for the year ended June 30, 2021 were as follows:

Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Current	Non-current
$ 137,455	$ 204,555	$ (171,191)	$ 170,819	$ 102,491	$ 68,328

Note 8 – Net Other Post-Employment Benefits Obligation

Plan Description -Eligibility and Benefits

The District's defined benefit postemployment healthcare plan, Twentynine Palms Water District Post-Retirement Medical Benefits Program (TPWDPRMBP), provides medical benefits to eligible District employees and spouses. TPWDPRMBP is a single employer defined benefit healthcare plan administered by the District. A menu of benefit provisions are established through the District's group health insurance plan, which covers both the active and retired members. The TPWDPRMBP does not issue a publicly available financial report.

At June 30, 2022 and 2021, the following employees were covered by the benefit terms:

	2022	2021
Active plan members	23	25
Inactive plan members or beneficiaries currently receiving benefit payments	-	-
Inactive plan members entitled to but not yet receiving benefit payments	-	-
Total Participants	23	25

Contribution requirements of the District are established by Ordinance and may be amended through board action to update the original Ordinance. For the years ended June 30, 2022 and 2021, the District's average contribution rate was 0.0% and 4.31% of covered-employee payroll, respectively. Employees are not required to contribute to the plan.

Net OPEB Liability

The Agency's net OPEB liability at June 30, 2022 and 2021 was measured as of June 30, 2021 and 2020, respectively. The total OPEB liability used to calculate the net OPEB liability at June 30, 2022 and 2021 was determined by an actuarial valuation as of June 30, 2021 and July 1, 2019, respectively.

Note 8 – Net Other Post-Employment Benefits Obligation (Continued)

Net OPEB Liability (Continued)

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

	2022	2021
Valuation Date	June 30, 2021	July 1, 2019
Discount Rate	6.00% per annum	6.00% per annum
Inflation	2.50% per annum	2.50% per annum
Salary Increases	Equal to merit increases from the CalPERS pension plan	3.00% per annum, in aggregate
Investment Rate of Return	6.00%	6.00%
Mortality Rate	SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021	CalPERS Membership Data
Healthcare Cost Trend Rates	7.25% decreasing to 4.5% over future periods	6.25% decreasing to 4.5% over future periods

There has been one plan provision change: For employees hired after January 1, 2021, employees must reach age 60 with 10 years of service to be eligible for benefits. The termination, retirement, disability, and salary scale assumptions have been updated based on the 2021 CalPERS experience study. The actuarial assumptions used in the July 1, 2019 valuation were based on the results of a CalPERS actuarial experience study for the period 1997-2015.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class for the years ended June 30, 2022 and 2021 are summarized in the following table:

	2022		2021	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Inflation Assets	16.0%	N/A	26.0%	1.25%
Global Debt Securities	49.0%	N/A	39.0%	2.25%
Global Equities	22.0%	N/A	24.0%	5.25%
REITs	8.0%	N/A	8.0%	4.50%
Commodities	5.0%	N/A	3.0%	1.25%
Total	100.0%	6.0%	100.0%	6.0%

Note 8 – Net Other Post-Employment Benefits Payable (Continued)

Net OPEB Liability (Continued)

Discount rate: The discount rates used to measure the total OPEB liability at June 30, 2022 and 2021 were both 6.00%. The projection of cash flows used to determine the discount rate assumed that Plan Assets will always exceed benefit payments. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

Changes in net OPEB liability for the year ended June 30, 2022 were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	NET OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2021	$ 1,117,020	$ 699,412	$ 417,608
Changes for the year:			
Service cost	51,018	-	51,018
Interest	70,082	-	70,082
Change in assumptions	(5,650)	-	(5,650)
Differences between expected and actual experience	(382,546)	-	(382,546)
Net investment income	-	94,818	(94,818)
Benefit payments	-	-	-
Administrative expense	-	(247)	247
Net changes	(267,096)	94,571	(361,667)
Balance at June 30, 2022	$ 849,924	$ 793,983	$ 55,941

Note 8 – Net Other Post-Employment Benefits Payable (Continued)

