

**VICTORVILLE WATER DISTRICT
(A COMPONENT UNIT OF THE CITY OF VICTORVILLE,
CALIFORNIA)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021

**VICTORVILLE WATER DISTRICT
(A COMPONENT UNIT OF THE CITY OF VICTORVILLE, CALIFORNIA)
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
Victorville Water District
Victorville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Victorville Water District (the District), a component unity of the City of Victorville, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2021, and the changes financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Comparative Information

We have previously audited the District's June 30, 2020, financial statements, and we expressed an unmodified opinion on the financial statements of the District in our report dated February 23, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of the plan's proportionate share of the net pension liability, schedule of plan contributions, and schedule of the plan's proportionate share of the total OPEB liability, identified as Required Supplementary Information (RSI) in the accompanying table of contents, 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 the 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

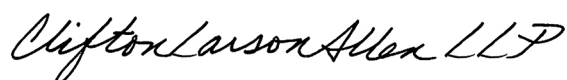
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining schedule of net position and the combining schedule of revenues, expenses and changes in net position (supplementary information), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the District as of and for the year ended June 30, 2020 (not presented herein), and have issued our report thereon dated February 23, 2021, which contained an unmodified opinion on the financial statements of the District. The combining schedule of net position and the combining schedule of revenues, expenses and changes in net position (supplementary information) for the year ended June 30, 2020, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2020 financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the June 30, 2020 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2020.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 25, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Irvine, California
February 25, 2022

VICTORVILLE WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021
(WITH COMPARATIVE DATA FOR JUNE 30, 2020)

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Investments	\$ 61,344,992	\$ 51,805,262
Cash and Investments With Fiscal Agent	836,313	836,634
Accounts Receivable, Net	4,814,719	4,667,426
Interest Receivable	25,368	112,417
Due from Other Governments	14,711	15,761
Inventory	1,247,678	755,791
Total Current Assets	68,283,781	58,193,291
NONCURRENT ASSETS		
Prepaid Deposits	203,888	282,402
Nondepreciable Capital Assets	29,397,572	31,941,407
Depreciable Capital Assets, Net	128,298,559	128,706,533
Total Noncurrent Assets	157,900,019	160,930,342
Total Assets	226,183,800	219,123,633
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow - OPEB Related	2,285,798	753,397
Deferred Outflow - Pension Related	2,723,322	2,548,508
Total Deferred Outflows of Resources	5,009,120	3,301,905

See accompanying Notes to Financial Statements.

VICTORVILLE WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2021
(WITH COMPARATIVE DATA FOR JUNE 30, 2020)

	2021	2020
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 2,279,680	\$ 1,531,948
Interest Payable	175,208	181,621
Prepaid Water Connection Fees	217,489	715,533
Deposits Payable	1,438,378	2,557,971
Total OPEB Liability - Due Within One Year	224,298	-
Long-Term Liabilities, Due Within One Year	781,743	761,824
Total Current Liabilities	5,116,796	5,748,897
NONCURRENT LIABILITIES		
Total OPEB Liability	11,579,695	10,288,735
Net Pension Liability	14,076,845	12,996,097
Long-Term Liabilities, Due in More Than One Year	8,734,544	9,134,380
Total Noncurrent Liabilities	34,391,084	32,419,212
Total Liabilities	39,507,880	38,168,109
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow - OPEB Related	3,036,460	2,748,733
Deferred Inflow - Pension Related	260,383	555,753
Total Deferred Inflows of Resources	3,296,843	3,304,486
NET POSITION		
Net Investment in Capital Assets	148,855,087	151,694,293
Unrestricted	39,533,110	29,258,650
Total Net Position	\$ 188,388,197	\$ 180,952,943

See accompanying Notes to Financial Statements.

