Indian Wells Valley Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2020 and 2019

History and Organization:

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

Indian Wells Valley Water District

Board of Directors as of June 30, 2020

Name	Title	Elected/ Appointed	Current Term
Charles F. Cordell	President	Elected	11/16-11/20
David C.H. Saint-Amand	Vice-President	Elected	11/18-11/22
Donald J. Cortichiato	Director	Elected	11/16-11/20
Ronald R. Kicinski	Director	Elected	11/16-11/20
Stan G. Rajtora	Director	Elected	11/18-11/22

Indian Wells Valley Water District
Donald M. Zdeba, General Manager
500 W. Ridgecrest Blvd.
Ridgecrest, California 93555
(760) 375-5086 – www.iwvwd.com

Indian Wells Valley Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2020 and 2019

Indian Wells Valley Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2020 and 2019

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Financial Section

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Independent Auditor's Report

Board of Directors
Indian Wells Valley Water District
Ridgecrest, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Indian Wells Valley Water District (District) as of and for the years ended June 30, 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

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the required supplementary information on pages 48 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 February 8, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 51 and 52.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
February 8, 2021

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Indian Wells Valley Water District (District) provides an introduction to the financial statements 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

- In fiscal year 2020, the District's net position decreased 3.48%, or $1,334,659 to $37,039,978, due to a net loss of $2,043,928 from ongoing operations offset by $709,269 in capital contributions. In fiscal year 2019, the District's net position decreased 2.80%, or $1,104,390 to $38,374,637, due to a net loss of $1,475,487 from ongoing operations offset by $371,097 in capital contributions.
- In fiscal year 2020, the District's operating revenues increased 2.18% or $231,493 to $10,860,421. In fiscal year 2019, the District's operating revenues decreased 1.94% or $210,095 to $10,628,928.
- In fiscal year 2020, the District's operating expenses increased 19.89% or $1,438,808 to $8,673,959. In fiscal year 2019, the District's operating expenses increased 13.01% or $832,897 to $7,235,151.
- In fiscal year 2020, the District's non-operating revenues decreased 20.37% or $79,887 to $312,252. In fiscal year 2019, the District's non-operating revenues increased 71.91% or $164,028 to $392,139.
- In fiscal year 2020, the District's non-operating expenses decreased 28.45% or $551,984 to $1,388,239. In fiscal year 2019, the District's non-operating expenses increased 62.21% or $744,138 to $1,940,223.
- In fiscal year 2020, the District's capital contributions increased 91.13% or $338,172 to $709,269. In fiscal year 2019, the District's capital contributions decreased 59.13% or $536,836 to $371,097.

Required Financial Statements

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

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

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The 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, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in it. One can think of the District's net position – the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 14 through 47.

Statements of Net Position

Condensed Statements of Net Position

	2020	2019	Change	As Restated 2018	Change
Assets:					
Current assets	$ 25,185,602	27,463,013	(2,277,411)	16,662,946	10,800,067
Non-current assets	120,000	120,000	-	420,000	(300,000)
Capital assets, net	53,085,233	51,654,079	1,431,154	52,255,505	(601,426)
Total assets	78,390,835	79,237,092	(846,257)	69,338,451	9,898,641
Deferred outflows of resources	823,725	1,308,258	(484,533)	885,064	423,194
Liabilities:					
Current liabilities	2,651,712	2,452,914	198,798	2,772,483	(319,569)
Non-current liabilities	39,056,744	39,444,010	(387,266)	27,634,576	11,809,434
Total liabilities	41,708,456	41,896,924	(188,468)	30,407,059	11,489,865
Deferred inflows of resources	466,126	273,789	192,337	395,080	(121,291)
Net position:					
Net investment in capital assets	17,762,879	15,282,058	2,480,821	27,110,846	(11,828,788)
Restricted	10,063,771	14,900,810	(4,837,039)	3,097,355	11,803,455
Unrestricted	9,213,328	8,191,769	1,021,559	9,270,826	(1,079,057)
Total net position	$ 37,039,978	38,374,637	(1,334,659)	39,479,027	(1,104,390)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by $37,039,978 and $38,374,637 as of June 30, 2020 and 2019, respectively.

Statements of Net Position, continued

Compared to prior year, net position of the District decreased 3.48% or $1,334,659. The District's total net position is made up of three components: (1) Net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The largest portion of the District's net position (48% and 40% as of June 30, 2020 and 2019, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2020 and 2019, the District showed a positive balance in its unrestricted net position of $9,213,328 and $8,191,769, respectively, which may be utilized in future years. See note 11 for further information.

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2020	2019	Change	As Restated 2018	Change
Revenue:					
Operating revenue	$ 10,860,421	10,628,928	231,493	10,839,023	(210,095)
Non-operating revenue	312,252	392,139	(79,887)	228,111	164,028
Total revenue	11,172,673	11,021,067	151,606	11,067,134	(46,067)
Expense:					
Operating expense	8,673,959	7,235,151	1,438,808	6,402,254	832,897
Depreciation	3,154,403	3,321,180	(166,777)	2,852,125	469,055
Non-operating expense	1,388,239	1,940,223	(551,984)	1,196,085	744,138
Total expense	13,216,601	12,496,554	720,047	10,450,464	2,046,090
Net income(loss) before capital	(2,043,928)	(1,475,487)	(568,441)	616,670	(2,092,157)
Capital contributions:	709,269	371,097	338,172	907,933	(536,836)
Change in net position	(1,334,659)	(1,104,390)	(230,269)	1,524,603	(2,628,993)
Net position, beginning of year – as restated	38,374,637	39,479,027	(1,104,390)	37,954,424	1,524,603
Net position, end of year	$ 37,039,978	38,374,637	(1,334,659)	39,479,027	(1,104,390)

The Statements of Revenues, Expenses and Changes of Net Position show how the District's net position changed during the fiscal years. In the case of the District, the change in net position decreased 3.48%, or $1,334,659 to $37,039,978 in fiscal year 2020, due to a net loss of $2,043,928 from ongoing operations, which was offset by $709,269 in capital contributions. In fiscal year 2019, the District's net position decreased 2.80%, or $1,104,390 to $38,374,637, due to net income of $1,475,487 from ongoing operations and $317,097 in capital contributions.

