

CALLAYOMI COUNTY WATER DISTRICT

BASIC FINANCIAL STATEMENTS

Modified Cash Basis

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

CALLAYOMI COUNTY WATER DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Callayomi County Water District
Middletown, CA

Opinion

We have audited the accompanying modified cash basis financial statements of the business-type activity of Callayomi County Water District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position-modified cash basis of Callayomi County Water District as of June 30, 2023, and the changes in financial position-modified cash basis and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Callayomi County Water District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Other Matters

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to the matter.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements are not affected by this missing information.

The required supplementary information other than MD&A, as listed in the table of contents on pages 19 and 20. 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.

Larry Bain, CPA

Larry Bain, CPA
An Accounting Corporation

January 18, 2024

CALLAYOMI COUNTY WATER DISTRICT

**STATEMENT OF NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2023**

Assets	
Current Assets	
Cash and investments	\$ 1,169,659
Restricted cash	10,933
Total current assets	<u>1,180,592</u>
Noncurrent Assets	
Capital assets	
Nondepreciable capital assets	
Land	309,348
Construction in progress	<u>2,675,704</u>
Depreciable capital assets	
Buildings	3,014,943
Machinery and equipment	1,003,403
Infrastructure	1,372,527
Less accumulated depreciation	(1,433,273)
Right of use leased asset	429,603
Accumulated amortization-leased asset	<u>(49,946)</u>
Total capital assets	<u>7,322,309</u>
Total noncurrent assets	<u>7,322,309</u>
Total assets	<u>8,502,901</u>
Deferred Outflows of Resources	
Deferred outflows-pensions	<u>180,742</u>
Liabilities	
Current Liabilities	
Lease liability	16,256
Bonds payable	8,000
Total current liabilities	<u>24,256</u>
Long-Term Liabilities	
Bonds payable	36,000
Net pension liability	369,866
Net lease liability	381,821
Compensated absences	10,035
Total long-term liabilities	<u>797,722</u>
Total liabilities	<u>821,978</u>
Deferred Inflows of Resources	
Deferred inflows-pensions	37,674
Total deferred inflows of resources	<u>37,674</u>
Net Position	
Net investment in capital assets	6,880,232
Unrestricted	943,759
Total net position	<u>\$ 7,823,991</u>

The notes to the financial statements are an integral part of this statement

CALLAYOMI COUNTY WATER DISTRICT

**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Operating Revenue	
Water sales	\$ 640,084
Total operating revenues	<u>640,084</u>
Operating Expenses	
Salaries and benefits	308,769
Communication	6,521
Insurance	13,805
Maintenance	26,493
Rents and leases	1,055
Office supplies	6,448
Professional services	19,968
Special departmental	17,987
Transportation and travel	8,289
Utilities	38,170
Clothing	871
Household	5,438
Memberships	1,638
Books and periodicals	230
Miscellaneous	26,232
Depreciation	173,442
Total operating expenses	<u>655,356</u>
Operating income (loss)	<u>(15,272)</u>
Non-Operating Revenue (Expenses)	
Interest	13,728
Property taxes	9,192
Homeowner property tax relief	52
Capacity charges	11,495
Interest expense	(14,171)
Total non-operating revenues (expenses)	<u>20,296</u>
Increase in net position	5,024
Net position, beginning of fiscal year	<u>7,818,967</u>
Net position, end of fiscal year	<u><u>\$ 7,823,991</u></u>

The notes to the financial statements are an integral part of this statement

CALLAYOMI COUNTY WATER DISTRICT

**STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
JUNE 30, 2023**

Cash Flows from Operating Activities	
Cash receipts from customers	\$ 640,084
Cash payments to suppliers for goods and services	(173,145)
Cash payments to employees for services	(322,889)
Net cash provided by operating activities	<u>144,050</u>
Cash Flows From Non-capital Financing Activity:	
Property taxes	9,192
Homeowners property tax relief	52
Net cash provided by non-capital and related financing activities	<u>9,244</u>
Cash Flows From Capital and Related Financing Activities:	
Cash paid for capital assets	(327,824)
Capacity charges	11,495
Interest paid on debt and lease liability	(14,171)
Principal paid on debt and lease liability	(23,236)
Net cash used by capital and related financing activities	<u>(353,736)</u>
Cash Flows From Investing Activities:	
Interest income	13,728
Net cash provided by investing activities	<u>13,728</u>
Increase (decrease) in cash and cash equivalents	(186,714)
Cash and cash equivalents, beginning of fiscal year	<u>1,367,306</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 1,180,592</u>
Reconciliation of cash and cash equivalents to the balance sheet:	
Cash and investments	\$ 1,169,659
Restricted cash and investments	10,933
Cash and cash equivalents, end of fiscal year	<u>\$ 1,180,592</u>
Reconciliation of operating income to	
net cash provided by operating activities	
Operating Income (Loss)	\$ (15,272)
Adjustments to reconcile operating income to	
net cash provided by operating activities:	
Depreciation	173,442
Changes in:	
Pension liability	(14,120)
Net cash provided by operating activities	<u>\$ 144,050</u>

