



Twentynine Palms Water District

Twentynine Palms, California

Annual Financial Report

*For the Fiscal Year Ended
June 30, 2023 and 2022*

TWENTYNINE PALMS WATER DISTRICT
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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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary fund of the District as of June 30, 2023 and 2022, 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 opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the date the financial statements are available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 52 through 54, 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 8, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 8, 2023

TWENTYNINE PALMS WATER DISTRICT MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

For the fiscal years ended June 30, 2023 and 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, 2023 and 2022. 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 1.01%, or \$289,309, from \$28,762,390 to \$29,051,699 as of June 30, 2023. The net position increased by 2.1%, or \$586,697 from \$28,175,693 to \$28,762,390 as of June 30, 2022.

- Total revenues from all sources for the District for the year ended June 30, 2023, increased by 8.26%, or \$526,686, from \$6,374,680 for the year ended June 30, 2022 to \$6,901,366. Total revenues from all sources for the District for the year end June 30, 2022, decreased by 8.71%, or \$608,072, from \$6,982,752 for the year ended June 30, 2021 to \$6,374,680.
- Total expenses for the District's operations for the year ended June 30, 2023 increased by 14.24% or \$824,074 from \$5,787,983 for the year ended June 30, 2022 to \$6,612,057. Total expenses for the District's operations for the year ended June 30, 2022 decreased by 12.06% or \$793,551 from \$6,581,534 for the year ended June 30, 2021 to \$5,787,983.

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.

TWENTYNINE PALMS WATER DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

For the fiscal years ended June 30, 2023 and 2022

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.

TWENTYNINE PALMS WATER DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

For the fiscal years ended June 30, 2023 and 2022

Statement of Net Position Proprietary Funds

Condensed Statement of Net Position

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Assets:			
Current assets	\$ 10,839,932	\$ 9,676,047	\$ 9,493,439
Noncurrent assets	<u>22,827,334</u>	<u>23,691,808</u>	<u>24,068,294</u>
Total Assets	<u>33,667,266</u>	<u>33,367,855</u>	<u>33,561,733</u>
Deferred Outflows of Resources	<u>1,853,570</u>	<u>720,973</u>	<u>777,143</u>
Liabilities			
Current liabilities	1,427,264	1,258,064	1,262,215
Long-term obligations	<u>4,600,735</u>	<u>2,671,319</u>	<u>4,621,412</u>
Total Liabilities	<u>6,027,999</u>	<u>3,929,383</u>	<u>5,883,627</u>
Deferred Inflows of Resources	<u>1,762,121</u>	<u>2,983,097</u>	<u>1,601,647</u>
Net Position			
Net investment in capital assets	20,556,570	21,112,934	21,190,967
Restricted Net Position	-	-	153,500
Unrestricted Net Position	<u>7,174,146</u>	<u>6,063,414</u>	<u>5,509,135</u>
Total Net Position	<u>\$ 27,730,716</u>	<u>\$ 27,176,348</u>	<u>\$ 26,853,602</u>

As of June 30, 2023, the District reported a net position of \$27,730,716. An amount of \$7,174,146 constitutes the District's unrestricted net position balance which is available for future operations at June 30, 2023. 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.

TWENTYNINE PALMS WATER DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

For the fiscal years ended June 30, 2023 and 2022

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

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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Operating Revenue	\$ 6,381,316	\$ 6,318,317	\$ 6,359,026
Operating Expenses	(6,223,985)	(6,176,312)	(6,384,326)
Non-Operating Revenue, Net	<u>397,037</u>	<u>180,741</u>	<u>426,624</u>
Total Change in Net Position	554,368	322,746	401,324
Net Position, Beginning of Year	<u>27,176,348</u>	<u>26,853,602</u>	<u>26,452,278</u>
Net Position, End of Year	<u>\$ 27,730,716</u>	<u>\$ 27,176,348</u>	<u>\$ 26,853,602</u>

The statement shows how the fund's net position changed during the fiscal year. In the case of the District, net position increased by \$554,368 during the fiscal year ended June 30, 2023. The net position increased by \$322,746 during the fiscal year ended June 30, 2022.

Proprietary Funds Revenues

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Revenues:			
Water consumption sales	\$ 3,597,016	\$ 3,710,721	\$ 3,671,784
Water service charges	1,655,693	1,528,117	1,421,893
Water availability charge	604,317	691,365	618,498
Other service charges	524,290	388,114	646,851
Intergovernmental	-	-	153,500
Rental revenue	175,797	171,828	182,443
Investment earnings	138,139	11,111	33,532
Gain/(Loss) on sale of assets	-	-	19,725
Other non-operating revenue	<u>123,689</u>	<u>44,433</u>	<u>89,851</u>
Total Revenues	<u>\$ 6,818,941</u>	<u>\$ 6,545,689</u>	<u>\$ 6,838,077</u>

Revenues increased \$273,252 for the fiscal year ended June 30, 2023. Notable increases include water service charges of \$127,576, other service charges of \$136,176, and investment earnings of \$127,028 in combination with minor increases in other categories. These notable increases are offset by decreases in water consumption sales of \$113,705 and water availability charge of \$87,048. Revenues decreased \$292,388 for the fiscal year ended June 30, 2022. Notable decreases include intergovernmental revenue of \$153,300 and other service charges of \$258,737, in combination with minor decreases in other categories. These notable decreases are offset by increases in water service charges of \$106,224 and water availability charges of 72,867.

TWENTYNINE PALMS WATER DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

For the fiscal years ended June 30, 2023 and 2022

Proprietary Funds Expenses

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Expenses:			
Source of supply	\$ 452,215	\$ 454,720	\$ 432,070
Pumping	315,684	300,679	249,718
Transmission and distribution	1,557,920	1,488,472	1,526,104
Customer accounts	404,424	351,632	398,185
General plant	625,195	695,318	658,778
General and administrative	1,525,429	1,598,936	1,797,802
Depreciation expense	1,343,118	1,286,555	1,321,553
Interest expense	40,588	46,631	52,543
Transfer out	-	-	-
Total Expenses	<u>\$ 6,264,573</u>	<u>\$ 6,222,943</u>	<u>\$ 6,436,753</u>

Expenses increased \$41,630 for the fiscal year ended June 30, 2023. Many types of expenses experienced decreases with the largest decrease found in general and administrative and general plant expenses. On the other hand, notable increases are seen in the customer accounts and transmission and distribution expenses for the year. Expenses decreased \$213,810 for the fiscal year ended June 30, 2022. Many types of expenses experienced decreases with the largest increase found in general and administrative. On the other hand, notable increases are seen in the general plant and pumping expenses for the year.