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

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

The District's operating revenues increased 2.18%, or $231,493 to $10,860,421 in fiscal year 2020, primarily due to increases of $331,687 in water consumption sales and $47,501 in zone charges, which were offset by a decrease of $140,630 in ready-to-serve charges. In fiscal year 2019, the District's operating revenues decreased 1.94%, or $210,095 to $10,628,928, primarily due to decreases of $209,818 in ready-to-serve charges, $31,518 in other charges, $15,133 in arsenic compliance charges, which were offset by increases of $30,989 in water consumption sales and $15,385 in zone charges.

The District's non-operating revenues decreased 20.37%, or $79,887 to $312,252 in fiscal year 2020, primarily due to decreases of $27,406 in gain on disposition of assets and $57,645 in other revenue. In fiscal year 2019, the District's non-operating revenues increased 71.91%, or $164,028 to $392,139, primarily due to increases of $110,122 in investment earnings, $64,654 in other revenue, and $23,906 in gain on disposition of assets, which were offset by a decrease of $36,654 in special assessment 87-1 for debt service.

The District's operating expenses increased 19.89%, or $1,438,808 to $8,673,959 in fiscal year 2020, primarily due to increases of $1,031,292 in general and administrative, $312,836 in transmission and distribution, $117,994 in water supply, $45,305 in customer service, and $42,761 in engineering, which were offset by decreases of $53,486 in field services, $38,831 in legislative expenses, and $19,063 in arsenic plant expenses. In fiscal year 2019, the District's operating expenses increased 13.01%, or $832,897 to $7,235,151, primarily due to increases of $632,768 in general and administrative, $190,941 in transmission and distribution, $50,802 in engineering, $50,737 in water supply, which were offset by decreases of $49,709 in arsenic plant, $19,869 in field services, and $17,872 in customer service.

The District's depreciation decreased 5.02%, or $166,777 to $3,154,403 in fiscal year 2020, primarily due to the District's ongoing maturation of depreciation in the current year. In fiscal year 2019, the District's depreciation increased 16.45%, or $469,055 to $3,321,180, primarily due to the District's additions of prior year assets beginning maturation of depreciation in that year.

The District's non-operating expenses decreased 28.45%, or $551,984 to $1,388,239 in fiscal year 2020, primarily due to decreases of $490,484 in debt issuance costs related to the issuance of the 2018 Certificates of Participation, $45,422 in interest expense sourcing from the District's long-term debt, and $16,078 in debt service costs. In fiscal year 2019, the District's non-operating expenses increased 62.21%, or $744,138 to $1,940,223, primarily due to increases of $494,869 in debt issuance costs related to the issuance of the 2018 Certificates of Participation and $247,339 in interest expense sourcing from the District's long-term debt.

The District's capital contributions increased 91.13%, or $338,172 to $709,269 in fiscal year 2020, primarily due to increases of $122,564 in capital facility fees, $142,195 in capital contributions from the State, $52,104 in capital contributions for the Cash for Grass grant, and $38,514 in capital contributions from developers, which were offset by a decrease of $17,205 in capital contributions from local sources. In fiscal year 2019, the District's capital contributions decreased 59.13%, or $536,836 to $371,097, primarily due to decreases of $199,992 in capital contributions federal grants, $181,654 in capital facility fees, $120,424 in capital contributions from local sources and $88,188 in capital contributions for the Cash for Grass grant which were offset by an increase of $53,422 in capital contributions from developers.

Capital Asset Administration

Changes in capital asset amounts for 2020 were as follows:

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

Changes in capital asset amounts for 2019 were as follows:

	Balance 2018	Additions	Transfers/ Deletions	Balance 2019
Capital assets:				
Non-depreciable assets	$ 5,910,996	2,554,300	(903,870)	7,561,426
Depreciable assets	103,359,585	1,076,324	(172,663)	104,263,246
Accumulated depreciation	(57,015,076)	(3,321,180)	165,663	(60,170,593)
Total capital assets, net	$ 52,255,505	309,444	(910,870)	51,654,079

At the end of fiscal years 2020 and 2019, the District's investment in capital assets amounted to $53,085,233 and $51,654,079 (net of accumulated depreciation), respectively. This investment in capital assets includes land, transmission and distribution systems, buildings, equipment, vehicles and construction-in-process. See note 4 for further information.

Debt Administration

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

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

Changes in long-term debt amounts for 2019 were as follows:

	Balance 2018	Additions	Transfers/ Deletions	Balance 2019
Long-term debt:				
COPs payable	$ 16,965,000	30,063,032	(17,441,404)	29,586,628
Loans payable	8,179,659	-	(1,394,266)	6,785,393
Total long-term debt	$ 25,144,659	30,063,032	(18,835,670)	36,372,021

See note 6 for further information.