Changes in net OPEB liability for the year ended June 30, 2021 were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	NET OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2020	$ 1,035,089	$ 658,085	$ 377,004
Changes for the year:			
Service cost	50,524	-	50,524
Interest	64,684	-	64,684
Differences between expected and actual experience	(17,960)	-	(17,960)
Contributions - employer	-	15,317	(15,317)
Net investment income	-	41,653	(41,653)
Benefit payments	(15,317)	(15,317)	-
Administrative expense	-	(326)	326
Net changes	81,931	41,327	40,604
Balance at June 30, 2021	$ 1,117,020	$ 699,412	$ 417,608

Note 8 – Net Other Post-Employment Benefits Payable (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates:
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 a discount rate that is 1.00 percentage-point lower or 1.00 percentage-point higher than the current discount rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net OPEB liability - June 30, 2022	$ 118,815	$ 55,941	$ (2,648)

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net OPEB liability - June 30, 2021	$ 509,859	$ 417,608	$ 333,448

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates:
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 rates that are 1.00 percentage point lower or 1.00 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (5.25% decreasing to 3.50%)	Current Healthcare Cost Trend Rate (6.25% decreasing to 4.50%)	1% Increase (7.25% decreasing to 5.50%)
Net OPEB liability - June 30, 2022	$ (28,876)	$ 55,941	$ 155,890

	1% Decrease (5.50% decreasing to 3.50%)	Current Healthcare Cost Trend Rate (6.50% decreasing to 4.50%)	1% Increase (7.50% decreasing to 5.50%)
Net OPEB liability - June 30, 2021	$ 302,665	$ 417,608	$ 552,001

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CalPERS financial report.

Note 8 – Net Other Post-Employment Benefits Payable (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the years ended June 30, 2022 and 2021, the District recognized OPEB expense of $10,201 and $47,304, respectively. At June 30, 2022 and 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2022	2021	2022	2021
Changes in assumptions	$ -	$ -	$ 89,484	$ 117,264
Differences between expected and actual experience	45,649	52,171	367,813	16,327
Net difference between projected and actual earnings on OPEB plan investments	-	-	42,083	442
Employer contributions made subsequent to the measurement date	21,137	31,533	-	-
Total	$ 66,786	$ 83,704	$ 499,380	$ 134,033

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Deferred Outflows/(Inflows) of Resources	
Fiscal Year Ended June 30:	2022	2021
2022	$ -	$ (28,755)
2023	(67,477)	(27,043)
2024	(68,967)	(28,533)
2025	(42,261)	(1,827)
2026	(38,544)	1,891
2027	(27,971)	2,405
Thereafter	(208,511)	-
Total	$ (453,731)	$ (81,862)

Note 9 – Net Pension Liability and Defined Benefit Pension Plan

General Information about the Pension Plans

The Plans' Description Schedule

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

Miscellaneous Plans

	Miscellaneous Plans	
	Classic Tier 1	**PEPRA Tier 2**
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% at 60	2.0% at 62
Benefit vesting schedule	5 years of service	5 years of servce
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a percentage of eligible compensation	2.0% to 3.0%	1.0% to 2.5%
Required member contribution rates		
2022	8.000%	6.750%
2021	8.000%	6.750%
Required employer contribution rates		
2022	14.540%	7.590%
2021	14.729%	7.732%

Safety Plan

	Safety Plan
	Classic Tier 1
Hire date	Prior to January 1, 2013
Benefit formula	3.0% at 55
Benefit vesting schedule	5 years of service
Benefits payments	monthly for life
Retirement age	50 - 55 & up
Monthly benefits, as a percentage of eligible compensation	2.4% to 3.0%
Required member contribution rates	
2021	0.000%
2020	0.000%
Required employer contribution rates	
2021	0.000%
2020	0.000%

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Plan Description

The District contributes to the Public Employees' Retirement Fund C (PERF C), a cost-sharing multiple employer defined benefit pension plan of public agencies with generally fewer than 100 active members, which is administered by California Public Employees' Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2020 and 2019 Annual Actuarial Valuation Reports. These reports and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Members Covered by Benefit Terms

At June 30, 2020 (Valuation Date), the following members were covered by the benefit terms:

	Miscellaneous Plans		
Plan Members	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Active Members	13	9	22
Transferred and terminated members	21	2	23
Retired members and beneficiaries	19	-	19
Total plan members	53	11	64

	Safety Plan
Plan Members	**Classic Tier 1**
Active members	-
Transferred and terminated members	12
Retired members and beneficiaries	6
Total plan members	18

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

At June 30, 2019 (Valuation Date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans Classic Tier 1	Miscellaneous Plans PEPRA Tier 2	Total
Active Members	13	9	22
Transferred and terminated members	21	2	23
Retired members and beneficiaries	19	-	19
Total plan members	53	11	64

Plan Members	Safety Plan Classic Tier 1
Active members	-
Transferred and terminated members	12
Retired members and beneficiaries	6
Total plan members	18

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation.

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit.

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.65 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of $500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ended June 30, 2021 and 2020 (Measurement Date), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRA Miscellaneous Plan are based on the Plan’s description schedule above.

For the year ended June 30, 2022, the contributions made to the Plan were as follows:

	Miscellaneous Plans		
Contribution Type	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Contributions – employer	$ 340,507	$ 43,391	$ 383,898
Contributions – members	76,090	36,956	113,046
Total contributions	$ 416,597	$ 80,347	$ 496,944

	Safety Plan
Contribution Type	**Classic Tier 1**
Contributions – employer	$ 38,460
Contributions – members	-
Total contributions	$ 38,460

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

For the year ended June 30, 2021, the contributions made to the Plan were as follows:

	Miscellaneous Plans		
Contribution Type	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Contributions – employer	$ 320,894	$ 37,035	$ 357,929
Contributions – members	82,100	30,927	113,027
Total contributions	$ 402,994	$ 67,962	$ 470,956

	Safety Plan
Contribution Type	**Classic Tier 1**
Contributions – employer	$ 26,711
Contributions – members	-
Total contributions	$ 26,711

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement periods ended June 30, 2021 and 2020 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2020 and 2019 total pension liabilities. The June 30, 2020 and 2019 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry age normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50% per annum
Salary Increases	Varies by entry age and service
Mortality Rate[1]	Derived using CalPERS' Membership Data
Post-Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies; 2.50% thereafter

[1] The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2020 and 2019 valuations were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Long-Term Expected Rate of Return

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

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

The table below reflects expected real rate of return by asset class as of June 30, 2021 and 2020 (Measurement Date):

Investment Type[1]	New Strategic Allocation	Real Return Years 1-10[2]	Real Return Years 11+[3]
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	-	(0.92%)
	100.00%		

[1] In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in short-term investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities
[2] An expected inflation rate of return of 2.00% is used for this period.
[3] An expected inflation rate of return of 2.92% is used for this period.

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

<u>Discount Rate</u>

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

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, 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 1.00 percentage-point lower or 1.00 percentage-point higher than the current rate:

	Plan's Net Pension Liability at June 30, 2021		
Plan Type	**Discount Rate - 1% 6.15%**	**Current Discount Rate 7.15%**	**Discount Rate + 1% 8.15%**
CalPERS – Miscellaneous Plan	$ 3,031,126	$ 1,319,608	$ (95,279)

	Plan's Net Pension Liability at June 30, 2021		
Plan Type	**Discount Rate - 1% 6.15%**	**Current Discount Rate 7.15%**	**Discount Rate + 1% 8.15%**
CalPERS – Safety Plan	$ 556,272	$ 12,233	$ (434,628)

	Plan's Net Pension Liability at June 30, 2020		
Plan Type	**Discount Rate - 1% 6.15%**	**Current Discount Rate 7.15%**	**Discount Rate + 1% 8.15%**
CalPERS – Miscellaneous Plan	$ 4,314,548	$ 2,705,642	$ 1,376,255

	Plan's Net Pension Liability at June 30, 2021		
Plan Type	**Discount Rate - 1% 6.15%**	**Current Discount Rate 7.15%**	**Discount Rate + 1% 8.15%**
CalPERS – Safety Plan	$ 1,041,579	$ 507,129	$ 68,563

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plans proportionate share of the risk pool collective net pension liability over the measurement periods for the CalPERS Miscellaneous and Safety Plans as follows:

