



# **Twentynine Palms Water District**

Twentynine Palms, California

## **Annual Financial Report**

*For the Fiscal Year Ended  
June 30, 2020 and 2019*

TWENTYNINE PALMS WATER DISTRICT

**TABLE OF CONTENTS**

June 30, 2020 and 2019

**Financial Section**

Independent Auditor's Report . . . . .	1
Management's Discussion and Analysis (Unaudited) . . . . .	4

**Basic Financial Statements**

Statements of Net Position . . . . .	11
Statements of Revenues, Expenses, and Changes in Fund Net Position . . . . .	12
Statements of Cash Flows . . . . .	13
Statements of Fiduciary Net Position . . . . .	15
Statements of Changes in Fiduciary Net Position . . . . .	16
Notes to the Financial Statements . . . . .	18

**Required Supplementary Information (Unaudited):**

Schedule of the District's Proportionate Share of the Plan's Net Pension Liability and Related Ratios	50
Schedule of the District's Contributions to the Pension Plan . . . . .	51
Schedule of Changes in the District's Net OPEB Liability and Related Ratios . . . . .	52

## **FINANCIAL SECTION**

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Twentynine Palms Water District (District) and the aggregate remaining fund information, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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



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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District and the aggregate remaining fund information, as of June 30, 2020 and 2019, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 and the schedules related to the District's pension and other post-employment benefit plans on pages 50 through 52, respectively, are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 3, 2020, 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 HP*

Riverside, California  
December 3, 2020

Twentynine Palms Water District  
**MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)**  
For the Fiscal Years Ended June 30, 2020 and 2019

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, 2020 and 2019. 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 decreased 2.76%, or \$750,202, from \$27,202,480 to \$26,452,278 as of June 30, 2020. The net position decreased 1.25%, or \$345,123, from \$27,547,603 to \$27,202,480 as of June 30, 2019
- Total revenues from all sources for the District for the year ended June 30, 2020, increased by 5.39%, or \$281,279, from \$5,221,737 for the year ended June 30, 2019 to \$5,503,016. Total revenues from all sources for the District for the year end June 30, 2019, increased by 3.17%, or \$160,657, from \$5,061,080 for the year ended June 30, 2018 to \$5,221,737.
- Total expenses for the District's operations for the year ended June 30, 2020 increased by 12.33% or \$686,358 from \$5,566,860 for the year ended June 30, 2019 to \$6,253,218. Total expenses for the District's operations for the year ended June 30, 2019 increased by 4.79% or \$254,652 from \$5,312,208 for the year ended June 30, 2018 to \$5,566,860.

**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, 2020 and 2019

**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, 2020 and 2019

**Statement of Net Position Proprietary Funds**

	<b>Condensed Statement of Net Position</b>		
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>Assets:</b>			
Current assets	\$ 8,181,416	\$ 9,136,148	\$ 8,023,965
Capital assets, net	23,250,113	22,971,509	22,671,036
<b>Total assets</b>	<u>31,431,529</u>	<u>32,107,657</u>	<u>30,695,001</u>
<b>Deferred Outflows of Resources</b>	766,094	930,342	954,678
<b>Liabilities</b>			
Current liabilities	841,083	857,764	728,939
Long-term obligations	4,523,533	4,601,861	2,931,363
<b>Total liabilities</b>	<u>5,364,616</u>	<u>5,459,625</u>	<u>3,660,302</u>
<b>Deferred Inflows of Resources</b>	380,729	375,894	441,774
<b>Net Position</b>			
Net investment in capital assets	21,438,020	20,971,509	22,671,036
Unrestricted Net Position	5,014,258	6,230,971	4,876,567
<b>Total net position</b>	<u>\$ 26,452,278</u>	<u>\$ 27,202,480</u>	<u>\$ 27,547,603</u>

As of June 30, 2020, the District reported a net position of \$26,452,278. An amount of \$5,014,258 constitutes the District's unrestricted net position balance which is available for future operations at June 30, 2020. As of June 30, 2019, the District reported a net position of \$27,202,480. An amount of \$6,230,971 constitutes the District's unrestricted net position balance which is available for future operations at June 30, 2019.

Twentynine Palms Water District  
**MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)**  
 For the Fiscal Years Ended June 30, 2020 and 2019

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

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Operating Revenue	\$ 5,168,917	\$ 4,904,575	\$ 4,762,405
Operating Expenses	(6,155,218)	(5,510,770)	(5,272,208)
Non-Operating Revenue, Net	236,099	261,072	258,675
<b>Total Change in Net Position</b>	<u>(750,202)</u>	<u>(345,123)</u>	<u>(251,128)</u>
<b>Net Position, Beginning of Year</b>	27,202,480	27,547,603	28,052,028
Less: Prior-period adjustment	-	-	(253,297)
<b>Net Position, End of Year</b>	<u>\$ 26,452,278</u>	<u>\$ 27,202,480</u>	<u>\$ 27,547,603</u>

The statement shows how the fund's net position changed during the fiscal year. In the case of the District, net position decreased by \$750,202 during the fiscal year ended June 30, 2020. The net position decreased by \$345,123 during the fiscal year ended June 30, 2019.

**Proprietary Funds Revenues**

	<u>Balance June 30, 2020</u>	<u>Balance June 30, 2019</u>	<u>Balance June 30, 2018</u>
<b>Revenues:</b>			
Water consumption sales	\$ 3,087,635	\$ 2,860,092	\$ 2,813,193
Water service charges	1,368,610	1,291,240	1,194,615
Water availability charge	605,404	608,934	620,558
Other service charges	107,268	144,309	134,039
Rental revenue	138,885	130,242	121,055
Investment earnings	144,202	152,753	72,263
Gain/(Loss) on sale of assets	6,021	(2,139)	10,401
Other non-operating revenue	44,991	36,306	94,956
<b>Total revenues</b>	<u>\$ 5,503,016</u>	<u>\$ 5,221,737</u>	<u>\$ 5,061,080</u>

Revenues increased \$281,279 for the fiscal year ended June 30, 2020. Notable increases include water consumption revenue of \$227,543 and water service charges of \$77,370. These notable increases are offset by decreases in other service charges of \$37,041 in combination with minor decreases/increases all other categories. Revenues increased \$160,657 for the fiscal year ended June 30, 2019. Notable increases include water consumption revenue of \$46,899, water service charges of \$96,625 and investment earnings of \$80,490. These notable increases are offset by decreases in other non-operating revenue of \$58,650 in combination with minor decreases/increases all other categories.