Conditions Affecting Current Financial Position

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

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

Requests for Information

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

Basic Financial Statements

Indian Wells Valley Water District
Statements of Net Position
June 30, 2020 and 2019

		2020	2019
Current assets:			
Cash and cash equivalents (note 2)	$	12,333,148	10,294,286
Restricted – cash and cash equivalents (note 2)		10,082,374	14,920,330
Accrued interest receivable		40,963	33,042
Accounts receivable – water sales and services		1,386,350	1,276,534
Accounts receivable – other		75,266	54,149
Assessment bonds receivable – delinquient (note 3)		123,517	145,124
Materials and supplies inventory		484,846	127,366
Prepaid expenses and other deposits		659,138	612,182
Total current assets		25,185,602	27,463,013
Non-current assets:			
Mitigation deposit – California Department of Fish and Game		120,000	120,000
Capital assets – not being depreciated (note 4)		6,807,777	7,561,426
Capital assets, net – being depreciated (note 4)		46,277,456	44,092,653
Total non-current assets		53,205,233	51,774,079
Total assets		78,390,835	79,237,092
Deferred outflows of resources:			
Deferred other post-employment benefits outflows (note 7)		79,259	514,281
Deferred pension outflows (note 8)		744,466	793,977
Total deferred outflows of resources	$	823,725	1,308,258

Continued on next page

See accompanying notes to the basic financial statements

Indian Wells Valley Water District
Statements of Net Position, continued
June 30, 2020 and 2019

		2020	2019
Current liabilities:			
Accounts payable and accrued expenses	$	1,056,698	861,844
Accrued wages and related payables		110,462	206,150
Customer deposits and deferred revenue		328,273	291,696
Accrued interest payable		18,603	19,520
Unearned revenue		87,527	71,196
Long-term liabilities – due within one year:			
Compensated absences (note 5)		71,768	60,463
Bonds payable (note 6)		666,250	641,250
Loans payable (note 6)		312,131	300,795
Total current liabilities		2,651,712	2,452,914
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences (note 5)		287,070	241,851
Bonds payable (note 6)		28,171,720	28,945,378
Loans payable (note 6)		6,172,253	6,484,598
Net other post-employment benefits liability (note 7)		1,281,062	961,355
Net pension liability (note 8)		3,144,639	2,810,828
Total non-current liabilities		39,056,744	39,444,010
Total liabilities		41,708,456	41,896,924
Deferred inflows of resources:			
Deferred other post-employment benefits inflows (note 7)		170,546	24,504
Deferred pension inflows (note 8)		295,580	249,285
Total deferred inflows		466,126	273,789
Net position:			
Net investment in capital assets (note 9)		17,762,879	15,282,058
Restricted for debt service (note 10)		10,063,771	14,900,810
Unrestricted (note 11)		9,213,328	8,191,769
Total net position	$	37,039,978	38,374,637

See accompanying notes to the basic financial statements

Indian Wells Valley Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Operating revenues:		
Water consumption sales	$ 4,012,325	3,680,638
Ready-to-serve charges	4,574,376	4,715,006
Arsenic compliance charges	1,753,200	1,755,612
Zone charges	199,504	152,003
Other charges for services	321,016	325,669
Total operating revenues	10,860,421	10,628,928
Operating expenses:		
Water supply	1,150,462	1,032,468
Arsenic plant	185,001	204,064
Transmission and distribution	1,663,391	1,350,555
Field services	453,794	507,280
Engineering	420,496	377,735
Customer service	453,245	407,940
Legislative	89,396	128,227
General and administrative	4,258,174	3,226,882
Total operating expenses	8,673,959	7,235,151
Operating income before depreciation expense	2,186,462	3,393,777
Depreciation expense – capital recovery	(3,154,403)	(3,321,180)
Operating (loss)income	(967,941)	72,597
Non-operating revenue(expense):		
Special assessment 87-1 for debt service	2,586	-
Investment earnings	256,631	256,053
Rental revenue	12,000	10,000
Interest expense	(1,378,598)	(1,424,020)
Debt issuance costs	(4,385)	(494,869)
Debt service costs	(5,256)	(21,334)
Gain on disposition of assets	-	27,406
Other revenue	41,035	98,680
Total non-operating, net	(1,075,987)	(1,548,084)
Net loss before capital contributions	(2,043,928)	(1,475,487)
Capital contributions:		
Capital facility fees	334,488	211,924
Capital contributions – State	142,195	-
Capital contributions – Cash for Grass grant	62,999	10,895
Capital contributions – developer	110,636	72,122
Capital contributions – local	58,951	76,156
Total capital contributions	709,269	371,097
Change in net position	(1,334,659)	(1,104,390)
Net position, beginning of year	38,374,637	39,479,027
Net position, end of year	$ 37,039,978	38,374,637

See accompanying notes to the basic financial statements

Indian Wells Valley Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2020 and 2019

		2020	2019
Cash flows from operating activities:			
Cash receipts from customers for water sales and services	$	10,835,431	10,754,672
Cash paid to employees for salaries and wages		(3,977,631)	(2,614,276)
Cash paid to vendors and suppliers for materials and services		(3,614,686)	(4,231,898)
Net cash provided by operating activities		3,243,114	3,908,498
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(4,526,606)	(2,643,598)
Proceeds from capital contributions		650,318	294,941
Special assessments for debt service		24,193	565,730
Proceeds from the issuance of debt 2018 Certificates of Participation		-	30,063,032
Defeasance of 2009 Certificates of Participation		-	(16,965,000)
Bond issuance costs 2018 Certificates of Participation		(4,385)	(494,869)
Principal paid on long-term debt		(1,049,667)	(1,870,670)
Interest paid on long-term debt		(1,379,515)	(1,648,335)
Debt service costs on long-term debt		(5,256)	(21,334)
Net cash (used in)provided by capital and related financing activities		(6,290,918)	7,279,897
Cash flows from investing activities:			
Investment earnings		248,710	253,484
Net cash provided by investing activities		248,710	253,484
Net (decrease)increase in cash and cash equivalents		(2,799,094)	11,441,879
Cash and cash equivalents, beginning of year		25,214,616	13,772,737
Cash and cash equivalents, end of year	$	22,415,522	25,214,616

Reconciliation of cash and cash equivalents to the statement of financial position:

		2020	2019
Cash and cash equivalents	$	12,333,148	10,294,286
Restricted assets – cash and cash equivalents		10,082,374	14,920,330
Total cash and cash equivalents	$	22,415,522	25,214,616

Continued on next page

See accompanying notes to the basic financial statements

Indian Wells Valley Water District
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Reconciliation of operating (loss) income to net cash provided by operating activities:		
Operating (loss) income	$ (967,941)	72,597
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation	3,154,403	3,321,180
Rental revenue	12,000	10,000
Loss on disposition of assets	-	27,406
Other revenue	41,035	98,680
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase)Decrease in assets:		
Accounts receivable – water sales and services	(109,816)	60,683
Accounts receivable – other	(21,117)	(8,019)
Materials and supplies inventory	(357,480)	324,855
Prepaid expenses and other deposits	(46,956)	1,132
(Increase)Decrease in deferred outflows of resources		
Deferred other post-employment benefits outflows	435,022	(456,630)
Deferred pension outflows	49,511	91,087
Increase(Decrease) in liabilities and deferred inflows:		
Accounts payable and accrued expenses	194,854	(22,009)
Accrued wages and related payables	(95,688)	65,846
Customer deposits and deferred revenue	36,577	(134,202)
Unearned revenue	16,331	71,196
Compensated absences	56,524	25,798
Net other post-employment benefits liability	319,707	520,962
Net pension liability	333,811	(40,773)
Increase(Decrease) in deferred inflows of resources		
Deferred other post-employment benefits inflows	146,042	24,504
Deferred pension inflows	46,295	(145,795)
Total adjustments	4,211,055	3,835,901
Net cash provided by operating activities	$ 3,243,114	3,908,498
Non-cash investing and financing transactions:		
Change in fair market value of investments	$ 6,689	1,771

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

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

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

B. Basis of Accounting and Measurement Focus

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

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

C. Financial Reporting

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

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

Governmental Accounting Standards Board Statement No. 95

In May 2020, the GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

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

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

1. Use of Estimates

The preparation of the basic financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Uncertainty

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

3. Cash and Cash Equivalents

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

4. Investments

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

5. Fair Value Measurements

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

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

6. Accounts Receivable and Allowance for Uncollectible Accounts

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

7. Restricted Assets

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

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

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

8. Materials and Supplies Inventory

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

9. Prepaids

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

10. Capital Assets

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

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

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

11. Deferred Outflows of Resources

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

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net other-postemployment benefits liability. This amount will be amortized-in-full against the net other-postemployment benefits liability in the next fiscal year.

Pensions

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

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

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

11. Deferred Outflows of Resources, continued

Pensions, continued

- Deferred outflow for the net change due to differences in the changes in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

12. Compensated Absences

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

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

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

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

- Valuation Dates: June 30, 2019 and 2017
- Measurement Dates: June 30, 2019 and 2018
- Measurement Periods: July 1, 2018 to June 30, 2019 and July 1, 2017 to June 30, 2018

14. Pensions

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

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

- Valuation Dates: June 30, 2018 and 2017
- Measurement Dates: June 30, 2019 and 2018
- Measurement Periods: July 1, 2018 to June 30, 2019 and July 1, 2017 to June 30, 2018

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

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

15. Deferred Inflows of Resources

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

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred inflow for the changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with other-postemployment benefits through the Plan.
- Deferred inflow for the differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with other-postemployment benefits through the Plan.
- Deferred inflow for the difference in investment gains and losses of the other post-employment benefit plans' fiduciary net position. This amount is amortized over a 5-year period.

Pensions

- Deferred inflow for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over a 5-year period.
- Deferred inflow for the net difference in actual and proportionate share of employer contribution and net changes in proportion which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

16. Net Position

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

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

17. Capital Contributions

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

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

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

18. Budgetary Policies

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

(2) Cash and Investments

Cash and investments as of June 30 are classified in the accompanying financial statements as follows:

		2020	2019
Cash and cash equivalents	$	12,333,148	10,294,286
Cash and cash equivalents – restricted		10,082,374	14,920,330
Total cash and investments	$	22,415,522	25,214,616

Cash and cash equivalents as of June 30 consist of the following:

		2020	2019
Cash on hand	$	1,200	1,200
Deposits with financial institutions		3,141,050	1,843,289
Total cash on hand and deposits		3,142,250	1,844,489
Deposits in Local Agency Investment Fund		1,368,164	1,036,623
Deposits in Kern County Investment Pool		8,655,676	8,333,290
Deposits in money market funds		9,249,432	14,000,214
Total investments		19,273,272	23,370,127
Total cash and cash equivalents	$	22,415,522	25,214,616

As of June 30, the District's authorized deposits had the following maturities:

	2020	2019
Deposits in Local Agency Investment Fund	191 days	173 days
Deposits in Kern County Investment Pool	529 days	580 days

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

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

(2) Cash and Investments, continued

Investment in State Investment Pool

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

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

Investment in Kern County Investment Pool

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

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

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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits.

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balances, up to $250,000 held at each institution were federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

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 or collateral securities that are in the possession of another party. The Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and the Pool).

(2) Cash and Investments, continued

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.

At June 30, 2020 and 2019, the District's investments held to maturity were categorized as twelve months or less, respectively.

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.

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

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

Credit ratings of investments as of June 30, 2019 were as follows:

Investment Types	Total	Minimum Legal Rating	Rating as of Year End AAA	Rating as of Year End Not Rated
Local Agency Investment Fund (LAIF)	$ 1,036,623	N/A	$ -	$ 1,036,623
Kern County Investment Pool	8,333,290	N/A	-	8,333,290
Money Market Funds	14,000,214	AAA	14,000,214	-
Total	$ 23,370,127		$ 14,000,214	$ 9,369,913

Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for external investment pools) that represent 5% or more of total District's investments at June 30, 2020 and 2019, respectively.