Plan Type and Balance Descriptions	Plan Total Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2020 (Measurement Date)	$ 12,090,160	$ 9,384,517	$ 2,705,643
Balance as of June 30, 2021 (Measurement Date)	12,963,011	11,643,403	1,319,608
Change in Plan Net Pension liability	$ 872,851	$ 2,258,886	$ (1,386,035)

Plan Type and Balance Descriptions	Plan Total Pension	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Safety Plan:			
Balance as of June 30, 2020 (Measurement Date)	$ 3,935,460	$ 3,428,331	$ 507,129
Balance as of June 30, 2021 (Measurement Date)	4,041,636	4,029,403	12,233
Change in Plan Net Pension Liability	$ 106,176	$ 601,072	$ (494,896)

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

Plan Type and Balance Descriptions	Plan Total Pension	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2019 (Measurement Date)	$ 11,033,299	$ 8,563,956	$ 2,469,343
Balance as of June 30, 2020 (Measurement Date)	12,090,160	9,384,517	2,705,643
Change in Plan Net Pension liability	$ 1,056,861	$ 820,561	$ 236,300

Plan Type and Balance Descriptions	Plan Total Pension	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Safety Plan:			
Balance as of June 30, 2019 (Measurement Date)	$ 3,797,647	$ 3,396,946	$ 400,701
Balance as of June 30, 2020 (Measurement Date)	3,935,460	3,428,331	507,129
Change in Plan Net Pension Liability	$ 137,813	$ 31,385	$ 106,428

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool:

1. In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date. The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation dates.

2. Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date. Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at the valuation date less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period.

3. The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

4. Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

5. The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

6. The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The District's proportionate share of the net pension liability was as follows:

	Percentage Share of Risk Pool		
CalPERS – Miscellaneous Plan	**Fiscal Year Ending June 30, 2022**	**Fiscal Year Ending June 30, 2021**	**Fiscal Year Ending June 30, 2020**
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019
Percentage of Risk Pool Net Pension liability	0.069497%	0.064144%	0.061664%
Percentage of Plan (PERF C) Net Pension Liability	0.053530%	0.024867%	0.024098%

	Percentage Share of Risk Pool		
CalPERS – Safety Plan	**Fiscal Year Ending June 30, 2022**	**Fiscal Year Ending June 30, 2021**	**Fiscal Year Ending June 30, 2020**
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019
Percentage of Risk Pool Net Pension Liability	0.000349%	0.007612%	0.006419%
Percentage of Plan (PERF C) Net Pension liability	0.007263%	0.004661%	0.003910%

For the year ended June 30, 2022, the District recognized pension expense in the amount of $172,350 and pension benefit of $424,627 for the CalPERS Miscellaneous and Safety Plans, respectively. For the year ended June 30, 2021, the District recognized pension expense in the amount of $524,510 and $149,207 for the CalPERS Miscellaneous and Safety Plans, respectively.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The EARSL for PERF C for the measurement periods ending June 30, 2021 and 2020 is 3.8 years, which was obtained by dividing the total service years (the sum of remaining service lifetimes of the active employees) by the total number of participants (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous		Safety	
Account Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Pension contributions made after the measurement date	$ 383,898	$ -	$ 38,460	$ -
Difference between actual and proportionate share of employer contributions	-	(140,555)	-	(243,155)
Adjustment due to difference in proportions	122,309		144,562	-
Differences between expected and actual experience	147,980	-	2,090	-
Differences between projected and actual earnings on pension plan investments	-	(1,151,948)	-	(7,281)
Changes in assumptions	-	-	-	-
Total Deferred Outflows/(Inflows) of Resources	$ 654,187	$ (1,292,503)	$ 185,112	$ (250,436)

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous		Safety	
Account Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Pension contributions made after the measurement date	$ 357,929	$ -	$ 26,711	$ -
Difference between actual and proportionate share of employer contributions	-	(137,971)	-	(214,196)
Adjustment due to difference in proportions	115,705		105,311	-
Differences between expected and actual experience	139,430	-	39,325	-
Differences between projected and actual earnings on pension plan investments	80,375	-	11,022	-
Changes in assumptions	-	(19,298)	-	(1,689)
Total Deferred Outflows/(Inflows) of Resources	$ 693,439	$ (157,269)	$ 182,369	$ (215,885)