VICTORVILLE WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2020)

	2021	2020
OPERATING REVENUES		
Utility Sales	\$ 32,996,925	\$ 27,405,638
Meter and Service Fees	7,481,406	7,217,219
Pass-Thru Charges	1,084,485	289,000
Fines and Forfeitures	-	231,994
Arsenic Surcharge	263,614	264,302
Other	340,572	198,467
Total Operating Revenues	42,167,002	35,606,620
OPERATING EXPENSES		
Personnel Services	10,901,457	11,689,745
Maintenance and Operations	16,916,550	15,718,657
Production Costs	4,631,287	4,034,055
Pass-Thru Production Costs	2,530,813	289,000
Depreciation	7,338,599	7,276,463
Total Operating Expenses	42,318,706	39,007,920
OPERATING LOSS	(151,704)	(3,401,300)
NONOPERATING REVENUES (EXPENSES)		
Taxes	1,096,573	912,768
Investment Income	112,170	998,042
Interest Expense	(415,588)	(430,914)
Gain on Disposition of Assets	12,976	-
Other Nonoperating Revenues	118,006	292,774
Total Nonoperating Revenues (Expenses)	924,137	1,772,670
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	772,433	(1,628,630)
CAPITAL CONTRIBUTIONS		
Capital Restricted Use Fees	5,169,389	3,619,685
Alternate Water Source Fees	903,332	574,233
Contributions from the City of Victorville	590,100	1,048,742
Capital Grants	-	60,020
Total Capital Contributions	6,662,821	5,302,680
CHANGE IN NET POSITION	7,435,254	3,674,050
Net Position - Beginning of Year	180,952,943	177,278,893
NET POSITION - END OF YEAR	\$ 188,388,197	\$ 180,952,943

See accompanying Notes to Financial Statements.

**VICTORVILLE WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2020)**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 39,476,109	\$ 35,062,940
Cash Payments to Employees for Services	(10,014,033)	(9,848,593)
Cash Payments to Suppliers for Goods and Services	(16,036,451)	(15,557,548)
Net Cash Provided by Operating Activities	13,425,625	9,656,799
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Received from Other Governments	1,096,573	912,768
Net Cash Provided by Noncapital Financing Activities	1,096,573	912,768
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Received from the Sale of Capital Assets	37,023	-
Capital Grants	-	60,020
Cash Payments to Acquire Capital Assets and Other Assets	(4,410,837)	(4,191,451)
Principal Paid on Capital-Related Debt	(380,000)	(365,000)
Interest Paid on Capital-Related Debt	(428,194)	(443,190)
Net Cash Used by Capital and Related Financing Activities	(5,182,008)	(4,939,621)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	199,219	1,077,974
Net Cash Provided by Investing Activities	199,219	1,077,974
 NET INCREASE IN CASH AND CASH EQUIVALENTS	9,539,409	6,707,920
 Cash and Cash Equivalents - Beginning of Year	52,641,896	45,933,976
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 62,181,305	\$ 52,641,896
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:		
Cash and Investments	\$ 61,344,992	\$ 51,805,262
Cash and Investments With Fiscal Agent	836,313	836,634
Cash and Cash Equivalents	\$ 62,181,305	\$ 52,641,896

See accompanying Notes to Financial Statements.

VICTORVILLE WATER DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2020)

	2021	2020
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (151,704)	\$ (3,401,300)
Adjustments to Reconcile Operating Loss to Net Cash Provided By Operating Activities:		
Depreciation	7,338,599	7,276,463
Nonoperating Miscellaneous Expense	6,780,827	5,535,434
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts Receivable, Net	(147,293)	(588,476)
Due from Other Governments	1,050	(2,905)
Inventory	(491,887)	(64,468)
Prepaid Deposits	78,514	255,504
Deferred Outflows - OPEB	(1,532,401)	(536,508)
Deferred Outflows - Pension	(174,814)	230,521
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts Payable	747,732	(1,063,831)
Prepaid Water Connection Fees	(498,044)	(897,936)
Deposits Payable	(1,119,593)	767,162
Compensated Absences	6,276	65,542
Total OPEB Liability	1,515,258	1,167,438
Net Pension Liability	1,080,748	1,469,663
Deferred Inflows - OPEB	287,727	(506,029)
Deferred Inflows - Pension	(295,370)	(49,475)
Net Cash Provided by Operating Activities	\$ 13,425,625	\$ 9,656,799

See accompanying Notes to Financial Statements.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

On August 15, 2007, the Victor Valley Water District and the Baldy Mesa Water District were consolidated into a subsidiary district of the City of Victorville (City), known as the Victorville Water District (District), per Resolution No. 2977 of the Executive Officer of the Local Agency Formation Commission (LAFCO) of San Bernardino County, which adopted a change of organization without election. All of the liabilities including debt obligations of the Victor Valley Water District and the Baldy Mesa Water District were assumed by this subsidiary district and the City upon consolidation. Upon consolidation of the two districts, the City consolidated the operations and activities of its Water Department and Water Funds into the District to serve all of the water customers of the City under this District. The basic operations of the District are financed by user charges plus capital contributions to finance growth of the water delivery system. The District is governed by a five-member Board of Directors (City Council), each holding staggered four-year terms.