The notes to the financial statements are an integral part of this statement

CALLAYOMI COUNTY WATER DISTRICT

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS JUNE 30, 2023

Note 1: Summary of Significant Accounting Policies

The Callayomi County Water District (the District) was formed pursuant to a resolution adopted by the Lake County Board of Supervisors on July 11, 1977. The District operates under the California Water Code, Division 12, Section 30,000 et. Seq. The District is a separate legal reporting entity operating in Lake County.

A. Fund Accounting

The accounting records of the District are organized on the generally accepted basis of accounting for an enterprise fund.

Enterprise Fund - Enterprise funds are used to account for the District's operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Board of Directors is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

B. Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following are some of the ways that the modified cash basis of accounting differs from generally accepted accounting principles.

Generally accepted accounting principles require all proprietary funds to use the accrual basis of accounting. The revenues should be recognized when they are earned. The Callayomi County Water District recognizes revenues when they are received by the District.

Expenses are recognized under the accrual basis of accounting when the related fund liability is incurred. The modified cash basis of accounting recognizes current expenditures when they are paid. The exception is long-term debt and capital assets. Payments for the principal portion of long-term debt are not recognized as expenditures, but reduce the long-term debt and purchases of capital assets are capitalized when purchased and then expensed with annual depreciation over the life of the asset.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

CALLAYOMI COUNTY WATER DISTRICT

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2023**

Note 1: Summary of Significant Accounting Policies (Continued)

C. Fixed Assets

Property, plant and equipment are stated at historical costs. When assets are retired or otherwise disposed of, the net book value, which is the difference between historical costs and related accumulated depreciation, is removed from the financial statements. Any gain or loss from the retirement or disposal of an asset is reflected in net income for the period. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 60 years.

Maintenance and repairs are charged to expense as incurred. Significant additions or improvements are capitalized and depreciated over the revised estimated useful lives. Costs incurred for major improvements or construction of assets are carried in construction in progress until the project is completed at which time costs related to the project are capitalized in the appropriate asset account.

D. Cash Equivalents

For purpose of the statement of cash flows, the District considers cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

E. Reporting Entity

The District's financial statements include the operations of all organizations for which the District Board of Directors exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

No operations of other entities met the aforementioned oversight criteria for inclusion or exclusion from the accompanying financial statements in accordance with GASB.

F. Budgetary Reporting

The District prepares an annual operating and capital budget, which is approved and adopted by the Board of Directors. The budget serves as an approved plan to facilitate financial control and operational evaluation. California State law does not require formal adoption of appropriated budgets for enterprise funds.

G. Use of Estimates in the Preparation of Financial Statements:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Estimated Insurance Liabilities

The District maintains a commercial package policy that provides limits of liability of \$5,000,000 per occurrence annually.

CALLAYOMI COUNTY WATER DISTRICT

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS JUNE 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

I. Restricted Assets

Restricted assets are financial resources collected for debt payments. These assets are for the benefit of a distinct group and as such are legally or contractually restricted.

J. Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses and capital contributions. Net position is classified in the following three components:

Net Investment in Capital Assets-This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted- This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position-This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

K. GASB Statement No. 87-Leases

In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement had a significant effect on the District’s financial statements for the year ended June 30, 2023.

Lessee

The District recognizes a lease liability and a right-to-use lease asset (lease asset) in the Statement of Net Position. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more with a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are

CALLAYOMI COUNTY WATER DISTRICT

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

K. GASB Statement No. 87-Leases (Continued)

amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the State has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right to use along with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

L. Property Tax Revenue

The District receives property taxes from the County of Lake, which has been assigned the responsibility for assessment, collections and apportionment of property taxes for all taxing jurisdictions within the County. Secured property taxes are levied on January 1 for the following fiscal year and on which date it becomes a lien on real property.