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year. Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

Amortization Period	2022		2021	
June 30	Miscellaneous	Safety	Miscellaneous	Safety
2022	$ -	$ -	$ 17,475	$ (30,676)
2023	(217,570)	(58,300)	66,454	(27,135)
2024	(229,497)	(33,678)	55,762	(7,938)
2025	(256,809)	(9,804)	38,550	5,523
2026	(318,338)	(2,002)	-	-
Thereafter	-	-	-	-
Total	$ (1,022,214)	$ (103,784)	$ 178,241	$ (60,226)

Note 10 – Long-Term Liabilities

In 2019, the District entered into an agreement to finance the purchase of water meters. The District's note from original direct borrowings of $2,000,000 is secured by collateral of the water meters purchased under the agreement. Variable payments are due semi-annually, including interest at 3.05% per annum, with the final payment due October 2028. The note contains a provision that in an event of default, the equipment purchased under agreement may be repossessed by the lender.

Changes in long-term debt for the year ended June 30, 2022, are as follows:

	Balance at July 1, 2021	Increases	Decreases	Balance at June 30, 2022	Due Within One Year
Note from direct borrowings	$ 1,622,204	$ -	$ (195,725)	$ 1,426,479	$ 201,741
Lease liability	5,055	-	(1,699)	3,356	1,735
	$ 1,627,259	$ -	$ (197,424)	$ 1,429,835	$ 203,476

Changes in long-term debt for the year ended June 30, 2021, are as follows:

	Balance at July 1, 2020	Increases	Decreases	Balance at June 30, 2021	Due Within One Year
Note from direct borrowings	$ 1,812,093	$ -	$ 189,889	$ 1,622,204	$ 195,725
Lease liability	-	6,672	(1,617)	5,055	1,700
	$ 1,812,093	$ 6,672	$ 188,272	$ 1,627,259	$ 197,425

Note 10 – Long-Term Debt (Continued)

Debt service requirements on long-term debt at June 30, 2022, are as follows:

Year Ending June 30,	Principal	Interest
2023	$ 203,476	$ 42,041
2024	209,562	35,807
2025	214,332	29,403
2026	220,919	22,816
2027	227,709	16,027
2027-2029	353,837	10,846
Total	$ 1,429,835	$ 156,940

Note 11 – 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. As of June 30, 2022 and 2021, there were no claims liabilities to be reported. During the years ended June 30, 2022 and 2021, the District participated in the following public entity risk pools:

Association of California Water Agencies Joint Powers Insurance Authority

The District is a participant in the Association of California Water Agencies Joint Powers Insurance Authority (JPIA), which was organized for the purpose of providing liability insurance for the member agencies. The JPIA is a risk-pooling self-insurance authority created under the provisions of California Government Code Section 6500. The JPIA is governed by a board consisting of a representative from each member agency. The board controls the operations of the JPIA, including selections of management and approval of operating budgets. The purpose of the JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

At June 30, 2022 and 2021, the District's participation in the self-insurance programs of the JPIA was as follows:

Property loss is insured up to replacement value with deductibles starting from $1,000: the JPIA is self-insured up to $100,000 and has purchased excess insurance coverage up to $500,000,000. General liability is insured up to $60,000,000 with no deductible: the JPIA is self-insured to $5,000,000 and has purchased excess insurance coverage.

Worker’s compensation insurance coverage consists of statutory limits per occurrence for workers compensation and to total of $2,000,000 per occurrence subject to a maximum aggregate limit of $9,370,900 coverage by captive insurance company, California Water Insurance Fund (CWIF).