Statement of Fiduciary Net Position

Condensed Statements of Fiduciary Net Position

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Assets:			
Current assets	\$ 3,054	\$ 7,741	\$ 32,784
Restricted assets	1,738,861	1,659,726	1,844,163
Total Assets	<u>1,741,915</u>	<u>1,667,467</u>	<u>1,876,947</u>
Deferred Outflows of Resources	<u>559,439</u>	<u>185,112</u>	<u>182,369</u>
Liabilities			
Current liabilities	1,469	3,868	14,211
Long-term obligations	701,869	12,233	507,129
Total Liabilities	<u>703,338</u>	<u>16,101</u>	<u>521,340</u>
Deferred Inflows of Resources	<u>277,033</u>	<u>250,436</u>	<u>215,885</u>
Net Position			
Restricted	<u>\$ 1,320,983</u>	<u>\$ 1,586,042</u>	<u>\$ 1,322,091</u>

TWENTYNINE PALMS WATER DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

For the fiscal years ended June 30, 2023 and 2022

As of June 30, 2023, the District reported a total fiduciary net position of \$1,320,983, an decrease of \$265,059 from June 30, 2022. 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 . 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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Additions	\$ 82,425	\$ (171,009)	\$ 179,512
Deductions	<u>(347,484)</u>	<u>434,960</u>	<u>(144,795)</u>
Total Change in Net Position	(265,059)	263,951	34,717
Net Position, Beginning of Year	1,586,042	1,322,091	1,287,374
Net Position, End of Year	<u>\$ 1,320,983</u>	<u>\$ 1,586,042</u>	<u>\$ 1,322,091</u>

Fiduciary Funds Additions

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Additions			
Property tax penalties	\$ 6,178	\$ 27,414	\$ 21,680
Other revenues	5,089	24,482	20,981
Intergovernmental	-	1,325	7,289
Investment earnings (loss)	71,158	(224,230)	129,562
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total Additions	<u>\$ 82,425</u>	<u>\$ (171,009)</u>	<u>\$ 179,512</u>

Additions increased by \$350,521 for the fiscal year ended June 30, 2023 due to increase in investment earnings of \$295,388. Additions decreased by \$350,521 for the fiscal year ended June 30, 2022 primarily due to decreases in investment earnings of \$353,792.

Fiduciary Funds Deductions

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Deductions:			
Pension expense (benefit)	\$ 341,906	\$ (463,087)	\$ 122,496
Transfer to San Bernardino	<u>5,578</u>	<u>28,127</u>	<u>22,299</u>
Total Deductions	<u>\$ 347,484</u>	<u>\$ (434,960)</u>	<u>\$ 144,795</u>

Deductions increased \$782,444 and decreased \$579,755 for the fiscal years ending June 30, 2023 and 2022, respectively.

**TWENTYNINE PALMS WATER DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)**

For the fiscal years ended June 30, 2023 and 2022

Capital Asset Administration

Capital assets were as follows:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Non-depreciable capital assets	\$ 395,010	\$ 2,417,142	\$ 1,550,950
Depreciable capital assets	<u>53,371,715</u>	<u>50,791,755</u>	<u>50,646,850</u>
Total capital assets	53,766,725	53,208,897	52,197,800
Accumulated depreciation	<u>(31,983,796)</u>	<u>(30,666,128)</u>	<u>(29,379,574)</u>
Total capital assets, net	<u>\$ 21,782,929</u>	<u>\$ 22,542,769</u>	<u>\$ 22,818,226</u>