Secured property taxes are due in two installments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively, for the secured roll. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid by August 31. Property tax revenues are recognized in the fiscal year they are received.

Note 2: Cash and Investments

Cash and investments are comprised of the following amounts as shown on the Financial Statements at June 30, 2023:

Cash	\$ 1,169,659
Restricted investments	10,933
Total cash and investments	<u>\$ 1,180,592</u>

CALLAYOMI COUNTY WATER DISTRICT

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2023**

Note 2: Cash and Investments (Continued)

Cash at June 30, 2023, consisted of the following:

Cash with County	\$	1,119,791
Holding account		49,868
Restricted investments		10,933
Total cash and investments		\$ 1,180,592

A. Investments Authorized by the California Government Code and the Entity’s Investment Policy

The table below identifies the **investment types** that are authorized for the Callayomi County Water District (District) by the California Government Code (or the District’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District’s investment policy, where more restrictive) that address **interest rate risk, credit risk and concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local agency bonds	5 years	None	None
U.S. treasury obligations	5 years	None	None
State of California obligations	5 years	None	None
U.S. agency securities	5 years	None	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	40%	10%
Negotiable CDs	5 years	30%	None
Repurchase agreements	1 years	None	None
Reverse repurchase agreements	92 days	20%	None
Medium term notes	5 years	30%	None
Mutual/money market funds	5 years *	20%	10%
Collateralized bank deposits	5 years	None	None
Mortgage pass-through securities	5 years	20%	15%
Time deposits	5 Years	None	None
Local Agency Investment Fund (LAIF)	5 years *	None	None

* The five year maximum maturity can be extended by the Board of Directors. Also, the maximum maturity can be extended if the funds are reserved for bond, COP or note payments to coincide with the required repayments.

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investment maturity:

CALLAYOMI COUNTY WATER DISTRICT

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2023**

Note 2: Cash and Investments (Continued)

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 Months or Less</u>	<u>13-48 Months</u>
Lake County Pooled Cash *	\$ 1,130,724	\$ 1,130,724	\$ -
Totals	\$ 1,130,724	\$ 1,130,724	\$ -

*Not subject to categorization

C. Concentrations of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. There are no investments to one issuer exceeding those limits.

D. Custodial Credit Risk

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 its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment of collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits; The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2023, the District's deposits balance, including certificates of deposit, was \$49,868 and the carrying amount was \$49,868. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance, all was covered by the Federal Depository Insurance or covered by collateral held in the pledging bank's trust department in the District's name.

E. Investment in State Investment Pool

LAIF is included in the State's Pooled Money Investment Account. The total amount invested by all public agencies in the State's Pooled Money Investment Account approximates \$176.44 billion. Of the \$176.44 billion managed by the State Treasurer, 100% is invested in non-derivative financial products and 2.78% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute.

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The District reports its investments at fair value based on quoted market information obtained from fiscal agents or other sources if the change is material to the financial statements.

CALLAYOMI COUNTY WATER DISTRICT

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2023**

Note 3: Property, Plant and Equipment

Property, plant and equipment at June 30, 2023, consisted of the following:

	Balance 7/1/2022	Additions	Retirements	Balance 6/30/2023
Capital assets not being depreciated				
Land	\$ 309,348	\$ -	\$ -	\$ 309,348
Construction in progress	2,453,730	261,728	(39,754)	2,675,704
Total capital assets, not being depreciated	<u>2,763,078</u>	<u>261,728</u>	<u>(39,754)</u>	<u>2,985,052</u>
Capital assets, being depreciated				
Buildings	3,014,943			3,014,943
Machinery and equipment	897,553	105,850		1,003,403
Infrastructure	1,372,527			1,372,527
Total capital assets, being depreciated	<u>5,285,023</u>	<u>105,850</u>		<u>5,390,873</u>
Less accumulated depreciation:	<u>(1,284,804)</u>	<u>(148,469)</u>		<u>(1,433,273)</u>
Right of use leased asset	429,603			429,603
Accumulated depreciation-leased asset	<u>(24,973)</u>	<u>(24,973)</u>		<u>(49,946)</u>
Total capital assets, being depreciated, net	<u>4,404,849</u>	<u>(67,592)</u>		<u>4,337,257</u>
Total capital assets, net	<u>\$ 6,763,297</u>	<u>\$ 194,136</u>	<u>\$ (39,754)</u>	<u>\$ 7,322,309</u>