The District is an integral part of the reporting entity of the City of Victorville (City) and is reflected as a blended component unit within the City of Victorville. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. The District fund has been included within the scope of the basic financial statements of the City because the City Council is the governing board and has financial accountability over the operations of the District. Only the District fund is included herein and these financial statements, therefore, do not purport to represent the financial position or results of operations of the City of Victorville, California.

B. Basic Financial Statements

The basic financial statements are comprised of the statement of net position, the statement of revenues, expenses and changes in net position, the statement of cash flows, and the notes to the basic financial statements.

C. Basis of Accounting, Measurement Focus and Financial Statement Presentation

The District reports its activities as an enterprise fund (proprietary fund type), 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 customers on a continuing basis be financed or recovered primarily through user charges (water sales and services), capital grants and similar funding.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Basis of Accounting, Measurement Focus and Financial Statement Presentation
(Continued)**

Proprietary funds are presented using the economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their statement of net position.

Proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered, regardless of when the related cash flows take place. Amounts paid to acquire capital assets are capitalized as assets. Proceeds of long-term debt and acquisitions under capital leases are recorded as a liability. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liability. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues, such as water sales and service charges that include utility sales, meter and service fees, pass-thru charges, fines and forfeitures, arsenic surcharge, and other reimbursements, result from exchange transactions associated with the principal activities of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as taxes and investment income, result from nonexchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange.

Operating expenses, such as the cost of providing water, include the personnel services, maintenance and operations, production costs, pass-thru production costs, and depreciation on capital assets. All expenses not meeting this definition, such as interest expense, are reported as nonoperating expenses.

D. Cash and Investments

Investments are reported in the accompanying statement of net position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less from the date of acquisition that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include the cash and investments held by a fiscal agent.

F. Accounts Receivable, Net

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 directly write-off of those accounts.

G. Inventory

The District uses the consumption method of accounting for inventories. Inventory consists primarily of water meters, pipe and pipe fittings for construction and repair to the District's water transmission and distribution system. Materials and supplies are valued at cost using a weighted average method.

H. Prepaid Deposits

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

I. Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are recorded at estimated acquisition value at the date of donation. The District capitalizes all assets with an initial individual cost of more than \$5,000 and a useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the life are not capitalized.

Depreciation is computed utilizing the straight-line method over the following useful lives:

Buildings and Improvements	10 to 50 Years
Computer and Communications	5 Years
Furniture and Equipment	3 to 7 Years
Infrastructure:	
Transmission and Distribution Systems	40 Years
Source of Supply – Wells	10 to 40 Years
Water Treatment Systems	5 to 10 Years
Intangibles	5 to 25 Years
Vehicles	8 to 15 Years

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Customer Deposits

Based on a customer's credit, the District may require a deposit deemed reasonable by the District. These deposits are held to pay off close out bills or to cover delinquent payments.

K. Compensated Absences

A liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

A liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the District. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness), which is outside the control of the District and the employee.

The balance of unpaid vacation and vested sick leave at year-end is recorded as a long-term liability in the financial statements.

L. Deferred Outflows and Deferred Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, are not recognized as an expense until that time. The District has the following items that qualify for reporting in this category:

- Deferred outflows related to pensions and OPEB equal to employer contributions made after the measurement date of the net pension liability and the total OPEB liability.
- Deferred outflows related to pensions for differences between expected and actual experiences. These amounts are 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 plans.
- Deferred outflows related to pensions resulting from the net difference in projected and actual earnings on investments of the pension plan fiduciary net position. These amounts are amortized over five years.
- Deferred outflows related to OPEB for changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with retiree healthcare benefits through the plans.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred inflows related to pensions for changes in assumptions. These amounts are 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 inflows related to OPEB for differences between expected and actual experiences and changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with retiree healthcare benefits through the plan.