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, 2023, the District's net investment in capital assets amounted to \$20,556,570, which is comprised of \$21,782,929 of capital assets, net of related liabilities of \$1,226,359. Major capital asset additions during the year include various improvements and equipment purchases totaling \$706,211. At June 30, 2022, the District's net investment in capital assets amounted to \$21,112,934, which is comprised of capital asset of \$22,542,769 net of related liabilities of \$1,429,835. Major capital asset additions during the year include various improvements and equipment purchases totaling \$1,213,018. 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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and investments	\$ 9,291,134	\$ 8,201,556
Restricted - cash and investments	95,146	92,089
Accounts receivable – water sales and services, net	984,638	914,666
Accrued interest receivable	20,446	10,893
Special assessments receivable	25,903	31,197
Materials and supplies inventory	227,766	239,864
Prepaid items	83,885	80,314
Lease receivable - current portion	111,014	105,468
Total Current Assets	<u>10,839,932</u>	<u>9,676,047</u>
Non-Current Assets:		
Lease receivable - non-current portion	1,044,405	1,149,039
Capital assets – not being depreciated	395,010	2,417,142
Capital assets – being depreciated, net	21,387,919	20,125,627
Total Non-Current Assets	<u>22,827,334</u>	<u>23,691,808</u>
Total Assets	<u>33,667,266</u>	<u>33,367,855</u>
Deferred Outflows of Resources:		
Other post-employment benefits obligation related	209,481	66,786
Pension related	1,644,089	654,187
Total Deferred Outflows of Resources	<u>1,853,570</u>	<u>720,973</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 35,520,836</u>	<u>\$ 34,088,828</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 307,848	\$ 243,943
Accrued salaries and benefits	29,171	25,553
Unearned revenue and deposits	778,988	680,976
Long-term liabilities – due within one year:		
Current portion of loan payable	207,941	201,741
Compensated absences	101,695	104,116
Lease liability	1,621	1,735
Total Current Liabilities	<u>1,427,264</u>	<u>1,258,064</u>
Non-Current Liabilities:		
Long-term liabilities – due in more than one year:		
Loan payable	1,016,797	1,224,738
Compensated absences	67,797	69,411
Lease liability	-	1,621
Net other post-employment benefits obligation	224,943	55,941
Net pension liability	3,291,198	1,319,608
Total Non-Current Liabilities	<u>4,600,735</u>	<u>2,671,319</u>
Total Liabilities	<u>6,027,999</u>	<u>3,929,383</u>
Deferred Inflows of Resources:		
Lease receivable related	1,072,083	1,191,214
Other post-employment benefits obligation related	465,984	499,380
Pension related	224,054	1,292,503
Total Deferred Inflows of Resources	<u>1,762,121</u>	<u>2,983,097</u>
Net Position:		
Net investment in capital assets	20,556,570	21,112,934
Unrestricted	7,174,146	6,063,414
Total Net Position	<u>27,730,716</u>	<u>27,176,348</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 35,520,836</u>	<u>\$ 34,088,828</u>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenue		
Water consumption sales	\$ 3,597,016	\$ 3,710,721
Water service charges	1,655,693	1,528,117
Water availability charge	604,317	691,365
Other service charges	<u>524,290</u>	<u>388,114</u>
Total Operating Revenue	<u>6,381,316</u>	<u>6,318,317</u>
Operating Expenses		
Source of supply	452,215	454,720
Pumping	315,684	300,679
Transmission and distribution	1,557,920	1,488,472
Customer accounts	404,424	351,632
General plant	625,195	695,318
General and administrative	<u>1,525,429</u>	<u>1,598,936</u>
Total Operating Expenses	<u>4,880,867</u>	<u>4,889,757</u>
Operating Income Before Depreciation	1,500,449	1,428,560
Depreciation expense	<u>(1,343,118)</u>	<u>(1,286,555)</u>
Operating Income	<u>157,331</u>	<u>142,005</u>
Non-Operating Revenues (Expenses)		
Rental revenue	175,797	171,828
Investment earnings	138,139	11,111
Interest expense	(40,588)	(46,631)
Other non-operating revenue	<u>123,689</u>	<u>44,433</u>
Total Non-Operating Revenues (Expenses)	<u>397,037</u>	<u>180,741</u>
Change in Net Position	554,368	322,746
Net Position, Beginning of Year	<u>27,176,348</u>	<u>26,853,602</u>
Net Position, End of Year	<u>\$ 27,730,716</u>	<u>\$ 27,176,348</u>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Cash receipts from customers and others	\$ 6,538,339	\$ 6,570,177
Cash paid to employees for salaries and wages	(2,584,945)	(2,605,421)
Cash paid to vendors and suppliers for materials and services	<u>(2,194,824)</u>	<u>(2,475,570)</u>
Net Cash Provided by Operating Activities	<u>1,758,570</u>	<u>1,489,186</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(706,211)	(1,213,018)
Principal and interest payments on long-term debt	<u>(244,064)</u>	<u>(244,055)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(950,275)</u>	<u>(1,457,073)</u>
Cash Flows From Investing Activities:		
Proceeds from investment earnings	128,586	4,480
Proceeds from leases	<u>155,754</u>	<u>143,372</u>
Net Cash Provided by Investing Activities	<u>284,340</u>	<u>147,852</u>
Net Increase in Cash and Investments	<u>1,092,635</u>	<u>179,965</u>
Cash and Investments:		
Beginning of year	<u>8,293,645</u>	<u>8,113,680</u>
End of year	<u>\$ 9,386,280</u>	<u>\$ 8,293,645</u>
Classification on Statements of Net Position		
Cash and investments	\$ 9,291,134	\$ 8,201,556
Restricted - cash and investments	<u>95,146</u>	<u>92,089</u>
	<u>\$ 9,386,280</u>	<u>\$ 8,293,645</u>

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, 2023 and 2022

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating Income	\$ 157,331	\$ 142,005
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and amortization expense	1,343,118	1,286,555
Provision for bad debt	17,280	(38,927)
Other non-operating revenue	123,689	44,433
Write off of construction in progress	122,933	201,920
Changes in Assets – (Increase) Decrease:		
Accounts receivable-water sales and services	(87,252)	115,865
Special assessments receivable	5,294	(26,914)
Materials and supplies inventory	12,098	(39,993)
Prepaid items	(3,571)	4,311
Change in Deferred Outflows of Resources – (Increase) Decrease:		
Pension and OPEB related deferred outflows of resources	(1,132,597)	56,170
Changes in Liabilities – Increase (Decrease):		
Accounts payable and accrued expenses	63,905	(177,228)
Accrued salaries and related payables	3,618	7,998
Unearned revenue and deposits	98,012	157,403
Compensated absences	(4,035)	2,708
Net other post-employment benefits obligation	169,002	(361,667)
Net pension liability	1,971,590	(1,386,034)
Change in Deferred Inflows of Resources – Increase (Decrease):		
Pension, OPEB and lease related deferred inflows of resources	(1,101,845)	1,500,581
Total Adjustments	<u>1,601,239</u>	<u>1,347,181</u>
Net Cash Provided by Operating Activities	<u>\$ 1,758,570</u>	<u>\$ 1,489,186</u>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and investments	\$ 2,941	\$ 6,479
Restricted – cash and investments	1,738,861	1,659,726
Special assessments receivable	<u>113</u>	<u>1,262</u>
Total Current Assets	<u>1,741,915</u>	<u>1,667,467</u>
Deferred Outflows of Resources		
Pension related	<u>559,439</u>	<u>185,112</u>
Total Assets and Deferred Outflows of Resources	<u>2,301,354</u>	<u>1,852,579</u>
LIABILITIES, DEFERRED INFLOWS OR RESOURCES AND NET POSITION		
Current Liabilities:		
Accounts payable and accrued expenses	1,469	3,868
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Net pension liability	<u>701,869</u>	<u>12,233</u>
Total Liabilities	703,338	16,101
Deferred Inflows of Resources		
Pension related	<u>277,033</u>	<u>250,436</u>
Total Liabilities and Deferred Inflows of Resources	<u>980,371</u>	<u>266,537</u>
Net Position		
Restricted for pension liability	<u>\$ 1,320,983</u>	<u>\$ 1,586,042</u>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Additions		
Property tax penalties	\$ 6,178	\$ 27,414
Intergovernmental	-	1,325
Investment earnings (loss)	71,158	(224,230)
Other revenue	<u>5,089</u>	<u>24,482</u>
Total Additions	<u>82,425</u>	<u>(171,009)</u>
Deductions		
Pension expense (benefit)	341,906	(463,087)
Transfer of fire revenues to San Bernardino County Fire District	<u>5,578</u>	<u>28,127</u>
Total Deductions	<u>347,484</u>	<u>(434,960)</u>
Change in Fiduciary Net Position	(265,059)	263,951
Net Position, Beginning of Year	<u>1,586,042</u>	<u>1,322,091</u>
Net Position, End of Year	<u>\$ 1,320,983</u>	<u>\$ 1,586,042</u>

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

NOTES TO THE FINANCIAL STATEMENTS

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

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 (1) 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.