Twentynine Palms Water District  
**MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)**  
For the Fiscal Years Ended June 30, 2020 and 2019

**Proprietary Funds Expenses**

	<u>Balance</u> <u>June 30, 2020</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Expenses:</b>			
Source of supply	\$ 347,946	\$ 338,773	\$ 305,440
Pumping	221,212	252,510	210,914
Transmission and distribution	1,355,204	1,323,486	1,065,225
Customer accounts	366,952	304,577	257,463
General plant	727,351	670,459	682,359
General and administrative	1,740,372	1,230,357	1,363,875
Depreciation expense	1,396,181	1,390,608	1,386,932
Interest expense	58,000	16,090	-
Transfer out	40,000	40,000	40,000
<b>Total expenses</b>	<u>\$ 6,253,218</u>	<u>\$ 5,566,860</u>	<u>\$ 5,312,208</u>

Expenses increased \$686,358 for the fiscal year ended June 30, 2020. Many types of expenses experienced increases with the largest increase found in general and administrative expenses. On the other hand, a notable decrease is seen in pumping expenses for the year. Expenses increased \$254,652 for the fiscal year ended June 30, 2019. Many types of expenses experienced increases with the largest increase found in transmission and distribution. On the other hand, a notable decrease is seen in general and administrative expenses for the year.

**Statement of Fiduciary Net Position**

**Condensed Statements of Fiduciary Net Position**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>Assets:</b>			
Current assets	\$ 79,976	\$ 66,789	\$ 39,965
Restricted assets	1,630,409	1,491,541	1,331,803
<b>Total assets</b>	<u>1,710,385</u>	<u>1,558,330</u>	<u>1,371,768</u>
<b>Deferred Outflows of Resources</b>	183,841	269,236	402,869
<b>Liabilities</b>			
Current liabilities	4,863	8,565	20,683
Long-term obligations	400,701	321,995	320,883
<b>Total liabilities</b>	<u>405,564</u>	<u>330,560</u>	<u>341,566</u>
<b>Deferred Inflows of Resources</b>	<u>201,288</u>	<u>240,175</u>	<u>293,402</u>
<b>Net Position</b>			
Restricted	<u>\$ 1,287,374</u>	<u>\$ 1,256,831</u>	<u>\$ 1,139,669</u>

Twentynine Palms Water District  
**MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)**  
For the Fiscal Years Ended June 30, 2020 and 2019

As of June 30, 2020, the District reported a total fiduciary net position of \$1,287,374 an increase of \$30,543 from June 30, 2019. As of June 30, 2019, the District reported a total fiduciary net position of \$1,256,831 and increase of \$117,162 from June 30, 2018 . 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, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Additions	\$ 185,820	\$ 242,755	\$ 258,999
Deductions	<u>(155,277)</u>	<u>(125,593)</u>	<u>(163,724)</u>
<b>Total Change in Net Position</b>	<u>30,543</u>	<u>117,162</u>	<u>95,275</u>
<b>Net Position, Beginning of Year</b>	<u>1,256,831</u>	<u>1,139,669</u>	<u>1,044,394</u>
<b>Net Position, End of Year</b>	<u>\$ 1,287,374</u>	<u>\$ 1,256,831</u>	<u>\$ 1,139,669</u>

***Fiduciary Funds Additions***

	<u>Balance June 30, 2020</u>	<u>Balance June 30, 2019</u>	<u>Balance June 30, 2018</u>
<b>Additions</b>			
Property tax penalties	\$ 26,080	\$ 33,873	\$ 56,218
Other revenues	30,684	48,601	111,771
Intergovernmental	15,886	31,900	31,000
Investment earnings	73,170	88,381	20,010
Transfers in	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
<b>Total additions</b>	<u>\$ 185,820</u>	<u>\$ 242,755</u>	<u>\$ 258,999</u>

Additions decreased by \$56,935 for the fiscal year ended June 30, 2020 due to revenues decreasing. Additions decreased by \$16,244 for the fiscal year ended June 30, 2019 primarily due to decreases in property tax penalties and other revenues that was offset by increased investment earnings.

***Fiduciary Funds Deductions***

	<u>Balance June 30, 2020</u>	<u>Balance June 30, 2019</u>	<u>Balance June 30, 2018</u>
<b>Deductions:</b>			
Pension expense	\$ 125,214	\$ 89,186	\$ 71,039
Transfer to San Bernardino	<u>30,063</u>	<u>36,407</u>	<u>92,685</u>
<b>Total deductions</b>	<u>\$ 155,277</u>	<u>\$ 125,593</u>	<u>\$ 163,724</u>

Twentynine Palms Water District  
**MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)**  
 For the Fiscal Years Ended June 30, 2020 and 2019

Deductions increased \$29,684 for the fiscal year ended June 30, 2020 primarily due to increases in pension expense. Deductions decreased \$38,131 for the fiscal year ended June 30, 2019 primarily due less transfers out to San Bernardino.

**Capital Asset Administration**

Capital assets were as follows:

	<u>Balance June 30, 2020</u>	<u>Balance June 30, 2019</u>	<u>Balance June 30, 2018</u>
Non-depreciable capital assets	\$ 1,728,833	\$ 2,153,746	\$ 950,036
Depreciable capital assets	<u>49,950,560</u>	<u>47,870,023</u>	<u>47,597,900</u>
Total capital assets	51,679,393	50,023,769	48,547,936
Accumulated depreciation	<u>(28,429,280)</u>	<u>(27,052,260)</u>	<u>(25,876,900)</u>
Total capital assets, net	<u>\$ 23,250,113</u>	<u>\$ 22,971,509</u>	<u>\$ 22,671,036</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, 2020, the District's net investment in capital assets amounted to \$21,438,020, which is comprised of \$23,250,113 of capital assets net of related liabilities of \$1,812,093. Major capital asset additions during the year include various improvements and equipment purchases totaling \$2,894,213. At June 30, 2019, the District's net investment in capital assets amounted to \$20,971,509, which is comprised of capital asset of \$22,971,509 net of related liabilities of \$2,000,000. Major capital asset additions during the year include various improvements and equipment purchases totaling \$1,779,866. See Note 5 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, 2020 and 2019

	2020	2019
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current assets:</b>		
Cash and investments	\$ 6,974,121	\$ 8,015,376
Accrued interest receivable	22,819	44,033
Accounts receivable – water sales and services, net	919,387	807,376
Special assessments receivable	19,107	9,846
Materials and supplies inventory	176,153	168,523
Prepaid items	69,829	90,994
<b>Total current assets</b>	<b>8,181,416</b>	<b>9,136,148</b>
<b>Non-current assets:</b>		
Capital assets – not being depreciated	1,728,833	2,153,746
Capital assets – being depreciated, net	21,521,280	20,817,763
<b>Total non-current assets</b>	<b>23,250,113</b>	<b>22,971,509</b>
<b>Total assets</b>	<b>31,431,529</b>	<b>32,107,657</b>
<b>Deferred outflows of resources:</b>		
Other post-employment benefits obligation related	72,601	226,208
Pension related	693,493	704,134
<b>Total deferred outflows of resources</b>	<b>766,094</b>	<b>930,342</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 32,197,623</b>	<b>\$ 33,037,999</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 151,449	\$ 155,012
Accrued salaries and benefits	10,715	55,650
Unearned revenue and deposits	406,557	390,986
Long-term liabilities – due within one year:		
Current portion loan payable	189,889	187,907
Compensated absences	82,473	68,208
<b>Total current liabilities</b>	<b>841,083</b>	<b>857,763</b>
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Loan payable	1,622,204	1,812,093
Compensated absences	54,982	45,472
Net other post-employment benefits obligation	377,004	503,275
Net pension liability	2,469,343	2,241,022
<b>Total non-current liabilities</b>	<b>4,523,533</b>	<b>4,601,862</b>
<b>Total liabilities</b>	<b>5,364,616</b>	<b>5,459,625</b>
<b>Deferred inflows of resources:</b>		
Other post-employment benefits obligation related	153,688	158,418
Pension related	227,041	217,476
<b>Total deferred inflows of resources</b>	<b>380,729</b>	<b>375,894</b>
<b>Net position:</b>		
Net investment in capital assets	21,438,020	20,971,509
Unrestricted	5,014,258	6,230,971
<b>Total net position</b>	<b>26,452,278</b>	<b>27,202,480</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 32,197,623</b>	<b>\$ 33,037,999</b>