Note 11 – Risk Management (Continued)

Condensed audited financial information of the Association of California Water Agencies Joint Powers Insurance Authority for the years ended September 30, 2021 and 2020 is as follows:

	2021	2020
Total assets	$ 271,770,359	$ 237,525,073
Deferred outflows of resources	1,189,142	1,054,750
Total assets and deferred outflows of resources	$ 272,959,501	$ 238,579,823
Total liabilities	$ 123,558,690	$ 113,075,164
Deferred inflows of resources	(409,721)	1,817,452
Net position	149,810,532	123,687,207
Total liabilities, deferred inflows, and net position	$ 272,959,501	$ 238,579,823
Total revenues	$ 189,317,732	$ 189,130,318
Total expenses	(174,760,456)	(172,886,738)
Total other income	11,566,049	8,509,125
Change in net position	$ 26,123,325	$ 24,752,705

Note 12 – Commitments and Contingencies

Grants

The District, from time to time, participates in various federal, state and local grant programs, the principal of which are subject to various program compliance audits. Accordingly, the District's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District anticipates such amounts, if any, will be will not be significant.

Note 13 – Transfer of Fire Operation to San Bernardino County Fire Protection District

On July 1, 2016, the District reorganized its fire protection services to the San Bernardino County Fire District per the San Bernardino County LAFCO decision on February 17, 2016. According to the executed Assignment and Assumption Agreement between the City of Twentynine Palms (City) and the District, the District closed its CalPERS Defined Benefit Safety Employees' Pension Plan (Plan) to new members as of June 30, 2016. The District will continue to adjust its net pension liability for the Plan as the net pension obligation changes annually with changes in the CalPERS annual actuarial valuation. In an effort to facilitate the annexation, the City has agreed to pay all future Plan obligation payments regardless of whether the Safety Employees PARS 115 Trust Fund has sufficient funds to make any and all future CalPERS obligation payments. The City has also agreed to pay the Plan's withdrawal liability, as required, directed, or permitted by CalPERS, and the City has the discretion to choose and direct the Water District on when that liability will be paid. Any further fire revenues received by the District are split 50/50 and submitted to the City of Twentynine Palms and the County of San Bernardino Fire Protection District, respectively.

Note 14 – Prior Period Adjustments

The District's financial statements as of and for the year ended June 30, 2021 were restated due to the implementation of GASB 87. GASB 87 requires the recognition and measurement of leases at the beginning of the earliest period presented. The effect on prior year financial statements as a result of the adjustments are as follows:

Description	2021
Lease receivable	$1,345,182
Lease asset	5,041
Lease liability	(5,055)
Deferred inflow of resources - leases	(1,310,345)
Net position	$ 34,823
Lease revenue	$ 34,837
Interest revenue	(116)
Lease expense	1,783
Depreciation expense	(1,681)
Change in net position	$ 34,823

Note 15 – Subsequent Events

Management has evaluated subsequent events through December 28, 2022, the date the financial statements were available to be issued. No events occurred through this date requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Twentynine Palms Water District

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE PLAN'S NET PENSION LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years (1)

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	**2021-22**	**2020-21**	**2019-20**	**2018-19**	**2017-18**	**2016-17***	**2015-16***
Measurement Date	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**	**June 30, 2016***	**June 30, 2015***
Employer's Proportion of the Net Pension Liability	0.024400%	0.024867%	0.024098%	0.023256%	0.023165%	0.025285%	0.028234%
Employer's Proportionate Share of the Collective Net Pension Liability	$ 1,319,608	$ 2,705,642	$ 2,469,343	$ 2,241,022	$ 2,297,360	$ 2,187,905	$ 1,937,958
Employer's Covered Payroll	$ 1,474,855	$ 1,448,972	$ 1,346,297	$ 1,084,161	$ 1,051,407	$ 1,381,292	$ 1,341,060
Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of Covered Payroll	89.47%	186.73%	183.42%	206.71%	218.50%	158.40%	144.51%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	90.49%	77.71%	77.73%	77.69%	75.39%	74.06%	78.40%

* Includes safety plan

California Public Employees' Retirement System (CalPERS) Safety Plan

Fiscal Year	**2021-22**	**2020-21**	**2019-20**	**2018-19**	**2017-18**
Measurement Date	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Employer's Proportion of the Net Pension Liability	0.000226%	0.004661%	0.003910%	0.003341%	0.003236%
Employer's Proportionate Share of the Net Pension Liability	$ 12,233	$ 507,129	$ 400,701	$ 321,995	$ 320,883
Employer's Covered Payroll	$ -	$ -	$ -	$ -	$ -
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	-	-	-	-	-
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	86.61%	73.12%	73.37%	73.39%	71.74%

1 Historical information is required only for measurement periods for which GASB 68 is applicable. Additional years will be added as they become available in the future.