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

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 1, 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.

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 For the years ended June 30, 2023 and 2022

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

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

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

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 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.

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 For the years ended June 30, 2023 and 2022

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

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.

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:

<u>CalPERS</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Valuation date	June 30, 2021	June 30, 2020
Measurement date	June 30, 2022	June 30, 2021
Measurement period	July 1, 2021 to June 30, 2022	July 1, 2020 to June 30, 2021

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.

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 For the years ended June 30, 2023 and 2022

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

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*.

Recent Governmental Accounting Standards Board Statements

During the year-ended June 30, 2023, the District implemented GASB Statement No. 96 – Subscription-Based Information Technology Arrangements. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The District implemented this statement as of July 1, 2022. There are no contracts in place as of June 30, 2023 that qualify for treatment under this standard.

Note 2 – Cash and Investments

Cash and investments as of June 30, 2023 and 2022, consisted of the following:

<u>Description</u>	<u>2023</u>	<u>2022</u>
Cash on hand	\$ 1,350	\$ 1,350
Demand deposits with financial institutions	225,000	2,463,153
Investments	10,901,732	7,495,347
Total Cash and Investments	<u>\$ 11,128,082</u>	<u>\$ 9,959,850</u>

Demand Deposits

At June 30, 2023, the carrying amount of the District's demand deposits was \$225,000 and the financial institution balance was \$251,004. The \$26,004 net difference as of June 30, 2023, represents outstanding checks, deposits-in-transit and/or other reconciling items. 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.

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.

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2023 and 2022

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 and CLASS).

As of June 30, 2023 and 2022, none of the District's deposits and investments were exposed to disclosable custodial credit risk.

Investments

Investments as of June 30, 2023, consisted of the following:

Investments	Measurement Input	Credit Rating	Fair Value June 30, 2023	Maturity 12 Months or Less
External Investment Pools:				
California Local Agency Investment Fund (LAIF)	Level 2	n/a	\$ 2,911,658	\$ 2,911,658
California Cooperative Liquid Assets Securities System (CLASS)	Level 2	AAAm	4,656,067	4,656,067
Non-negotiable certificates of deposits	Level 1	A(1-3)	1,500,000	1,500,000
Held with Fiscal Agent:				
PARS Pension Trusts	Level 2	n/a	<u>1,834,007</u>	<u>1,834,007</u>
Total Investments			<u>\$ 10,901,732</u>	<u>\$ 10,901,732</u>

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 Trust	Level 2	n/a	<u>1,751,815</u>	<u>1,751,815</u>
Total Investments			<u>\$ 7,495,347</u>	<u>\$ 7,495,347</u>

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

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)
California Cooperative Liquid Assets Securities System (CLASS)
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, 2023 and 2022, included a portion of the pool funds invested in structured notes and asset-backed securities in which their terms may cause their fair values to be highly sensitive to interest. As of June 30, 2023 and 2022, the value of LAIF's portfolio approximated \$25.667 billion and \$35.761 billion, respectively. As of June 30, 2023 and 2022, the District had \$2,911,658 and \$5,743,532 invested in LAIF, respectively. LAIF had invested 1.46% and 1.14% of the pool's investment funds in structured notes and medium-term asset-backed securities at June 30, 2023 and 2022, respectively.

Investment in California Cooperative Liquid Assets Securities System (CLASS)

The District is a voluntary participant in CLASS which is a joint exercise of powers entity authorized under Section 6509.7, California Government Code. California CLASS is a pooled investment option that was created via a joint exercise of powers agreement by and among California public agencies. 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 CLASS for the entire CLASS portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CLASS, which are recorded on an amortized cost basis. Further information about CLASS is available on their website: <https://californiaclass.com/prime/>

The District's investment with CLASS at June 30, 2023, included a portion of the pool funds invested in various money market securities, including U.S. Treasury securities, U.S. agencies, state municipal obligations, bankers' acceptances, commercial paper, certificates of deposit, and repurchase.

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2023 and 2022

Note 2 – Cash and Investments (Continued)

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.

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, 2023 and 2022, the District's investment credit ratings are 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. All the District's classes of investments in any one governmental or non-governmental issuer are in excess of 5% percent of the District's total investments.

Note 3 – Accounts Receivable, Net

The accounts receivable, net balance as of June 30, 2023 and 2022 consisted of the following:

<u>Description</u>	<u>2023</u>	<u>2022</u>
Accounts receivable – water sales and services	\$ 1,452,182	\$ 1,364,930
Allowance for doubtful accounts	<u>(467,544)</u>	<u>(450,264)</u>
Total accounts receivable, net	<u>\$ 984,638</u>	<u>\$ 914,666</u>

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

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, 2023 and 2022, the District recorded revenue from this special assessment of \$604,317 and \$691,365 as water availability charges, respectively. At June 30, 2023 and 2022, the outstanding balance of the special assessment receivable was \$25,903 and \$31,197, 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 was \$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 was \$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 was \$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, 2023 and 2022, the District recognized lease revenue related to the above leases of \$119,131 each year. Interest revenue for the years ended June 30, 2023 and 2022 were \$19,716 and \$21,444, respectively.