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, 2020 and 2019

	2020	2019
<b>Operating Revenue</b>		
Water consumption sales	\$ 3,087,635	\$ 2,860,092
Water service charges	1,368,610	1,291,240
Water availability charge	605,404	608,934
Other service charges	107,268	144,309
<b>Total operating revenue</b>	5,168,917	4,904,575
<b>Operating Expenses</b>		
Source of supply	347,946	338,773
Pumping	221,212	252,510
Transmission and distribution	1,355,204	1,323,486
Customer accounts	366,952	304,577
General plant	727,351	670,459
General and administrative	1,740,372	1,230,357
<b>Total operating expenses</b>	4,759,037	4,120,162
<b>Operating income before depreciation</b>	409,880	784,413
Depreciation expense	(1,396,181)	(1,390,608)
<b>Operating Loss</b>	(986,301)	(606,195)
<b>Non-Operating Revenues (Expenses)</b>		
Rental revenue	138,885	130,242
Investment earnings	144,202	152,753
Gain on sale of assets	6,021	(2,139)
Interest expense	(58,000)	(16,090)
Other non-operating revenue	44,991	36,306
Transfers to fiduciary fund	(40,000)	(40,000)
<b>Total non-operating revenues, net</b>	236,099	261,072
<b>Change in Net Position</b>	(750,202)	(345,123)
<b>Net Position, Beginning of Year</b>	27,202,480	27,547,603
<b>Net Position, End of Year</b>	\$ 26,452,278	\$ 27,202,480

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers and others	\$ 5,247,092	\$ 5,071,591
Cash paid to employees for salaries and wages	(2,123,801)	(2,023,441)
Cash paid to vendors and suppliers for materials and services	(2,433,291)	(2,372,124)
<b>Net cash provided by operating activities</b>	<u>690,000</u>	<u>676,026</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(1,674,785)	(1,693,220)
Proceeds from sale of assets	6,021	2,000,000
Payments on long-term debt	(187,907)	-
Transfers to fiduciary fund	(40,000)	(40,000)
<b>Net cash (used in) capital and related financing activities</b>	<u>(1,896,671)</u>	<u>266,780</u>
<b>Cash flows from investing activities:</b>		
Proceeds from investment earnings	165,416	128,843
<b>Net cash provided by investing activities</b>	<u>165,416</u>	<u>128,843</u>
<b>Net increase in cash and investments</b>	<u>(1,041,255)</u>	<u>1,071,649</u>
<b>Cash and investments:</b>		
Beginning of year	8,015,376	6,943,727
End of year	<u>\$ 6,974,121</u>	<u>\$ 8,015,376</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
<b>Operating loss</b>	\$ (986,301)	\$ (606,195)
<b>Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:</b>		
Depreciation expense	1,396,181	1,390,608
Interest expense	(58,000)	(16,090)
Rental revenue	138,885	130,242
Other non-operating revenue	44,991	36,306
<b>Changes in assets – (increase) decrease:</b>		
Accounts receivable-water sales and services, net	(112,011)	(9,893)
Special assessments receivable	(9,261)	3,151
Materials and supplies inventory	(7,630)	3,357
Prepaid items	21,165	(13,239)
<b>Change in deferred outflows of resources – (increase) decrease:</b>		
Pension and OPEB related deferred outflows of resources	164,248	24,336
<b>Changes in liabilities – increase (decrease):</b>		
Accounts payable and accrued expenses	(3,563)	(99,379)
Accrued salaries and related payables	(44,935)	13,743
Unearned revenue and deposits	15,571	7,210
Compensated absences	23,775	32,238
Net other post-employment benefits obligation	(126,271)	(98,151)
Net pension liability	228,321	(56,338)
<b>Change in deferred inflows of resources – increase (decrease):</b>		
Pension and OPEB related deferred inflows of resources	4,835	(65,880)
<b>Total adjustments</b>	<u>1,676,301</u>	<u>1,282,221</u>
<b>Net cash provided by operating activities</b>	<u>\$ 690,000</u>	<u>\$ 676,026</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current assets:</b>		
Cash and investments	\$ 73,675	\$ 57,131
Special assessments receivable	6,301	9,658
<b>Total current assets</b>	<u>79,976</u>	<u>66,789</u>
<b>Non-current assets:</b>		
Restricted – cash and investments	1,630,409	1,491,541
<b>Total assets</b>	<u>1,710,385</u>	<u>1,558,330</u>
<b>Deferred Outflows of Resources</b>		
Pension related	183,841	269,236
<b>Total Assets and Deferred Outflows of Resources</b>	<u>1,894,226</u>	<u>1,827,566</u>
<b>LIABILITIES, DEFERRED INFLOWS OR RESOURCES AND NET POSITION</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	4,863	8,565
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Net pension liability	400,701	321,995
<b>Total liabilities</b>	<u>405,564</u>	<u>330,560</u>
<b>Deferred Inflows of Resources</b>		
Pension related	201,288	240,175
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>606,852</u>	<u>570,735</u>
<b>Fiduciary Net Position</b>		
Restricted for pension liability	<u>\$ 1,287,374</u>	<u>\$ 1,256,831</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Additions</b>		
Property tax penalties	\$ 26,080	\$ 33,873
Intergovernmental	15,886	31,900
Investment earnings	73,170	88,381
Other revenue	30,684	48,601
Transfers from proprietary fund	<u>40,000</u>	<u>40,000</u>
<b>Total Additions</b>	<u>185,820</u>	<u>242,755</u>
<b>Deductions</b>		
Pension expense	125,214	89,186
Transfer of fire revenues to San Bernardino County Fire District	<u>30,063</u>	<u>36,407</u>
<b>Total Deductions</b>	<u>155,277</u>	<u>125,593</u>
<b>Change in Fiduciary Net Position</b>	30,543	117,162
<b>Fiduciary Net Position, Beginning of Year</b>	<u>1,256,831</u>	<u>1,139,669</u>
<b>Fiduciary Net Position, End of Year</b>	<u>\$ 1,287,374</u>	<u>\$ 1,256,831</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, 2020 and 2019

**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, 2020 and 2019

**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, 2020 and 2019

**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.

***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:

<u>Asset Class</u>	<u>Useful Lives</u>
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

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.



Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2020 and 2019

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

***Deferred Outflows and Inflows of Resources***

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

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

***Compensated Absences***

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

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

***Postemployment benefits Other Than Pensions (OPEB)***

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

Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
 For the Years Ended June 30, 2020 and 2019

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

***Net Pension Liability***

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

The following timeframes are used for pension reporting:

<u>CalPERS</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Valuation date	June 30, 2018	June 30, 2017
Measurement date	June 30, 2019	June 30, 2018
Measurement period	July 1, 2018 to June 30, 2019	July 1, 2017 to June 30, 2018

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

***Net Position***

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

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

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

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

Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2020 and 2019

**Note 2 – Cash and Investments**

Cash and investments as of June 30, 2020 and 2019 were classified in the accompanying financial statements as follows:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Cash and investments	\$ 7,047,796	\$ 8,072,507
Restricted – cash and investments	1,630,409	1,491,541
<b>Total cash and investments</b>	<b>\$ 8,678,205</b>	<b>\$ 9,564,048</b>

<u>Description</u>	<u>2020</u>	<u>2019</u>
Proprietary fund	\$ 6,974,121	\$ 8,015,376
Fiduciary fund	1,704,084	1,548,672
<b>Total cash and investments</b>	<b>\$ 8,678,205</b>	<b>\$ 9,564,048</b>

Cash and investments as of June 30, 2020 and 2019, consisted of the following:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Cash on hand	\$ 1,350	\$ 1,350
Demand deposits with financial institutions	761,759	1,058,242
Investments	7,915,096	8,504,456
<b>Total cash and investments</b>	<b>\$ 8,678,205</b>	<b>\$ 9,564,048</b>

***Demand Deposits***

At June 30, 2020, the carrying amount of the District's demand deposits was \$761,759 and the financial institution balance was \$927,703. The \$165,944 net difference as of June 30, 2020, represents outstanding checks, deposits-in-transit and/or other reconciling items. At June 30, 2019, the carrying amount of the District's demand deposits was \$1,058,242 and the financial institution balance was \$1,118,523. The \$60,281 net difference as of June 30, 2019, 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, 2020 and 2019

**Note 2 – Cash and Investments (Continued)**

***Custodial Credit Risk***

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

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

As of June 30, 2020 and 2019, none of the District's deposits and investments were exposed to disclosable custodial credit risk.

**Investments**

Investments as of June 30, 2020, consisted of the following:

<u>Investments</u>	<u>Measurement Input</u>	<u>Credit Rating</u>	<u>Fair Value June 30, 2020</u>	<u>Maturity 12 Months or Less</u>
<b>External Investment Pools:</b>				
California Local Agency Investment Fund (LAIF)	Level 2	n/a	\$ 6,284,687	\$ 6,284,687
<b>Held with Fiscal Agent:</b>				
PARS Pension Trust	Level 2	n/a	1,630,409	1,630,409
<b>Total investments</b>			<u>\$ 7,915,096</u>	<u>\$ 7,915,096</u>

Investments as of June 30, 2019, consisted of the following:

<u>Investments</u>	<u>Measurement Input</u>	<u>Credit Rating</u>	<u>Fair Value June 30, 2019</u>	<u>Maturity 12 Months or Less</u>
<b>External Investment Pools:</b>				
California Local Agency Investment Fund (LAIF)	Level 2	n/a	\$ 7,012,915	\$ 7,012,915
<b>Held with Fiscal Agent:</b>				
PARS Pension Trust	Level 2	n/a	1,491,541	1,491,541
<b>Total investments</b>			<u>\$ 8,504,456</u>	<u>\$ 8,504,456</u>

Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2020 and 2019

**Note 2 – Cash and Investments (Continued)**

***Authorized Investments and Investment Policy***

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

Investments are to be made in the following areas:

**External Investment Pools:**

California Local Agency Investment Fund (LAIF)

Non-negotiable certificates-of-deposit

Governmental agency securities

**Held with Fiscal Agent:**

PARS Pension Trust

***Investment in California- Local Agency Investment Fund (LAIF)***

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the entity's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Further information about LAIF is available on the California State Controller's website: [www.treasurer.ca.gov/pmia-laif/](http://www.treasurer.ca.gov/pmia-laif/)

The District's investment with LAIF at June 30, 2020 and 2019, included a portion of the pool funds invested in structured notes and asset-backed securities:

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

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

LAIF has indicated to the District that as of June 30, 2020 and 2019, the value of LAIF's portfolio approximated \$32.075 and \$24.585 billion, respectively. As of June 30, 2020 and 2019, the District had \$6,284,687 and \$7,012,915 invested in LAIF, respectively. LAIF had invested 3.37% and 1.77% of the pool's investment funds in structured notes and medium-term asset-backed securities at June 30, 2020 and 2019, respectively.

Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2020 and 2019

**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 Employees' Pension Plan. 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, 2020 and 2019, the District's investment in the LAIF is noted in the table above.

**Interest Rate Risk**

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

**Concentration of Credit Risk**

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

Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2020 and 2019

**Note 3 – Accounts Receivable, Net**

The accounts receivable, net balance as of June 30, 2020 and 2019 consisted of the following:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Accounts receivable – water sales and services	\$ 1,259,066	\$ 1,119,596
Allowance for doubtful accounts	<u>(361,714)</u>	<u>(312,220)</u>
Total accounts receivable, net	<u>\$ 897,352</u>	<u>\$ 807,376</u>

**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, 2020 and 2019, the District recorded revenue from this special assessment of \$605,404 and \$608,934 as water availability charges, respectively. At June 30, 2020 and 2019, the outstanding balance of the special assessment receivable was \$19,107 and \$9,846, respectively.

**Note 5 – Capital Assets**

Changes in capital assets for the year ended June 30, 2020 were as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deletions/</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2020</u>
Non-depreciable capital assets:				
Land	\$ 174,626	\$ -	\$ -	\$ 174,626
Construction-in-process	<u>1,979,120</u>	<u>794,515</u>	<u>(1,219,428)</u>	<u>1,554,207</u>
Total non-depreciable capital assets	<u>2,153,746</u>	<u>794,515</u>	<u>(1,219,428)</u>	<u>1,728,833</u>
Depreciable capital assets:				
Source of supply plant	13,831,565	11,700	-	13,843,265
Pumping plant	434,992	-	-	434,992
Transmission and distribution plant	28,376,155	1,608,671	-	29,984,826
Buildings and structures	2,254,669	12,986	-	2,267,655
Office equipment	463,687	28,044	-	491,731
Transportation/heavy equipment	1,547,170	438,297	(19,161)	1,966,306
Radio and communication equipment	148,616	-	-	148,616
Field equipment and tolls	<u>813,169</u>	<u>-</u>	<u>-</u>	<u>813,169</u>
Total depreciable capital assets	<u>47,870,023</u>	<u>2,099,698</u>	<u>(19,161)</u>	<u>49,950,560</u>
Less accumulated depreciation	<u>(27,052,260)</u>	<u>(1,396,181)</u>	<u>19,161</u>	<u>(28,429,280)</u>
Total depreciable capital assets, net	<u>20,817,763</u>	<u>703,517</u>	<u>-</u>	<u>21,521,280</u>
Total capital assets, net	<u>\$ 22,971,509</u>	<u>\$ 1,498,032</u>	<u>\$ (1,219,428)</u>	<u>\$ 23,250,113</u>

Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2020 and 2019

**Note 5 – Capital Assets (Continued)**

Changes in capital assets for the year ended June 30, 2019 were as follows:

	<b>Balance July 1, 2018</b>	<b>Additions/ Transfers</b>	<b>Deletions/ Transfers</b>	<b>Balance June 30, 2019</b>
<b>Non-depreciable capital assets:</b>				
Land	\$ 174,626	\$ -	\$ -	\$ 174,626
Construction-in-process	775,410	1,290,356	(86,646)	1,979,120
Total non-depreciable capital assets	<u>950,036</u>	<u>1,290,356</u>	<u>(86,646)</u>	<u>2,153,746</u>
<b>Depreciable capital assets:</b>				
Source of supply plant	13,752,584	113,558	(34,577)	13,831,565
Pumping plant	434,992	-	-	434,992
Transmission and distribution plant	28,358,977	17,178	-	28,376,155
Buildings and structures	2,227,210	27,459	-	2,254,669
Office equipment	511,488	14,399	(62,200)	463,687
Transportation/heavy equipment	1,411,653	246,295	(110,778)	1,547,170
Radio and communication equipment	141,653	6,963	-	148,616
Field equipment and tolls	759,343	63,658	(9,832)	813,169
Total depreciable capital assets	<u>47,597,900</u>	<u>489,510</u>	<u>(217,387)</u>	<u>47,870,023</u>
Less accumulated depreciation	<u>(25,876,900)</u>	<u>(1,390,608)</u>	<u>215,248</u>	<u>(27,052,260)</u>
Total depreciable capital assets, net	<u>21,721,000</u>	<u>(901,098)</u>	<u>(2,139)</u>	<u>20,817,763</u>
Total capital assets, net	<u>\$ 22,671,036</u>	<u>\$ 389,258</u>	<u>\$ (88,785)</u>	<u>\$ 22,971,509</u>

Construction in progress consist of several capital projects in which the District has expended \$1,554,207 as of June 30, 2020. The District estimates that the projects will be completed in the fiscal year 2022 and will need to expend an additional \$1,750,000 to bring the projects to completion.

**Note 6 – 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, 2020 were as follows:

<b>Balance July 1, 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2020</b>	<b>Current</b>	<b>Non-current</b>
\$ 45,472	\$ 180,784	\$ (88,801)	\$ 137,455	\$ 82,473	\$ 54,982

Changes in compensated absences balances for the year ended June 30, 2019 were as follows:

<b>Balance July 1, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2019</b>	<b>Current</b>	<b>Non-current</b>
\$ 81,442	\$ 168,909	\$ (136,671)	\$ 113,680	\$ 68,208	\$ 45,472



Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2020 and 2019

**Note 7 – Net Other Post-Employment Benefits Obligation**

***Plan Description -Eligibility and Benefits***

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

At June 30, 2020 and 2019, the following employees were covered by the benefit terms:

	<u>2020</u>	<u>2019</u>
Active plan members	25	19
Inactive plan members or beneficiaries currently receiving benefit payments	-	2
Inactive plan members entitled to but not yet receiving benefit payments	-	-
Total Participants	<u>25</u>	<u>21</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, 2020 and 2019, the District's average contribution rate was 15.04% and 20.02% 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, 2020 and 2019 was measured as of June 30, 2019 and 2018, respectively. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of those dates.

*Actuarial assumptions:* The total OPEB liability in the June 30, 2019 and 2018 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2018	June 30, 2017
Discount Rate	6.00% per annum	5.50% per annum
Inflation	2.50% per annum	2.75% per annum
Salary Increases	3.00% per annum, in aggregate	3.00% per annum, in aggregate
Investment Rate of Return	6.00%	6.00%
Mortality Rate	CalPERS Membership Data	CalPERS Membership Data
Pre-Retirement Turnover	CalPERS Membership Data	CalPERS Membership Data
Healthcare Cost Trend Rates	6.5% decreasing to 4.5% over future periods	6.0% decreasing to 5.0% over future periods

Mortality rates were based on the CalPERS experience study, with adjustments for mortality improvements projected fully generational with Scale MP-2019.

The actuarial assumptions used in the June 30, 2019 and 2018 valuation were based on the results of a CalPERS actuarial experience study for the period 1997-2015.

Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2020 and 2019

**Note 7 – Net Other Post-Employment Benefits Payable (Continued)**

***Net OPEB Liability (Continued)***

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, 2020 and 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Inflation Assets	26.0%	1.25%
Global Debt Securities	39.0%	2.25%
Global Equities	24.0%	5.25%
REITs	8.0%	4.50%
Commodities	3.0%	1.25%
Total	100.0%	

Long-term expected rate of return is 6.00%

*Discount rate:* The discount rates used to measure the total OPEB liability at June 30, 2020 and 2019 were 6.00 and 5.50 percent, 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.

Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2020 and 2019

**Note 7 – Net Other Post-Employment Benefits Payable (Continued)**

***Changes in the Net OPEB Liability***

Changes in net OPEB liability for the year ended June 30, 2020 were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	NET OPEB Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2019	\$ 949,354	\$ 446,079	\$ 503,275
Changes for the year:			
Service cost	37,021	-	37,021
Interest	53,159	-	53,159
Differences between expected and actual experience	65,215	-	65,215
Changes of assumptions	(29,981)	-	(29,981)
Contributions - employer	-	219,679	(219,679)
Net investment income	-	32,102	(32,102)
Benefit payments	(39,679)	(39,679)	-
Administrative expense	-	(96)	96
Net changes	85,735	212,006	(126,271)
Balance at June 30, 2020	\$ 1,035,089	\$ 658,085	\$ 377,004

Changes in net OPEB liability for the year ended June 30, 2019 were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	NET OPEB Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2018	\$ 930,372	\$ 328,946	\$ 601,426
Changes for the year:			
Service cost	39,339	-	39,339
Interest	49,121	-	49,121
Differences between expected and actual experience	-	-	-
Changes of assumptions	(22,970)	-	(22,970)
Contributions - employer	-	148,908	(148,908)
Net investment income	-	15,342	(15,342)
Benefit payments	(46,508)	(46,508)	-
Administrative expense	-	(609)	609
Net changes	18,982	117,133	(98,151)
Balance at June 30, 2019	\$ 949,354	\$ 446,079	\$ 503,275

Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2020 and 2019

**Note 7 – Net Other Post-Employment Benefits Payable (Continued)**

*Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates:*

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage-point lower or 1.00 percentage-point higher than the current discount rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net OPEB liability - June 30, 2020	\$ 464,876	\$ 377,004	\$ 296,574

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Net OPEB liability - June 30, 2019	\$ 579,584	\$ 503,275	\$ 433,263

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates:*

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.00 percentage point lower or 1.00 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (5.50% decreasing to 3.50%)	Current Healthcare Cost Trend Rate (6.50% decreasing to 4.50%)	1% Increase (7.50% decreasing to 5.50%)
Net OPEB liability - June 30, 2020	\$ 275,795	\$ 377,004	\$ 494,254

	1% Decrease (5.00% decreasing to 4.00%)	Current Healthcare Cost Trend Rate (6.00% decreasing to 5.00%)	1% Increase (7.00% decreasing to 6.00%)
Net OPEB liability - June 30, 2019	\$ 409,580	\$ 503,275	\$ 610,951

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

Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2020 and 2019

**Note 7 – Net Other Post-Employment Benefits Payable (Continued)**

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

For the year ended June 30, 2020 and 2019, the District recognized OPEB expense of \$31,428 and \$36,057, respectively. At June 30, 2020 and 2019, 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	
	2020	2019	2020	2019
Changes in assumptions	\$ 58,693	\$ -	\$ -	\$ (153,276)
Differences between expected and actual experience	-	-	(150,260)	-
Net difference between projected and actual earnings on OPEB plan investments	4,516	5,958	(3,428)	(5,142)
Employer contributions made subsequent to the measurement date	9,392	220,250	-	-
<b>Total</b>	<b>\$ 72,601</b>	<b>\$ 226,208</b>	<b>\$ (153,688)</b>	<b>\$ (158,418)</b>

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	
	2020	2019
2020	\$ -	\$ (30,222)
2021	(26,686)	(30,222)
2022	(26,686)	(30,222)
2023	(24,974)	(28,510)
2024	(26,464)	(30,000)
2025	240	(3,284)
Thereafter	14,090	-
<b>Total</b>	<b>\$ (90,480)</b>	<b>\$ (152,460)</b>

Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2020 and 2019

**Note 8 – 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

	<b>Miscellaneous Plans</b>	
	<b>Classic Tier 1</b>	<b>PEPRA Tier 2</b>
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		
2020	8.000%	6.750%
2019	8.000%	6.750%
Required employer contribution rates		
2020	12.759%	6.842%
2019	12.036%	6.533%

Safety Plan

	<b>Safety Plan</b>
	<b>Classic Tier 1</b>
Hire date	Prior to January 1, 2013
Benefit formula	3.0% at 55
Benefit vesting schedule	5 years of service
Benefits payments	monthly for life
Retirement age	50 - 67 & up
Monthly benefits, as a percentage of eligible compensation	2.4% to 3.0%
Required member contribution rates	
2020	0.000%
2019	0.000%
Required employer contribution rates	
2020	17.614%
2019	16.842%

Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2020 and 2019

**Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)**

**General Information about the Pension Plans (Continued)**

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. 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, 2018 and 2017 Annual Actuarial Valuation Reports. These reports and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Members Covered by Benefit Terms

At June 30, 2018 (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	21	2	23
Retired members and beneficiaries	19	-	19
<b>Total plan members</b>	<b>53</b>	<b>11</b>	<b>64</b>

  

<u>Plan Members</u>	<u>Safety Plan</u>
	<u>Classic Tier 1</u>
Active members	-
Transferred and terminated members	12
Retired members and beneficiaries	6
<b>Total plan members</b>	<b>18</b>

Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
 For the Years Ended June 30, 2020 and 2019

**Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)**

**General Information about the Pension Plans (Continued)**

At June 30, 2017 (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	5	18
Transferred and terminated members	21	1	22
Retired members and beneficiaries	19	-	19
<b>Total plan members</b>	<b>53</b>	<b>6</b>	<b>59</b>

  

<u>Plan Members</u>	<u>Safety Plan</u>
	<u>Classic Tier 1</u>
Active members	-
Transferred and terminated members	12
Retired members and beneficiaries	6
<b>Total plan members</b>	<b>18</b>

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous and Safety members are calculated as a percentage of their plan based the average final 36 months compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months 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.



Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2020 and 2019

**Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)**

**General Information about the Pension Plans (Continued)**

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

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ended June 30, 2019 and 2018 (Measurement Date), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRA Miscellaneous Plan are based above in the Plans Description schedule.

For the year ended June 30, 2020, the contributions made to the Plan were as follows:

<b>Contribution Type</b>	<b>Miscellaneous Plans</b>		
	<b>Classic Tier 1</b>	<b>PEPRA Tier 2</b>	<b>Total</b>
Contributions – employer	\$ 287,930	\$ 28,750	\$ 316,680
Contributions – members	80,195	26,319	106,514
<b>Total contributions</b>	<b>\$ 368,125</b>	<b>\$ 55,069</b>	<b>\$ 423,194</b>

  

<b>Contribution Type</b>	<b>Safety Plan Classic Tier 1</b>
	Contributions – employer
Contributions – members	-
<b>Total contributions</b>	<b>\$ 17,414</b>

Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2020 and 2019

**Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)**

**General Information about the Pension Plans (Continued)**

For the year ended June 30, 2019, the contributions made to the Plan were as follows:

Contribution Type	Miscellaneous Plans		
	Classic	PEPRA	Total
	Tier 1	Tier 2	
Contributions – employer	\$ 241,460	\$ 23,344	\$ 264,804
Contributions – members	76,735	21,124	97,859
<b>Total contributions</b>	<b>\$ 318,195</b>	<b>\$ 44,468</b>	<b>\$ 362,663</b>

  

Contribution Type	Safety Plan
	Classic
	Tier 1
Contributions – employer	\$ 7,668
Contributions – members	-
<b>Total contributions</b>	<b>\$ 7,668</b>

**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, 2019 and 2018 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2018 and 2017 total pension liabilities. The June 30, 2018 and 2017 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 <sup>1</sup>	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

<sup>1</sup> 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, 2018 and 2017 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, 2020 and 2019

**Note 8 – 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, 2019 and 2018 (Measurement Date):

<u>Investment Type<sup>1</sup></u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10<sup>2</sup></u>	<u>Real Return Years 11+<sup>3</sup></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>		

<sup>1</sup> 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

<sup>2</sup> An expected inflation rate of return of 2.00% is used for this period.

<sup>3</sup> An expected inflation rate of return of 2.92% is used for this period.

Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2020 and 2019

**Note 8 – 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)***

Discount Rate

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

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1.00 percentage-point lower or 1.00 percentage-point higher than the current rate:

<b>Plan's Net Pension Liability at June 30, 2019</b>			
<b>Plan Type</b>	<b>Discount Rate - 1% 6.15%</b>	<b>Current Discount Rate 7.15%</b>	<b>Discount Rate + 1% 8.15%</b>
CalPERS – Miscellaneous Plan	\$ 3,953,356	\$ 2,469,343	\$ 1,244,396

  

<b>Plan's Net Pension Liability at June 30, 2019</b>			
<b>Plan Type</b>	<b>Discount Rate - 1% 6.15%</b>	<b>Current Discount Rate 7.15%</b>	<b>Discount Rate + 1% 8.15%</b>
CalPERS – Safety Plan	\$ 921,143	\$ 400,701	\$ (25,980)

  

<b>Plan's Net Pension Liability at June 30, 2018</b>			
<b>Plan Type</b>	<b>Discount Rate - 1% 6.15%</b>	<b>Current Discount Rate 7.15%</b>	<b>Discount Rate + 1% 8.15%</b>
CalPERS – Miscellaneous Plan	\$ 3,638,687	\$ 2,241,022	\$ 1,087,272

  

<b>Plan's Net Pension Liability at June 30, 2018</b>			
<b>Plan Type</b>	<b>Discount Rate - 1% 6.15%</b>	<b>Current Discount Rate 7.15%</b>	<b>Discount Rate + 1% 8.15%</b>
CalPERS – Safety Plan	\$ 828,500	\$ 321,995	\$ (92,995)

Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2020 and 2019

**Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)**

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

*Pension Plan Fiduciary Net Position*

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

*Proportionate Share of Net Pension Liability and Pension Expense*

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

<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>
<b>CalPERS – Miscellaneous Plan:</b>			
Balance as of June 30, 2018 (Measurement Date)	\$ 10,332,318	\$ 8,091,296	\$ 2,241,022
Balance as of June 30, 2019 (Measurement Date)	11,033,299	8,563,956	2,469,343
<b>Change in Plan Net Pension liability</b>	<b>\$ 700,981</b>	<b>\$ 472,660</b>	<b>\$ 228,321</b>
<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>
<b>CalPERS – Safety Plan:</b>			
Balance as of June 30, 2018 (Measurement Date)	\$ 3,674,147	\$ 3,352,152	\$ 321,995
Balance as of June 30, 2019 (Measurement Date)	3,797,647	3,396,946	400,701
<b>Change in Plan Net Pension Liability</b>	<b>\$ 123,500</b>	<b>\$ 44,794</b>	<b>\$ 78,706</b>

Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2020 and 2019

**Note 8 – 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)*

<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>
<b>CalPERS – Miscellaneous Plan:</b>			
Balance as of June 30, 2017 (Measurement Date)	\$ 9,736,459	\$ 7,439,099	\$ 2,297,360
Balance as of June 30, 2018 (Measurement Date)	10,332,318	8,091,296	2,241,022
<b>Change in Plan Net Pension liability</b>	<u>\$ 595,859</u>	<u>\$ 652,197</u>	<u>\$ (56,338)</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>
<b>CalPERS – Safety Plan:</b>			
Balance as of June 30, 2017 (Measurement Date)	\$ 3,486,778	\$ 3,165,895	\$ 320,883
Balance as of June 30, 2018 (Measurement Date)	3,674,147	3,352,152	321,995
<b>Change in Plan Net Pension Liability</b>	<u>\$ 187,369</u>	<u>\$ 186,257</u>	<u>\$ 1,112</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, 2020 and 2019

**Note 8 – 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, 2020	June 30, 2019	June 30, 2018
<b>CalPERS – Miscellaneous Plan</b>			
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017
Percentage of Risk Pool Net Pension liability	0.061664%	0.059464%	0.058278%
Percentage of Plan (PERF C) Net Pension Liability	0.024098%	0.023256%	0.023165%
<b>CalPERS – Safety Plan</b>			
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017
Percentage of Risk Pool Net Pension Liability	0.006419%	0.005488%	0.005370%
Percentage of Plan (PERF C) Net Pension liability	0.003910%	0.003341%	0.003236%

For the year ended June 30, 2020, the District recognized pension expense in the amount of \$565,207 and \$142,628 for the CalPERS Miscellaneous and Safety Plans, respectively. For the year ended June 30, 2019, the District recognized pension expense in the amount of \$252,974 and \$89,186 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, 2019 and 2018 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, 2020 and 2019

**Note 8 – 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, 2020, 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	\$ 316,680	\$ -	\$ 17,414	\$ -
Difference between actual and proportionate share of employer contributions	-	(128,840)	-	(192,571)
Adjustment due to difference in proportions	87,557	-	123,841	-
Differences between expected and actual experience	171,506	(13,288)	26,162	-
Differences between projected and actual earnings on pension plan investments	-	(43,172)	-	(5,512)
Changes in assumptions	117,750	(41,741)	16,424	(3,205)
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<b>\$ 693,493</b>	<b>\$ (227,041)</b>	<b>\$ 183,841</b>	<b>\$ (201,288)</b>

At June 30, 2019, 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	\$ 264,815	\$ -	\$ 7,669	\$ -
Difference between actual and proportionate share of employer contributions	-	(125,602)	79,871	(153,176)
Adjustment due to difference in proportions	86,773	-	141,004	(82,710)
Differences between expected and actual experience	85,984	(29,260)	6,919	(26)
Differences between projected and actual earnings on pension plan investments	11,079	-	2,180	-
Changes in assumptions	255,483	(62,614)	31,593	(4,263)
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<b>\$ 704,134</b>	<b>\$ (217,476)</b>	<b>\$ 269,236</b>	<b>\$ (240,175)</b>



Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2020 and 2019

**Note 8 – 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	2020		2019		
	June 30	Miscellaneous	Safety	Miscellaneous	Safety
2020		\$ -	\$ -	\$ 210,275	\$ 14,260
2021		154,589	(3,249)	104,788	9,655
2022		(30,451)	(17,589)	(73,062)	(292)
2023		16,910	(15,096)	(20,157)	(2,230)
2024		8,724	1,073	-	-
Thereafter		-	-	-	-
<b>Total</b>		<b>\$ 149,772</b>	<b>\$ (34,861)</b>	<b>\$ 221,844</b>	<b>\$ 21,393</b>

**Note 9 – Long-Term Debt**

Changes in long-term debt for the year ended June 30, 2020, are as follows:

	Balance at July 1, 2019	Increases	Decreases	Balance at June 30, 2020	Due Within One Year
Note from direct borrowings	\$ 2,000,000	\$ -	\$ (187,907)	\$ 1,812,093	\$ 189,889

Changes in long-term debt for the year ended June 30, 2019, are as follows:

	Balance at July 1, 2018	Increases	Decreases	Balance at June 30, 2019	Due Within One Year
Note from direct borrowings	\$ -	\$ 2,000,000	\$ -	\$ 2,000,000	\$ 187,907

In 2019, the District entered into agreement to finance the purchase of water meters. The District's outstanding note from direct borrowings of \$2,000,000 is secured by collateral of the water meters purchased under the agreement. The outstanding note from direct borrowings contains a provision that in an event of default, the equipment purchased under agreement may be repossessed by the lender.

Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
 For the Years Ended June 30, 2020 and 2019

**Note 9 – Long-Term Debt (Continued)**

Debt service requirements on long-term debt at June 30, 2020, are as follows:

<u>Year Ending June 30,</u>	<b>Lease Financing</b>	
	<b>Principal</b>	<b>Interest</b>
2021	\$ 189,889	\$ 53,843
2022	195,725	48,007
2023	201,741	41,993
2024	207,941	35,793
2025	214,332	29,403
2026-2029	802,465	49,690
Total	<u>\$ 1,812,093</u>	<u>\$ 258,728</u>

**Note 10 – Transfers In/(Out)**

The District has an agreement with the City of Twentynine Palms where the District will transfer \$40,000 per year from its Water Operations Fund annual cell tower site-lease revenues to the City until fiscal year 2020. For the years ended June 30, 2020 and 2019, the City directed the District to deposit the \$40,000 into the PARS Pension Trust.

**Note 11 – Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As of June 30, 2020, there were no claims liabilities to be reported. During the years ended June 30, 2020 and 2019, 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, 2020 and 2019, 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. General liability is insured up to \$60,000,000 with no deductible: the JPIA is self-insured up to \$2,000,000 and has purchased excess insurance coverage. Auto liability is insured up to \$60,000,000 with no deductible: the JPIA is self-insured up to \$2,000,000 with \$1,000 deductible for property damage and has purchased excess insurance coverage.

Worker's compensation insurance coverage consists of statutory limits per occurrence for workers compensation and \$5,000,000 for employers' liability coverage, subject to various terms and conditions.

Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2020 and 2019

**Note 11 – Risk Management (Continued)**

Condensed audited financial information of the Association of California Water Agencies Joint Powers Insurance Authority for the years ended September 30, 2019 and 2018 is as follows:

	2019	2018
Total assets	\$ 212,099,851	\$ 188,344,217
Deferred outflows of resources	553,790	1,098,315
Total assets and deferred outflows of resources	\$ 212,653,641	\$ 189,442,532
Total liabilities	\$ 112,046,920	\$ 100,820,701
Deferred inflows of resources	1,672,219	2,156,227
Net position	98,934,502	86,465,604
Total liabilities, deferred inflows, and net position	\$ 212,653,641	\$ 189,442,532
Total revenues	\$ 173,647,293	\$ 176,044,304
Total expenses	(169,356,246)	(165,196,299)
Total other income	8,177,851	294,925
Change in net position	\$ 12,468,898	\$ 11,142,930

**Note 12 – Commitments and Contingencies**

**Grants**

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

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

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

Twentynine Palms Water District  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2020 and 2019

**Note 14 – Subsequent Events**

In the preparation of these financial statements, the District considered subsequent events through December 3, 2020, which is the date these financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic risks and uncertainties have arisen which could negatively affect the District's operations and its financial results. However, management does not anticipate any negative impact at this time. No other events occurred through this date requiring disclosure.

**Note 15 – Reclassifications**

Certain reclassifications have been made to the fiscal year 2019 financial statement presentation to correspond to fiscal year 2020 format. Total net position and change in net position are unchanged due to these reclassifications.

**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 <sup>(1)</sup>

**California Public Employees' Retirement System (CalPERS) Miscellaneous Plan**

<b>Fiscal Year</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17*</b>	<b>2015-16*</b>	<b>2014-15*</b>
<b>Measurement Date</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>June 30, 2016*</b>	<b>June 30, 2015*</b>	<b>June 30, 2014*</b>
Employer's Proportion of the Net Pension Liability	0.024098%	0.023256%	0.023165%	0.025285%	0.028234%	0.028313%
Employer's Proportionate Share of the Collective Net Pension Liability	\$ 2,469,343	\$ 2,241,022	\$ 2,297,360	\$ 2,187,905	\$ 1,937,958	\$ 1,761,770
Employer's Covered Payroll	\$ 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	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	77.73%	77.69%	75.39%	74.06%	78.40%	83.02%

\* Includes safety plan

**California Public Employees' Retirement System (CalPERS) Safety Plan**

<b>Fiscal Year</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>
<b>Measurement Date</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Employer's Proportion of the Net Pension Liability	0.003910%	0.003341%	0.003236%
Employer's Proportionate Share of the Net Pension Liability	\$ 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	0%	0%	0%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	73.37%	73.39%	71.74%

<sup>1</sup> 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 <sup>(1)</sup>

**California Public Employees' Retirement System (CalPERS) Miscellaneous Plan**

Fiscal Year	2019-20	2018-19	2017-18	2016-17*	2015-16*	2014-15*	2013-14*
Actuarially Determined Contribution	\$ 316,780	\$ 264,804	\$ 214,598	\$ 197,902	\$ 245,003	\$ 234,149	\$ 225,220
Contribution in Relation to the Actuarially Determined Contribution	(316,780)	(264,804)	(214,598)	(197,902)	(682,065)	(234,149)	(481,274)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ (437,062)	\$ -	\$ (256,054)
Covered Payroll	\$ 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	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	2019-20	2018-19	2017-18
Actuarially Determined Contribution	\$ 17,414	\$ 7,668	\$ 2,064
Contribution in Relation to the Actuarially Determined Contribution	(17,414)	(7,668)	(2,064)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Payroll	-	-	-

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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 <sup>(1)</sup>

Fiscal Year	2019-20	2018-19	2017-18
Measurement Period	2018-19	2017-18	2016-17
Changes in total OPEB liability:			
Service cost	\$ 37,021	\$ 39,339	\$ 60,309
Interest	53,159	49,121	31,862
Difference between expected and actual experience	65,215	-	-
Changes of benefit terms	-	-	(187,021)
Changes in assumptions	(29,981)	(22,970)	-
Benefit payments including refunds*	(39,679)	(46,508)	(64,899)
Net changes	85,735	18,982	(159,749)
Total OPEB liability (beginning)	949,354	930,372	1,090,121
Total OPEB liability (ending)	<u>\$ 1,035,089</u>	<u>\$ 949,354</u>	<u>\$ 930,372</u>
Changes in plan fiduciary net position:			
Contributions – employer*	\$ 219,679	\$ 148,908	\$ 376,043
Contributions – employee	-	-	-
Net investment income	32,102	15,342	17,901
Benefit payments including refunds*	(39,679)	(46,508)	(64,899)
Administrative expense	(96)	(174)	(99)
Other expense	-	(435)	-
Net changes	212,006	117,133	328,946
Plan fiduciary net position (beginning)	446,079	328,946	-
Plan fiduciary net position (ending)	<u>\$ 658,085</u>	<u>\$ 446,079</u>	<u>\$ 328,946</u>
Net OPEB liability (ending)	\$ 377,004	\$ 503,275	\$ 601,426
Plan fiduciary net position as a percentage of the total OPEB liability	63.6%	47.0%	35.4%
Covered employee payroll	\$ 1,464,438	\$ 1,100,000	\$ 1,100,000
Net OPEB liability as a percentage of covered payroll	25.7%	45.8%	54.7%

\* 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.