Note 4: Long-Term Liabilities

Long-term liabilities consisted of the following at June 30, 2023

	Balance July 1, 2022	Additions	Adjustments/ Retirements	Balance June 30, 2023	Due Within One Year
1988 GO Bond	\$ 51,500	\$ -	\$ (7,500)	\$ 44,000	\$ 8,000
Net lease liability	413,813		(15,736)	398,077	16,256
Net pension liability	209,406	160,461		369,867	
Total	<u>\$ 674,719</u>	<u>\$ 160,461</u>	<u>\$ (23,236)</u>	<u>\$ 811,944</u>	<u>\$ 24,256</u>

A. 1988 General Obligation Issue series 1989-1 and 1989-2. The bonds issue was to finance improvements to the water system. The bonds are serial bonds with stated interest of 5% and they mature on August 2027. The annual requirements to amortize the General Obligation Bonds as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 8,000	\$ 2,500	\$ 10,500
2025	8,500	2,088	10,588
2026	9,000	1,426	10,426
2026	9,000	487	9,487
2027-2028	9,500	487	9,987
Totals	<u>\$ 44,000</u>	<u>\$ 6,988</u>	<u>\$ 50,988</u>

CALLAYOMI COUNTY WATER DISTRICT

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2023**

Note 4: Long-Term Liabilities (Continued)

B. Net Lease Liability

The District implemented GASB 87, Leases, to report its 50-year cancelable lease with Asellus Sonoma, LLC, to purchase water. The lease term extends through September 13, 2038. The District must purchase a minimum of 48 million gallons annually at a cost of \$23,326, adjusted annually for inflation, with additional payments for any overage of water leased. The total amount paid under this operating lease for the 2022/23 fiscal year was \$27,520.

The following is a schedule of aggregate future minimum lease payments as of June 30, 2023:

Year Ending	Principal	Interest	Total
June 30,			
2024	\$ 16,256	\$ 11,961	\$ 28,217
2025	17,290	11,491	28,781
2026	18,432	10,925	29,357
2027	19,588	10,356	29,944
2028	20,791	9,752	30,543
2029-2033	123,718	38,406	162,123
2034-2038	161,912	17,085	178,997
2039	20,091	352	20,444
Total	\$ 398,077	\$ 110,328	\$ 508,404

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the District’s Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

CALLAYOMI COUNTY WATER DISTRICT

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2023**

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan (Continued):

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous Plan Tier 1	PEPRA Miscellaneous
	Prior to January 1, 2013	On or after January 1, 2013
	<hr/>	<hr/>
Hire date	2.70% @55	2.00% @ 62
Benefit formula	5 years service	5 years service
Benefit vesting s chedule	monthly for life	monthly for life
Benefit payments	50-55	57-62
Retirement age	2.20% to 2.70%	1.00% to 2.00%
Monthly benefits , as a % of compensation	8.00%	6.75%
Required employee contribution rate	14.03%	7.47%
Required employer contribution		

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

For the year ended June 30, 2023, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions-employer	\$	72,639
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B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2023, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate share of
	Net pension liability
	<hr/>
Miscellaneous Plan	\$ 369,866

CALLAYOMI COUNTY WATER DISTRICT

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2023**

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan (Continued):

The District’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2022, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District’s proportionate share of the net pension liability as of the June 30, 2022 and 2023 measurement dates were as follows:

Proportion - June 30, 2022	0.01103%
Proportion - June 30, 2023	0.00790%
Change - Increase (Decrease)	-0.00312%

For the year ended June 30, 2023, the District recognized pension expense of \$58,521. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,453	\$ -
Changes of assumptions	37,901	
Net difference between projected and actual earnings on pension plan investments	67,750	
Changes in proportion		(24,366)
Changes in proportionate share of contributions		(13,308)
District contributions subsequent to the measurement date	72,638	-
Total	<u>\$ 180,742</u>	<u>\$ (37,674)</u>

\$72,638 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Measurement Period Ended June 30:</u>		
2024	\$	21,853
2025		14,658
2026		(7,520)
2027		41,439