(2) Cash and Investments, continued

Fair Value Measurements

Investments measured at fair value on a recurring and non-recurring basis at June 30, 2020 are as follows:

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

Investments measured at fair value on a recurring and non-recurring basis at June 30, 2019 are as follows:

		Fair Value Measurements Using		
Investment Type	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Held by bond trustee:				
Money market funds	$ 14,000,214	14,000,214	-	-
Total investments measured at fair value	14,000,214	14,000,214	-	-
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	1,036,623			
Kern County Investment Pool	8,333,290			
Total	$ 23,370,127			

(3) Assessment Bonds Receivable

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

The assessment bonds receivable payment schedules at June 30 are as follows:

		2020	2019
Assessment bonds receivable – current and delinquent	$	123,517	145,124
Total assessments bonds receivable, net	$	123,517	145,124

At June 30, 2020 and 2019, the AD 87-1 Assessment District Bonds had been paid-in-full. The remaining balance represents the delinquent portion of the assessment bonds receivable balance. The balances were determined collectible at June 30, 2020 and 2019.

(4) Capital Assets

Major capital assets additions during the years include upgrades and extensions of the District's water transmission and distribution systems and equipment purchases in the following schedules:

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

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

(4) Capital Assets, continued

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

	Balance 2018	Additions/	Deletions/ Transfers	Balance 2019
Non-depreciable assets:				
Land and land rights	$ 2,787,233	82,802	-	2,870,035
Construction-in-process	3,123,763	2,471,498	(903,870)	4,691,391
Total non-depreciable assets	5,910,996	2,554,300	(903,870)	7,561,426
Depreciable assets:				
Transmission and distribution system	57,199,411	797,974	-	57,997,385
Production and source of supply	32,167,586	32,719	-	32,200,305
General plant	13,992,588	245,631	(172,663)	14,065,556
Total depreciable assets	103,359,585	1,076,324	(172,663)	104,263,246
Accumulated depreciation:				
Depreciable assets	(57,015,076)	(3,321,180)	165,663	(60,170,593)
Total accumulated depreciation	(57,015,076)	(3,321,180)	165,663	(60,170,593)
Total depreciable assets, net	46,344,509	(2,244,856)	(7,000)	44,092,653
Total capital assets, net	$ 52,255,505	309,444	(910,870)	51,654,079

(5) Compensated Absences

Changes to compensated absences for the year ended June 30 were as follows:

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

Changes to compensated absences for the year ended June 30 were as follows:

Balance 2018	Earned	Taken	Balance 2019	Current Portion	Long-term Portion
$ 276,516	351,699	(325,901)	302,314	60,463	241,851

(6) Long-term Debt

Changes in long-term debt amounts for the year ended June 30 were as follows:

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

Changes in long-term debt amounts for the year ended June 30 were as follows:

	Balance 2018	Additions	Payments	Balance 2019	Current Portion	Long-term Portion
Bonds payable:						
2009 Certificates of participation	$ 16,965,000	-	(16,965,000)	-	-	-
2018 Certificates of participation	-	26,805,000	(413,750)	26,391,250	641,250	25,750,000
Premium on issuance - 2018 Series	-	3,258,032	(62,654)	3,195,378	-	3,195,378
Total bonds payable	16,965,000	30,063,032	(17,441,404)	29,586,628	641,250	28,945,378
Loans payable:						
State of California Prop 55 loan	532,865	-	(532,865)	-	-	-
Mission Bank – 2016 loan	7,646,794	-	(861,401)	6,785,393	300,795	6,484,598
Total loans payable	8,179,659	-	(1,394,266)	6,785,393	300,795	6,484,598
Total long-term debt	$ 25,144,659	30,063,032	(18,835,670)	36,372,021	942,045	35,429,976

2018 Series Certificates of Participation – Water Revenue Refunding Bonds

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

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

(6) Long-term Debt, continued

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

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

Year	Principal	Interest	Total
2021	$ 666,250	1,228,150	1,894,400
2022	688,750	1,201,500	1,890,250
2023	710,000	1,172,200	1,882,200
2024	747,500	1,136,700	1,884,200
2025	780,000	1,099,325	1,884,200
2026-2030	4,527,500	4,871,875	9,392,126
2031-2035	5,812,500	3,616,750	9,431,125
2036-2040	6,078,750	2,020,813	9,192,312
2041-2045	3,028,750	930,000	3,958,500
2046-2049	2,710,000	264,600	3,766,800
Total	25,750,000	17,541,913	45,176,113
Current	(666,250)		
Bond premium	3,087,970		
Long-term	$ 28,171,720		

2009 Series Certificated of Participation – Water Revenue Refunding Bonds

Proceeds of the Series 2009 certificates-of-participation (COPs) were used to finance arsenic treatment facilities and expansion of the District's existing water system to create operating efficiency and enhance fire flow. The arsenic project included construction of arsenic treatment facilities with related pipelines for water mixing and distribution to comply with federal and state arsenic standards. The water supply improvements include upgrading two of the existing well pumps and constructing one new reservoir with related pipelines. A portion of the COPs were used to prepay the District's Series 1999A California Statewide Communities Development Authority revenue bonds, and to pay issuance costs for the COPs.

Water Revenue Certificates of Participation, Series 2009: Payable in semi-annual installments based on a 30 year amortization with interest ranging from 2.00% to 5.25%.

On November 13, 2018, the District refinanced the 2009 Series Certificates of Participation Water Revenue Bonds. The debt was defeased with the 2018 Series Certificates of Participation Water Revenue Bonds.