The future minimum lease payments receivable are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 108,899	\$ 17,860	\$ 126,759
2025	114,663	15,901	130,564
2026	120,649	13,832	134,481
2027	126,866	11,649	138,515
2028	139,030	9,349	148,379
2029-2033	451,253	16,138	467,391
2034-2038	128,224	1,877	130,101
Total	<u>\$ 1,189,584</u>	<u>\$ 86,606</u>	<u>\$ 1,276,190</u>

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

Note 6 – Capital Assets

Changes in capital assets for the year ended June 30, 2023 were as follows:

	<u>Balance July 1, 2022</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2023</u>
Non-depreciable capital assets:				
Land	\$ 174,626	\$ -	\$ -	\$ 174,626
Construction-in-process	<u>2,242,516</u>	<u>679,738</u>	<u>(2,701,870)</u>	<u>220,384</u>
Total non-depreciable capital assets	<u>2,417,142</u>	<u>679,738</u>	<u>(2,701,870)</u>	<u>395,010</u>
Depreciable capital assets:				
Source of supply plant	14,684,372	2,159,311	-	16,843,683
Pumping plant	301,439	14,800	-	316,239
Transmission and distribution plant	30,288,093	56,449	-	30,344,542
Buildings and structures	2,284,341	263,499	-	2,547,840
Office equipment	407,240	34,075	-	441,315
Transportation/heavy equipment	1,932,694	48,495	(25,450)	1,955,739
Radio and communication equipment	148,616	-	-	148,616
Field equipment and tools	738,238	28,781	-	767,019
Lease asset	<u>6,722</u>	<u>-</u>	<u>-</u>	<u>6,722</u>
Total depreciable capital assets	<u>50,791,755</u>	<u>2,605,410</u>	<u>(25,450)</u>	<u>53,371,715</u>
Less accumulated depreciation	<u>(30,666,128)</u>	<u>(1,343,118)</u>	<u>25,450</u>	<u>(31,983,796)</u>
Total depreciable capital assets, net	<u>20,125,627</u>	<u>1,262,292</u>	<u>-</u>	<u>21,387,919</u>
Total capital assets, net	<u>\$ 22,542,769</u>	<u>\$ 1,942,030</u>	<u>\$ (2,701,870)</u>	<u>\$ 21,782,929</u>

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

Note 6 – Capital Assets (Continued)

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

	<u>Balance July 1, 2021</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2022</u>
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	<u>1,550,950</u>	<u>987,598</u>	<u>(121,406)</u>	<u>2,417,142</u>
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 tools	738,238	-	-	738,238
Lease asset	6,722	-	-	6,722
Total depreciable capital assets	<u>50,646,851</u>	<u>144,904</u>	<u>-</u>	<u>50,791,755</u>
Less accumulated depreciation	<u>(29,379,575)</u>	<u>(1,286,553)</u>	<u>-</u>	<u>(30,666,128)</u>
Total depreciable capital assets, net	<u>21,267,276</u>	<u>(1,141,649)</u>	<u>-</u>	<u>20,125,627</u>
Total capital assets, net	<u>\$ 22,818,226</u>	<u>\$ (154,051)</u>	<u>\$ (121,406)</u>	<u>\$ 22,542,769</u>

Construction in progress consist of several capital projects in which the District has expended \$220,384 as of June 30, 2023. The District estimates that the projects will be completed in the fiscal year 2026 and will need to expend an additional \$1.5 million 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, 2023 were as follows:

<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>	<u>Current</u>	<u>Non-current</u>
\$ 173,527	\$ 181,626	\$ (185,661)	\$ 169,492	\$ 101,695	\$ 67,797

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 For the years ended June 30, 2023 and 2022

Note 7 – Compensated Absences (Continued)

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

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

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 is 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, 2023 and 2022, the following employees were covered by the benefit terms:

	<u>2023</u>	<u>2022</u>
Active plan members	23	23
Inactive plan members or beneficiaries currently receiving benefit payments	-	-
Inactive plan members entitled to but not yet receiving benefit payments	-	-
Total Participants	<u>23</u>	<u>23</u>

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, 2023 and 2022, the District's average contribution rate was 0.01% and 0.00% 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, 2023 and 2022 was measured as of June 30, 2022 and 2021, 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.

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2023 and 2022

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:

	<u>2023</u>	<u>2022</u>
Valuation Date	June 30, 2021	June 30, 2021
Discount Rate	5.00% per annum	6.00% per annum
Inflation	N/A	2.50% per annum
Salary Increases	2.75% per year, plus merit increases based on the Miscellaneous rates under the 2021 experience study for	Equal to merit increases from the CalPERS pension plan
Investment Rate of Return	5.00%	6.00%
Mortality Rate	SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021	SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021
Healthcare Cost Trend Rates	7.00% decreasing to 4.5% over future periods	7.25% 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, 2023 and 2022 are summarized in the following table:

Asset Class	<u>2023</u>		<u>2022</u>	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Inflation Assets	9.0%	N/A	16.0%	N/A
Fixed Income	51.0%	N/A	49.0%	N/A
Global Equities	23.0%	N/A	22.0%	N/A
REITs	14.0%	N/A	8.0%	N/A
Commodities	3.0%	N/A	5.0%	N/A
Total	<u>100%</u>	<u>5.0%</u>	<u>100%</u>	<u>6.0%</u>

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2023 and 2022

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

Net OPEB Liability (Continued)

Discount rate: The discount rates used to measure the total OPEB liability at June 30, 2023 and 2022 were 5.00% and 6.00%, respectively. 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, 2023 were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	NET OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2022	\$ 849,924	\$ 793,983	\$ 55,941
Changes for the year:			
Service cost	59,843	-	59,843
Interest	54,139	-	54,139
Change in assumptions	63,771	-	63,771
Differences between expected and actual experience	(79,276)	-	(79,276)
Contributions - employer		15,092	(15,092)
Net investment income	-	(85,415)	85,415
Benefit payments	(15,092)	(15,092)	-
Administrative expense	-	(202)	202
Net changes	83,385	(85,617)	169,002
Balance at June 30, 2023	\$ 933,309	\$ 708,366	\$ 224,943

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

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

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
Differences between expected and actual experience	(5,650)	-	(5,650)
Contributions - employer	(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	<u>\$ 849,924</u>	<u>\$ 793,983</u>	<u>\$ 55,941</u>