Twentynine Palms Water District

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TO THE PENSION PLAN

Last Ten Fiscal Years (1)

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	2020-21	2020-21	2019-20	2018-19	2017-18	2016-17*	2015-16*	2014-15*
Actuarially Determined Contribution	$ 383,898	$ 357,929	$ 316,780	$ 264,804	$ 214,598	$ 197,902	$ 245,003	$ 234,149
Contribution in Relation to the Actuarially Determined Contribution	(383,898)	(357,929)	(316,780)	(264,804)	(214,598)	(197,902)	(682,065)	(234,149)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ (437,062)	$ -
Covered Payroll	$ 1,474,855	$ 1,448,972	$ 1,346,297	$ 1,264,383	$ 1,084,161	$ 1,051,407	$ 1,381,292	$ 1,341,060
Contributions as a Percentage of Covered Payroll	26.03%	24.70%	23.53%	20.94%	19.79%	18.82%	49.38%	17.46%

* Includes safety plan

California Public Employees' Retirement System (CalPERS) Safety Plan

Fiscal Year	2021-22	2020-21	2019-20	2018-19	2017-18
Actuarially Determined Contribution	$ 38,460	$ 26,711	$ 17,414	$ 7,668	$ 2,064
Contribution in Relation to the Actuarially Determined Contribution	(38,460)	(26,711)	(17,414)	(7,668)	(2,064)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ -	$ -	$ -	$ -	$ -
Contributions as a Percentage of Covered Payroll	-	-	-	-	-

[1] Historical information is presented only for measurement periods for which GASB No. 68 is applicable. Additional years will be added as they become available in the future.

[2] Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

[3] Covered Payroll represented above is based on payroll on which contributions to a pension plan are based per GASBS No. 82.

Notes to the Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Twentynine Palms Water District

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years (1)

Fiscal Year Measurement Period	2021-22 2020-21	2020-21 2019-20	2019-20 2018-19	2018-19 2017-18
Changes in total OPEB liability:				
Service cost	$ 51,018	$ 50,524	$ 37,021	$ 39,339
Interest	70,082	64,684	53,159	49,121
Difference between expected and actual experience	(382,546)	(17,960)	65,215	-
Changes of benefit terms	-	-	-	-
Changes in assumptions	(5,650)	-	(29,981)	(22,970)
Benefit payments including refunds*	-	(15,317)	(39,679)	(46,508)
Net changes	(267,096)	81,931	85,735	18,982
Total OPEB liability (beginning)	1,117,020	1,035,089	949,354	930,372
Total OPEB liability (ending)	$ 849,924	$ 1,117,020	$ 1,035,089	$ 949,354
Changes in plan fiduciary net position:				
Contributions – employer*	$ -	$ 15,317	$ 219,679	$ 148,908
Contributions – employee	-	-	-	-
Net investment income	94,818	41,653	32,102	15,342
Benefit payments including refunds*	-	(15,317)	(39,679)	(46,508)
Administrative expense	(247)	(326)	(96)	(174)
Other expense	-	-	-	(435)
Net changes	94,571	41,327	212,006	117,133
Plan fiduciary net position (beginning)	699,412	658,085	446,079	328,946
Plan fiduciary net position (ending)	$ 793,983	$ 699,412	$ 658,085	$ 446,079
Net OPEB liability (ending)	$ 55,941	$ 417,608	$ 377,004	$ 503,275
Plan fiduciary net position as a percentage of the total OPEB liability	93.4%	62.6%	63.6%	47.0%
Covered employee payroll	$ 1,504,856	$ 1,710,995	$ 1,464,438	$ 1,100,000
Net OPEB liability as a percentage of covered payroll	3.7%	24.4%	25.7%	45.8%

* Includes implied subsidy benefit payments for the 12-month period.

(1) Historical information is required only for measurement periods for which GASB 75 is applicable. Additional years will be added as they become available in the future.