Mission Bank – 2016 Loan

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

(6) Long-term Debt, continued

Mission Bank – 2016 Loan, continued

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

Year		Principal	Interest	Total
2021	$	312,131	222,001	534,132
2022		323,232	210,900	534,132
2023		334,729	199,403	534,132
2024		346,123	188,009	534,132
2025		358,944	175,188	534,132
2026-2030		1,995,155	675,505	2,670,660
2031-2035		2,376,286	294,374	2,670,660
2036		437,784	7,083	444,867
Total		6,484,384	1,972,463	8,456,847
Current		(312,131)		
Long-term	$	6,172,253		

State of California Proposition 55 Loan

State of California-Safe Drinking Water Act Loan (Prop. 55): Payable in semi-annual installments of $139,757 including interest at 3.3712%. Loan proceeds to improve Ridgecrest Heights Water System-Total loan was $5,250,000. At June 30, 2019, the District had paid the remaining loan balance in the amount $532,865 and therefore the loan has been repaid in-full.

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

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

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

General Information about the OPEB Plan, continued

Benefits Provided, continued

To be eligible for retiree health benefits, an employee must retire from the District on or after age 55 with at least 15 years of District service. As of June 30, 2020, the District's contribution was $700 per month for eligible employees regardless of the year in which the employee retired. As of June 30, 2019, the District's contribution was $700 per month for eligible employees retiring on or after July 1, 2013; $400 per month for eligible employees that retired between July 1, 2007 and June 30, 2013; and $350 per month for eligible employees that retired prior to July 1, 2007.

Employees Covered by Benefit Terms

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

	2020	2019
Active plan members	31	29
Retirees and beneficiaries receiving benefits	9	9
Separated plan members entitled to but not yet receiving benefits	-	-
Total Plan membership	40	38

Contributions

The Plan and its contribution requirements for eligible retired employees of the District are established and may be amended by the Board of Directors. The District pays 100% of the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the District. The annual contribution is based on the actuarially determined contribution.

As of the fiscal year ended June 30, the contributions were as follows:

	2020	2019
Contributions – employer	$ 79,529	61,487

As of June 30 2020 and 2019, employer's pension contributions of $79,529 and $61,487 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be/were recognized as a reduction of net OPEB liability in the fiscal year ended June 30, 2021 and 2020, respectively.

Net OPEB Liability

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

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

Actuarial Assumptions

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

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

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Discount rate	7.00 percent - 2019 5.00 percent - 2018
Healthcare cost trend rates	4.00 percent
Retirees' share of benefit-related costs	100 percent of the District's share of projected health insurance premiums for retirees age 55 with a minimum 15 years of service hired before July 1, 2013. 100 percent of the District's share of projected health insurance premiums for retirees age 60 with a minimum 15 years of service hired on or after January 1, 2013.

Discount Rate

The discount rate used to measure the net OPEB liability was 7.00 percent and 5.00 percent at June 30, 2020, respectively. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates.

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. The asset class percentages were taken from the current composition of the CERBT trust, and the expected yields were taken form a CalPERS publication for the Pension Fund. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	New Strategic Allocation	Assumed Gross Return
US Large Cap	43.0%	7.795%
US Small Cap	23.0%	7.795%
Long-Term Corporate Bonds	12.0%	5.295%
Long-Term Government Bonds	6.0%	4.500%
Treasury Inflation Protected Securities (TIPS)	5.0%	7.795%
US Real Estate	8.0%	7.795%
All Commodities	3.0%	7.795%
Total	100.0%	

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

Changes in the Net OPEB Liability

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

		Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at beginning of year	$	1,955,811	994,456	961,355
Changes for the year:				
Service cost		43,624	-	43,624
Interest		97,754	-	97,754
Expected investment income		-	49,717	(49,717)
Administrative expense		-	(214)	214
Employer contributions		-	61,487	(61,487)
Actual benefit payments		(61,487)	(61,487)	-
Expected minus actual benefit payments		16,420	-	16,420
Experience (gains)/losses		(17,713)	-	(17,713)
Changes in assumption		(603,686)	-	(603,686)
Changes in benefit terms		906,443	-	906,443
Investment gains/(losses)		-	12,145	(12,145)
Net changes		381,355	61,648	319,707
Balance at end of year	$	2,337,166	1,056,104	1,281,062

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

		Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at beginning of year	$	1,400,889	960,496	440,393
Changes for the year:				
Service cost		42,456	-	42,456
Interest		70,031	-	70,031
Assumption changes		485,414	-	485,414
Expected investment income		-	46,906	(46,906)
Investment gains/losses		-	30,630	(30,630)
Administrative expense		-	(1,787)	1,787
Expected benefit payments		(44,151)	(44,151)	-
Actual minus expected benefit payments		1,172	1,172	-
Other **		-	1,190	(1,190)
Net changes		554,922	33,960	520,962
Balance at end of year	$	1,955,811	994,456	961,355

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

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

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

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

At June 30, 2020, the discount rate comparison was the following:

	Discount Rate - 1% 6.00%	Current Discount Rate 7.00%	Discount Rate + 1% 8.00%
District's Net OPEB liability	1,602,406	1,281,062	1,013,778

At June 30, 2019, the discount rate comparison was the following:

	Discount Rate - 1% 4.00%	Current Discount Rate 5.00%	Discount Rate + 1% 6.00%
District's Net OPEB liability	1,307,932	961,355	720,815

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

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

At June 30, 2020, the healthcare cost trend rate comparison was the following:

	1% Decrease 3.00%	Current Healthcare Cost Trend Rate 4.00%	1% Increase 5.00%
District's Net OPEB liability	1,050,559	1,281,062	1,550,740

At June 30, 2019, the healthcare cost trend rate comparison was the following:

	1% Decrease 3.00%	Current Healthcare Cost Trend Rate 4.00%	1% Increase 5.00%
District's Net OPEB liability	731,537	961,355	1,258,674

For the years ended June 30, 2020 and 2019, the District recognized OPEB expense of $980,030 and $150,323, respectively.