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 (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
	Net OPEB liability - June 30, 2023	\$ 293,257	\$ 224,943
	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
	Net OPEB liability - June 30, 2022	\$ 118,815	\$ 55,941

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

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

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 (6.00% decreasing to 3.50%)	Current Healthcare Cost Trend Rate (7.00% decreasing to 4.50%)	1% Increase (8.00% decreasing to 5.50%)
Net OPEB liability - June 30, 2023	\$ 120,633	\$ 224,943	\$ 349,702
Net OPEB liability - June 30, 2022	\$ (28,876)	\$ 55,941	\$ 155,890

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

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

For the years ended June 30, 2023 and 2022, the District recognized OPEB expense of \$9,399 and \$10,201, respectively. At June 30, 2023 and 2022, 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	
	2023	2022	2023	2022
Changes in assumptions	\$ 58,866	\$ -	\$ (56,053)	\$ 89,484
Differences between expected and actual experience	39,127	45,649	(409,931)	367,813
Net difference between projected and actual earnings on OPEB plan investments	73,863	-	-	42,083
Employer contributions made subsequent to the measurement date	37,625	21,137	-	-
Total	<u>\$ 209,481</u>	<u>\$ 66,786</u>	<u>\$ (465,984)</u>	<u>\$ 499,380</u>

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

Note 8 – Net Other Post-Employment Benefits Obligation (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. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources	
	2023	2022
2023	\$ -	\$ (67,477)
2024	(43,550)	(68,967)
2025	(16,844)	(42,261)
2026	(13,127)	(38,544)
2027	(2,556)	(27,971)
2028	(29,164)	(208,511)
Thereafter	(188,887)	-
Total	\$ (294,128)	\$ (453,731)

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 service
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		
2023	8.000%	6.750%
2022	8.000%	6.750%
Required employer contribution rates		
2023	14.530%	7.470%
2022	14.540%	7.590%

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 For the years ended June 30, 2023 and 2022

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

General Information about the Pension Plans (Continued)

Safety Plan

	<u>Safety Plan</u>
	<u>Classic</u>
	<u>Tier 1</u>
	Prior to
	<u>January 1, 2013</u>
Hire date	
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	
2023	0.000%
2022	0.000%
Required employer contribution rates	
2023	0.000%
2022	0.000%

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, 2021 and 2020 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.

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

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

General Information about the Pension Plans (Continued)

Members Covered by Benefit Terms

At June 30, 2021 (Valuation Date), the following members were covered by the benefit terms:

<u>Plan Members</u>	<u>Miscellaneous Plans</u>		<u>Total</u>
	<u>Classic Tier 1</u>	<u>PEPRA Tier 2</u>	
Active Members	13	9	22
Transferred and terminated members	19	4	23
Retired members and beneficiaries	20	-	20
Total Plan Members	<u>52</u>	<u>13</u>	<u>65</u>
	Safety Plan		
	Classic Tier 1		
<u>Plan Members</u>			
Active members	-		
Transferred and terminated members	12		
Retired members and beneficiaries	6		
Total Plan Members	<u>18</u>		

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

<u>Plan Members</u>	<u>Miscellaneous Plans</u>		<u>Total</u>
	<u>Classic Tier 1</u>	<u>PEPRA Tier 2</u>	
Active Members	13	10	23
Transferred and terminated members	19	3	22
Retired members and beneficiaries	21	-	21
Total Plan Members	<u>53</u>	<u>13</u>	<u>66</u>
	Safety Plan		
	Classic Tier 1		
<u>Plan Members</u>			
Active members	-		
Transferred and terminated members	12		
Retired members and beneficiaries	6		
Total Plan Members	<u>18</u>		

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

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

General Information about the Pension Plans (Continued)

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 50 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 52 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.

The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited annually at the greater of 6 percent or the prevailing discount rate through the date of death, 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, 2022 and 2021 (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.

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2023 and 2022

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

General Information about the Pension Plans (Continued)

For the year ended June 30, 2023, the contributions made to the Plan were as follows:

<u>Contribution Type</u>	<u>Miscellaneous Plans</u>		
	<u>Classic Tier 1</u>	<u>PEPRA Tier 2</u>	<u>Total</u>
Contributions – employer	\$ 364,311	\$ 44,885	\$ 409,196
Contributions – members	69,838	38,609	108,447
Total Contributions	\$ 434,149	\$ 83,494	\$ 517,643

<u>Contribution Type</u>	<u>Safety Plan</u>
	<u>Classic Tier 1</u>
Contributions – employer	\$ 56,889
Contributions – members	-
Total Contributions	\$ 56,889

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

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

<u>Contribution Type</u>	<u>Safety Plan</u>
	<u>Classic Tier 1</u>
Contributions – employer	\$ 38,460
Contributions – members	-
Total Contributions	\$ 38,460

**TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the years ended June 30, 2023 and 2022

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

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement periods ended June 30, 2022 and 2021 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2021 and 2020 total pension liabilities. The June 30, 2021 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:	
Investment rate of return	6.90%
Inflation	2.30% per annum
Salary Increases	Varies by entry age and service
Mortality Rate ¹	Derived using CalPERS' Membership Data for all Funds
Post-Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

¹ The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

The June 30, 2021 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, 2021 was based on CalPERS experience study and review of actuarial assumptions from November 2021. All other actuarial assumptions used in the June 30, 2020 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.

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 For the years ended June 30, 2023 and 2022

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, 2022 (Measurement Date):

<u>Investment Type</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years^{1,2}</u>
Global Equity - Cap Weighted	30.00%	4.54%
Global Equity Non-Cap Weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	<u>100.00%</u>	

¹ An expected price inflation of 2.30% is used for this period.

² Figures are based on the 2021-22 Asset Liability Management study.

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

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)

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

<u>Investment Type¹</u>	<u>Allocation</u>	<u>Years 1-10²</u>	<u>Years 11+³</u>
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%)
	<u>100.00%</u>		

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.