CALLAYOMI COUNTY WATER DISTRICT

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2023

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan (Continued):

Actuarial Assumptions – The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increase	Varies by entry age of service
Investment Rate of Return	6.90%

Discount Rate – The discount rate used to measure the total pension liability was 6.90% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.90 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.90 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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

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

CALLAYOMI COUNTY WATER DISTRICT

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2023**

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan (Continued):

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

Asset Class	New Strategic Allocation	Real Return Years 1-10 (1)(2)
Global equity-cap weighted	30.0%	4.45%
Global equity non-cap weighted	12.0%	3.84%
Private equity	13.0%	7.28%
Treasury	5.0%	27.00%
Mortgage backed securities	5.0%	50.00%
Investment grade corporates	10.0%	1.56%
High yield	5.0%	2.27%
Emerging market debt	5.0%	2.48%
Private debt	5.0%	3.57%
Real assets	15.0%	3.21%
Leverage	-5.0%	-0.59%

(1) An expected inflation of 2.30% used for this period

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

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

The following presents the District’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, 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-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate -1% (5.90%)	Current Discount Rate Rate (6.90%)	Discount Rate +1% (7.90%)
Miscellaneous Plans	\$ 600,993	\$ 369,866	\$ (179,707)

Note 6: Revenue Limitations Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the District’s ability to impose, increase, and extend taxes and assessments. Any new increase or extended taxes and assessments subject to the provisions of Proposition 218, requires voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes and assessments are subject to voter initiative and may be rescinded in the future years by the voters.

Note 7: Commitments and Contingencies

In the normal course of business, the District is subject to various lawsuits. Defense of lawsuits is typically handled by the District’s insurance carrier and losses, if any, are expected to be covered by insurance.

The District has ongoing contracts/agreements for engineering and other professional services.

Grant Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time.

CALLAYOMI COUNTY WATER DISTRICT

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8: Subsequent Events

The District has evaluated subsequent events through January 18, 2024, which is the date the basic financial statements were available to be issued. Based upon this evaluation, except for the following, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

The District is seeking additional funding from the State Water Board to complete the Big Canyon Production Well Improvements Project. Therefore, the District's agreement with the State Water Board was amended to extend the construction completion date of the Big Canyon Production Well Improvements Project to December 15, 2024, and extend the final disbursement request date to March 1, 2025.

EASTERN SIERRA COMMUNITY SERVICE DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2023**

<u>Reporting Date</u>	<u>District's proportion of the net pension liability (asset)</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's covered employee payroll</u>	<u>District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
6/30/2015	0.00804%	\$198,624	\$84,507	235.04%	77.91%
6/30/2016	0.00875%	\$239,961	\$174,573	137.46%	75.85%
6/30/2017	0.00820%	\$284,784	\$183,116	155.52%	73.18%
6/30/2018	0.00823%	\$324,330	\$183,523	176.72%	68.79%
6/30/2019	0.00815%	\$307,189	\$198,025	155.13%	70.85%
6/30/2020	0.00810%	\$324,353	\$202,114	160.48%	70.36%
6/30/2021	0.00825%	\$347,889	\$214,816	161.95%	71.37%
6/30/2022	0.01103%	\$209,406	\$202,956	103.18%	70.87%
6/30/2023	0.00790%	\$369,867	\$186,074	198.77%	82.73%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is presented.

EASTERN SIERRA COMMUNITY SERVICE DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
JUNE 30, 2023**

<u>Reporting Date</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered- employee payroll</u>	<u>Contribution as a percentage of covered-employee payroll</u>
6/30/2015	\$15,582	(\$15,582)	\$0	\$84,507	18.44%
6/30/2016	\$22,995	(\$22,995)	\$0	\$174,573	13.17%
6/30/2017	\$35,118	(\$35,118)	\$0	\$183,116	19.18%
6/30/2018	\$37,351	(\$37,351)	\$0	\$183,523	20.35%
6/30/2019	\$42,577	(\$42,577)	\$0	\$198,025	21.50%
6/30/2020	\$46,654	(\$46,654)	\$0	\$202,114	23.08%
6/30/2021	\$48,412	(\$48,412)	\$0	\$214,816	22.54%
6/30/2022	\$48,412	(\$48,412)	\$0	\$202,956	23.85%
6/30/2023	\$41,854	(\$72,639)	-\$30,785	\$186,074	22.49%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is presented.