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

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

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

		June 30, 2020		June 30, 2019	
Description		**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
OPEB contributions subsequent to the measurement date at June 30	$	79,259	-	61,487	-
Changes in assumptions		-	(142,261)	451,704	-
Differences between actual and expected experience		-	(191)	1,090	-
Investment gains and losses		-	(28,094)	-	(24,504)
Total	$	79,259	(170,546)	514,281	(24,504)

At June 30, 2020, amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods:

Fiscal Year Ending June 30:		Net, Deferred Outflows/ (Inflows) of Resources
2021	$	(18,288)
2022		(18,288)
2023		(18,288)
2024		(12,162)
2025		(9,733)
Thereafter		(93,787)
Total	$	(170,546)

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

See page 48 for the Required Supplementary Schedule.

(8) Defined Benefit Pension Plan

Plan Descriptions

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

(8) Defined Benefit Pension Plan, continued

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.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 60 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. All employees hired after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA. New employees that have previously participated in the Classic Plan are eligible for the District's CalPERS 2.0% at 60 Retirement Plan.

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

	Miscellaneous Plan	
	Tier 1	Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of servic
Benefit payments	monthly for life	monthly for life
Retirement age	55 - 60	52 - 67
Monthly benefits, as a % of eligible compensation	1.5% to 2.4%	1.0% to 2.5%
Required employee contribution rates	6.915%	6.750%
Required employer contribution rates	8.081%	6.985%

Contributions

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

(8) Defined Benefit Pension Plan, continued

Contributions, continued

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

		Miscellaneous Plan	
		2020	**2019**
Contributions – employer	$	262,567	299,379
Contributions – employee (paid by employer)		40,500	146,529
Total employer paid contributions	$	303,067	445,908

Net Pension Liability

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

		Proportionate Share of Net Pension Liability	
		2020	**2019**
Miscellaneous Plan	$	3,144,639	2,810,828

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019 and 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30 2018, rolled forward to June 30, 2019 and June 30, 2017, rolled forward to June 30, 2018, respectively, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's changes in the proportionate share of the pension liability for the District's Plan as of the fiscal years ended June 30, were as follows:

	Miscellaneous Plan	
	2020	**2019**
Proportion – Beginning of year	0.02917%	0.02875%
Proportion – End of year	0.03069%	0.02917%
Change – Increase (Decrease)	0.00152%	0.00042%

Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2020 and 2019, the District recognized pension expense of $692,184 and $203,898, respectively.

(8) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources, continued

As of the fiscal years ended June 30, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2020		June 30, 2019	
Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Pension contributions subsequent to the measurement date	$ 262,567	-	299,379	-
Net differences between actual and expected experience	201,484	-	71,144	-
Net changes in assumptions	96,795	-	241,898	-
Net differences between projected and actual earnings on plan investments	-	(54,978)	13,895	-
Net differences between actual contribution and proportionate share of contribution	-	(240,602)	-	(249,285)
Net adjustment due to differences in proportions of net pension liability	183,620	-	167,661	-
Total	$ 744,466	(295,580)	793,977	(249,285)

As of June 30 2020 and 2019, employer pension contributions of $262,567 and $299,379, were reported as deferred outflows of resources related to contributions subsequent to the measurement date will be/were recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021 and 2020, respectively.

As of June 30, 2020, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense as follows.

Fiscal Year Ending June 30,	Deferred Net Outflows / (Inflows) of Resources
2021	$ 187,278
2022	(31,455)
2023	19,387
2024	11,109
2025	-
Thereafter	-

(8) Defined Benefit Pension Plan, continued

Actuarial Assumptions

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

Valuation dates	June 30, 2018 and 2017
Measurement dates	June 30, 2019 and 2018
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2019 and 2018 – 2.50%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds Contract
Period upon which actuarial Experience Survey assumptions were based	2018 and 2018 – 1997-2015
Post Retirement Benefit	2019 and 2018 – COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

Discount Rate

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

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

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

(8) Defined Benefit Pension Plan, continued

Discount Rate, continued

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

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

At June 30, 2020 and 2019, the long-term expected real rate of return by asset class was as follows:

Asset Class	New Strategic Allocation	Real Return Years 1–10*	Real Return Year 11+**
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.0%		

* An expected inflation of 2.5% used for this period
** An expected inflation of 3.0% used for this period

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

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

At June 30, 2020, the discount rate comparison was the following:

	Discount Rate 1% Decrease 6.15%	Current Discount Rate 7.15%	Discount Rate 1% Increase 8.15%
District's Net pension liability	$ 5,068,655	3,144,639	1,556,500

(8) Defined Benefit Pension Plan, continued

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

At June 30, 2019, the discount rate comparison was the following:

	Discount Rate 1% Decrease 6.15%	Current Discount Rate 7.15%	Discount Rate 1% Increase 8.15%
District's Net pension liability	$ 4,661,357	2,810,828	1,283,246

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See pages 49 and 50 for the Required Supplementary Schedules.

Payable to the Pension Plan

At June 30, 2020 and 2019, the District reported no payables for the outstanding amount of contribution to the pension plan, respectively.