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 6.90% and 7.15% as of June 30, 2023 and 2022, respectively. 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 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:

<u>Plan Type</u>	<u>Plan's Net Pension Liability at June 30, 2022</u>		
	<u>Discount Rate - 1%</u>	<u>Current Discount</u>	<u>Discount Rate + 1%</u>
	<u>5.90%</u>	<u>Rate 6.90%</u>	<u>7.90%</u>
CalPERS – Miscellaneous Plan	\$ <u>5,152,914</u>	\$ <u>3,291,198</u>	\$ <u>1,759,468</u>

<u>Plan Type</u>	<u>Plan's Net Pension Liability at June 30, 2022</u>		
	<u>Discount Rate - 1%</u>	<u>Current Discount</u>	<u>Discount Rate + 1%</u>
	<u>5.90%</u>	<u>Rate 6.90%</u>	<u>7.90%</u>
CalPERS – Safety Plan	\$ <u>1,301,294</u>	\$ <u>701,869</u>	\$ <u>211,975</u>

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

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

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

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:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2021 (Measurement Date)	\$ 12,963,011	\$ 11,643,403	\$ 1,319,608
Balance as of June 30, 2022 (Measurement Date)	13,657,150	10,365,952	3,291,198
Change in Plan Net Pension liability	<u>\$ 694,139</u>	<u>\$ (1,277,451)</u>	<u>\$ 1,971,590</u>
<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Safety Plan:			
Balance as of June 30, 2021 (Measurement Date)	\$ 4,041,636	\$ 4,029,403	\$ 12,233
Balance as of June 30, 2022 (Measurement Date)	4,340,561	3,638,692	701,869
Change in Plan Net Pension Liability	<u>\$ 298,925</u>	<u>\$ (390,711)</u>	<u>\$ 689,636</u>

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

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 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	<u>\$ 872,851</u>	<u>\$ 2,258,886</u>	<u>\$ (1,386,035)</u>
Plan Type and Balance Descriptions	Plan Total Pension Liability	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	<u>\$ 106,176</u>	<u>\$ 601,072</u>	<u>\$ (494,896)</u>

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).

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 For the years ended June 30, 2023 and 2022

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		
	Fiscal Year Ending	Fiscal Year Ending	Fiscal Year Ending
	June 30, 2023	June 30, 2022	June 30, 2021
CalPERS – Miscellaneous Plan			
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020
Percentage of Risk Pool Net Pension liability	0.070336%	0.069497%	0.064144%
Percentage of Plan (PERF C) Net Pension Liability	0.000840%	0.053530%	0.024867%
Percentage Share of Risk Pool			
	Fiscal Year Ending	Fiscal Year Ending	Fiscal Year Ending
	June 30, 2023	June 30, 2022	June 30, 2021
	CalPERS – Safety Plan		
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020
Percentage of Risk Pool Net Pension Liability	0.010214%	0.000349%	0.007612%
Percentage of Plan (PERF C) Net Pension liability	0.009866%	0.007263%	0.004661%

For the year ended June 30, 2023, the District recognized pension expense in the amount of \$318,542 and \$398,795 for the CalPERS Miscellaneous and Safety Plans, respectively. For the year ended June 30, 2022, the District recognized pension expense of \$172,350 and pension benefit of \$424,627 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, 2022 and 2021 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.

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

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, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Miscellaneous</u>		<u>Safety</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 405,303	\$ -	\$ 56,888	\$ -
Difference between actual and proportionate share of employer contributions	-	(179,787)	-	(269,411)
Adjustment due to difference in proportions	232,580	-	291,898	-
Differences between expected and actual experience	66,094	(44,267)	29,048	(7,622)
Differences between projected and actual earnings on pension plan investments	602,860	-	110,835	-
Changes in assumptions	337,252	-	70,770	-
Total Deferred Outflows/(Inflows) of Resources	\$ 1,644,089	\$ (224,054)	\$ 559,439	\$ (277,033)

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

<u>Account Description</u>	<u>Miscellaneous</u>		<u>Safety</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions 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)

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

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 Fiscal Year Ended	2023		2022		
	June 30	Miscellaneous	Safety	Miscellaneous	Safety
2023		\$ -	\$ -	\$ (217,570)	\$ (58,300)
2024		267,670	52,662	(229,497)	(33,678)
2025		239,989	63,507	(256,809)	(9,804)
2026		138,343	41,738	(318,338)	(2,002)
2027		368,730	67,611	-	-
Thereafter		-	-	-	-
Total		\$ 1,014,732	\$ 225,518	\$ (1,022,214)	\$ (103,784)

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, 2023, are as follows:

	Balance at July 1, 2022	Increases	Decreases	Balance at June 30, 2023	Due Within One Year
Note from direct borrowings	\$ 1,426,479	\$ -	\$ (201,741)	\$ 1,224,738	\$ 207,941
Lease liability	3,356	-	(1,735)	1,621	1,621
	<u>\$ 1,429,835</u>	<u>\$ -</u>	<u>\$ (203,476)</u>	<u>\$ 1,226,359</u>	<u>\$ 209,562</u>

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
	<u>\$ 1,627,259</u>	<u>\$ -</u>	<u>\$ (197,424)</u>	<u>\$ 1,429,835</u>	<u>\$ 203,476</u>

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 For the years ended June 30, 2023 and 2022

Note 11 – Long-Term Debt (Continued)

Debt service requirements on long-term debt at June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 209,562	\$ 35,807	\$ 245,369
2025	214,332	28,903	243,235
2026	220,919	22,817	243,736
2027	227,709	16,028	243,737
2028	234,708	9,029	243,737
2029	119,129	1,817	120,946
Total	<u>\$ 1,226,359</u>	<u>\$ 114,401</u>	<u>\$ 1,340,760</u>

Note 12 – 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, 2023 and 2022, there were no claims liabilities to be reported. During the years ended June 30, 2023 and 2022, 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, 2023 and 2022, 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).

**TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the years ended June 30, 2023 and 2022

Note 12 – Risk Management (Continued)

Condensed audited financial information of the Association of California Water Agencies Joint Powers Insurance Authority for the years ended September 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 246,615,214	\$ 271,770,359
Deferred outflows of resources	<u>6,108,562</u>	<u>1,189,142</u>
Total assets and deferred outflows of resources	<u>\$ 252,723,776</u>	<u>\$ 272,959,501</u>
Total liabilities	\$ 137,126,606	\$ 123,558,690
Deferred inflows of resources	2,813,249	(409,721)
Net position	<u>112,783,921</u>	<u>149,810,532</u>
Total liabilities, deferred inflows, and net position	<u>\$ 252,723,776</u>	<u>\$ 272,959,501</u>
Total revenues	\$ 209,690,228	\$ 189,317,732
Total expenses	(212,646,028)	(174,760,456)
Total other income (loss)	<u>(34,070,811)</u>	<u>11,566,049</u>
Change in net position	<u>\$ (37,026,611)</u>	<u>\$ 26,123,325</u>

Note 13 – 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 14 – 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.

TWENTYNINE PALMS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

Note 15 – Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported changes in net position.

Note 15 – Subsequent Events

Management has evaluated subsequent events through December 8, 2023, 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	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17*	2015-16*	2014-15*
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016*	June 30, 2015*	June 30, 2014*
Employer's Proportion of the Net Pension Liability	0.028493%	0.024400%	0.024867%	0.024098%	0.023256%	0.023165%	0.025285%	0.028234%	0.028313%
Employer's Proportionate Share of the Collective Net Pension Liability	\$ 3,291,198	\$ 1,319,608	\$ 2,705,642	\$ 2,469,343	\$ 2,241,022	\$ 2,297,360	\$ 2,187,905	\$ 1,937,958	\$ 1,761,770
Employer's Covered Payroll	\$ 1,460,895	\$ 1,474,855	\$ 1,448,972	\$ 1,346,297	\$ 1,084,161	\$ 1,051,407	\$ 1,381,292	\$ 1,341,060	\$ 1,302,000
Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of Covered Payroll	225.29%	89.47%	186.73%	183.42%	206.71%	218.50%	158.40%	144.51%	135.31%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	78.19%	90.49%	77.71%	77.73%	77.69%	75.39%	74.06%	78.40%	83.02%

* Includes safety plan

California Public Employees' Retirement System (CalPERS) Safety Plan

Fiscal Year	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Employer's Proportion of the Net Pension Liability	0.010214%	0.000226%	0.004661%	0.003910%	0.003341%	0.003236%
Employer's Proportionate Share of the Net Pension Liability	\$ 701,869	\$ 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	75.53%	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	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17*	2015-16*	2014-15*	2013-14*
Actuarially Determined Contribution	\$ 409,195	\$ 383,898	\$ 357,929	\$ 316,780	\$ 264,804	\$ 214,598	\$ 197,902	\$ 245,003	\$ 234,149	\$ 225,220
Contribution in Relation to the Actuarially Determined Contribution	(409,195)	(383,898)	(357,929)	(316,780)	(264,804)	(214,598)	(197,902)	(682,065)	(234,149)	(481,274)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (437,062)	\$ -	\$ (256,054)
Covered Payroll	\$ 1,460,895	\$ 1,474,855	\$ 1,448,972	\$ 1,346,297	\$ 1,264,383	\$ 1,084,161	\$ 1,051,407	\$ 1,381,292	\$ 1,341,060	\$ 1,302,000
Contributions as a Percentage of Covered Payroll	28.01%	26.03%	24.70%	23.53%	20.94%	19.79%	18.82%	49.38%	17.46%	36.96%

* Includes safety plan

California Public Employees' Retirement System (CalPERS) Safety Plan

Fiscal Year	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Actuarially Determined Contribution	\$ 56,889	\$ 38,460	\$ 26,711	\$ 17,414	\$ 7,668	\$ 2,064
Contribution in Relation to the Actuarially Determined Contribution	(56,889)	(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	2022-23	2021-22	2020-21	2019-20	2018-19
Measurement Period	2021-22	2020-21	2019-20	2018-19	2017-18
Changes in total OPEB liability:					
Service cost	\$ 59,843	\$ 51,018	\$ 50,524	\$ 37,021	\$ 39,339
Interest	54,139	70,082	64,684	53,159	49,121
Difference between expected and actual experience	(79,276)	(382,546)	(17,960)	65,215	-
Changes of benefit terms	-	-	-	-	-
Changes in assumptions	63,771	(5,650)	-	(29,981)	(22,970)
Benefit payments including refunds*	<u>(15,092)</u>	<u>-</u>	<u>(15,317)</u>	<u>(39,679)</u>	<u>(46,508)</u>
Net changes	83,385	(267,096)	81,931	85,735	18,982
Total OPEB liability (beginning)	<u>849,924</u>	<u>1,117,020</u>	<u>1,035,089</u>	<u>949,354</u>	<u>930,372</u>
Total OPEB liability (ending)	<u>\$ 933,309</u>	<u>\$ 849,924</u>	<u>\$ 1,117,020</u>	<u>\$ 1,035,089</u>	<u>\$ 949,354</u>
Changes in plan fiduciary net position:					
Contributions – employer*	\$ 15,092	\$ -	\$ 15,317	\$ 219,679	\$ 148,908
Contributions – employee	-	-	-	-	-
Net investment income	(85,415)	94,818	41,653	32,102	15,342
Benefit payments including refunds*	(15,092)	-	(15,317)	(39,679)	(46,508)
Administrative expense	(202)	(247)	(326)	(96)	(174)
Other expense	-	-	-	-	(435)
Net changes	(85,617)	94,571	41,327	212,006	117,133
Plan fiduciary net position (beginning)	<u>793,983</u>	<u>699,412</u>	<u>658,085</u>	<u>446,079</u>	<u>328,946</u>
Plan fiduciary net position (ending)	<u>\$ 708,366</u>	<u>\$ 793,983</u>	<u>\$ 699,412</u>	<u>\$ 658,085</u>	<u>\$ 446,079</u>
Net OPEB liability (ending)	\$ 224,943	\$ 55,941	\$ 417,608	\$ 377,004	\$ 503,275
Plan fiduciary net position as a percentage of the total OPEB liability	75.9%	93.4%	62.6%	63.6%	47.0%
Covered employee payroll	\$ 1,736,546	\$ 1,504,856	\$ 1,710,995	\$ 1,464,438	\$ 1,100,000
Net OPEB liability as a percentage of covered payroll	13.0%	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.