(9) Net Investment in Capital Assets

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

	2020	2019
Capital assets:		
Capital assets – not being depreciated	$ 6,807,777	7,561,426
Capital assets, net – being depreciated	46,277,456	44,092,653
Current:		
Certificates-of-participation	(666,250)	(641,250)
Loans payable	(312,131)	(300,795)
Non-current:		
Certificates-of-participation	(28,171,720)	(28,945,378)
Loans payable	(6,172,253)	(6,484,598)
Total net investment in capital assets	$ 17,762,879	15,282,058

(10) Restricted Net Position

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

	2020	2019
Restricted – cash and cash equivalents	$ 10,082,374	14,920,330
Accrued interest payable	(18,603)	(19,520)
Total restricted net position	$ 10,063,771	14,900,810

(11) Unrestricted net Position

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

		2020	2019
Non-spendable net position:			
Materials and supplies inventory	$	484,846	127,366
Prepaid expenses and other deposits		659,138	612,182
Mitigation deposit – California Department of Fish and Game		120,000	120,000
Total non-spendable net position		1,263,984	859,548
Spendable net position are designated as follows:			
Capital replacement reserve		5,299,563	4,888,147
Rate stabilization reserve		2,649,781	2,444,074
Total spendable net position		7,949,344	7,332,221
Total unrestricted net position	$	9,213,328	8,191,769

(12) Deferred Compensation Savings Plan

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District and are not subject to claims of the District's general creditors. For the District's 457 plan, the market value of all plan assets held in trust by Mutual of America at June 30, 2020 and 2019, was $2,465,805 and $2,375,590, respectively. For the District's 401(a) plan, the market value of all plan assets held in trust by Mutual of America at June 30, 2020 and 2019, was $5,812 and $0 respectively.

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

(13) Debt without District Commitment

Special Assessment Districts

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

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

(13) Debt without District Commitment, continued

Special Assessment Districts, continued

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

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

Assessment District No. 87-1

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

Assessment District No. 91-1

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

The remaining unpaid assessments of $1,270,449 were bonded and these limited obligation improvement bonds were sold on July 13, 1992. On August 23, 2001, the District approved resolution 01-05 under the California Streets and Highways Code Section 8771, 8772 and 8773, that the terms and conditions of the bond repayment schedule be modified as of June 30, 2008. The outstanding bonds and interest due to the bond holder were paid under the modified payment schedule. As of June 30, 2020, Assessment District 91-1 did not hold a cash balance in the Kern County Treasury. These funds are available for District expenses/improvements with the appropriate Board action/approvals.

(14) Risk Management

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

At June 30, 2020, the District participated in the liability and property programs of the SDRMA as follows:

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

(14) Risk Management, continued

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

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

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal years 2020, 2019, and 2018. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2020, 2019, and 2018.

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2020, that has effective dates that may impact future financial presentations.

The following pronouncement implementation dates have been delayed due to the COVID-19 pandemic.

Governmental Accounting Standards Board Statement No. 84

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

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

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

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

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

Governmental Accounting Standards Board Statement No. 87

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

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

Governmental Accounting Standards Board Statement No. 89

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

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

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

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

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

Governmental Accounting Standards Board Statement No. 90

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

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

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

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

Governmental Accounting Standards Board Statement No. 91

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

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

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

Governmental Accounting Standards Board Statement No. 91, continued

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

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

Governmental Accounting Standards Board Statement No. 92

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

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

Governmental Accounting Standards Board Statement No. 93

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

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

Governmental Accounting Standards Board Statement No. 93, continued

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

Governmental Accounting Standards Board Statement No. 94

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

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

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

Governmental Accounting Standards Board Statement No. 96

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

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

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

Governmental Accounting Standards Board Statement No. 97

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

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

(16) Commitments and Contingencies

Construction Contracts

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

Litigation

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

(16) Commitments and Contingencies, continued

COVID-19 Pandemic

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The District has not included any contingencies in the financial statements specific to this issue.

(17) Subsequent Events

Management is not aware of any other events or transactions, including estimates that provide additional evidence about conditions which existed after June 30, 2020, which require disclosure as of February 8, 2021, which is the date the financial statements were available to be issued.

Required Supplementary Information

Indian Wells Valley Water District
Schedules of Changes in the District's Net OPEB Liability and Related Ratios – Last Ten Fiscal Years*
As of June 30, 2020

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

Notes to Schedule:

** 6/30/2017 FNP adjustment

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

Indian Wells Valley Water District
District's Proportionate Share of the Net Pension Liability – Last Ten Fiscal Years*
As of June 30, 2020

Description		Measurement Date 6/30/2019	Measurement Date 6/30/2018	Measurement Date 6/30/2017	Measurement Date 6/30/2016	Measurement Date 6/30/2015	Measurement Date 6/30/2014
District's Proportion of the Net Pension Liability		0.03069%	0.02917%	0.02875%	0.02712%	0.02292%	0.02885%
District's Proportionate Share of the Net Pension Liability	$	3,144,639	2,810,828	2,851,601	2,346,813	1,573,256	1,795,052
District's Covered Payroll	$	1,984,705	2,305,138	2,156,274	2,095,489	2,075,823	1,907,011
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll		158.44%	121.94%	132.25%	111.99%	75.79%	94.13%
District's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability		78.02%	79.45%	78.83%	80.54%	86.11%	83.61%

Notes:

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

Indian Wells Valley Water District
Pension Plan Contributions – Last Ten Fiscal Years*
As of June 30, 2020

Schedule of Pension Plan Contributions:		Fiscal Year 2019-2020	Fiscal Year 2018-2019	Fiscal Year 2017-2018	Fiscal Year 2016-2017	Fiscal Year 2015-2016	Fiscal Year 2014-2015
Actuarially Determined Contribution	$	380,872	317,222	261,417	232,521	170,777	136,504
Contribution's in Relation to the Actuarially Determined Contribution		(262,567)	(299,379)	(238,735)	(223,955)	(171,853)	(136,504)
Contribution Deficiency (Excess)	$	118,305	17,843	22,682	8,566	(1,076)	-
Covered Payroll	$	1,984,705	2,305,138	2,156,274	2,095,489	2,075,823	1,907,011
Contribution's as a percentage of Covered Payroll		19.19%	13.76%	12.12%	11.10%	8.23%	7.16%

Notes:

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

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Report on Internal Controls and Compliance

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

Board of Directors
Indian Wells Valley Water District
Ridgecrest, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Indian Wells Valley Water District (District) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated February 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
February 8, 2021