M. Prepaid Water Connection Fees

Prepaid connection fees were received before year-end but will not be earned until the properties are developed and connected to the District's system.

N. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District through the collection of AB-1600 connection fees, by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

O. Net Position

Net Position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt (including premiums and discounts) that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by enabling legislation (such as external creditors, grantors, contributors, laws or regulations of other governments).

Unrestricted Net Position – This amount is all of the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Net Position (Continued)

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's practice to consider restricted net position to have been depleted before unrestricted net position is applied, unless otherwise directed by Council.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows and 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 additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Q. Prior Year Data

Selected information regarding the prior year had been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's prior year financial statements, from which this selected financial data was derived.

R. Estimates

The presentation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS

Cash and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 61,344,992
Cash and Investments With Fiscal Agent	836,313
Total Cash and Investments	<u>\$ 62,181,305</u>

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

Deposits with Financial institutions	\$ 99,104
Deposits Held in City Pool	30,172,952
Investments	31,909,249
Total Cash and Investments	<u>\$ 62,181,305</u>

Investments Pool of the City of Victorville

The District's equity in the cash and investment City pool is managed by the City of Victorville. The District is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Victorville. The District has not adopted an investment policy separate from that of the City of Victorville. 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 calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis.

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

The City adopts the investment policy for the District. The table on the following page identifies the investment types that are authorized for the District by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code and the City's Investment Policy (Continued)

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
Local Agency Bonds	Yes	5 Years	70%	None
U.S. Treasury Obligations	Yes	5 Years	70%	None
U.S. Agency Securities	Yes	5 Years	75%**	None
Banker's Acceptances	No	180 Days	40%	30%
Commercial Paper - Nonpooled Funds	No	270 Days	25%	10%
Commercial Paper - Pooled Funds	No	270 Days	40%	10%
Negotiable Certificates of Deposit	Yes	2 Years	30%	None
Repurchase Agreements	No	1 year	None	None
Reverse Repurchase Agreements	No	92 Days	20% of Base Value	None
Medium-Term Notes	No	5 Years	30%	None
Mutual Funds***	Yes	5 Years	20%*	10%
Money Market Mutual Funds***	Yes	5 Years	20%*	None
Mortgage Pass-Through Securities	No	5 Years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (Other Investment Pools)	No	N/A	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

** Ginnie Mae is not to exceed 20% of the total portfolio.

*** Fund must be an AAA rated Government or US Treasury money fund.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table on the following page identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 Days	None	None
Commercial Paper	270 Days	None	None
Money Market Mutual Funds	None	None	None
Repurchase Agreements	None	None	None
Investment Contracts	None	None	None
Certificate of Deposit	None	None	None
Local Agency Investment Fund (LAIF)	None	None	None
California Common Law Trust Shares	None	None	None

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of these investments by maturity:

Investment Type	Total	Remaining Maturities (in Months)	
		Within 12	60+
LAIF	\$ 31,072,936	\$ 31,072,936	-
Held by Bond Trustee:			
Guaranteed Investment Contract (GIC)*	-	-	816,500
Money Market Mutual Funds	19,813	19,813	-
Total	<u>\$ 31,909,249</u>	<u>\$ 31,092,749</u>	<u>816,500</u>

*The District's GIC is with Financial Security Assurance (FSA). The contract required FSA to deposit cash, governmental securities, or governmental bonds as collateral with Bank of New York, at a value of at least 100%, 104%, or 105%, respectfully, of the investment balance. The termination of the investment contract and release of collateral would occur in the event of default by FSA. As of June 30, 2021, FSA was not in default and the value of the collateral met the requirements.

Disclosures Relating to Credit Risk

Generally, 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. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual Standard & Poor's rating as of year-end for each investment type.

Investment Type	Total	Minimum Legal Rating	Ratings as of Year End	
			AAA	Not Rated
LAIF	\$ 31,072,936	N/A	\$ -	\$ 31,072,936
Held by Bond Trustee:				
Guaranteed Investment Contract (GIC)	-	-	-	-
Money Market Mutual Funds	816,500	N/A	-	816,500
Total	19,813	AAA	19,813	-
Total	<u>\$ 31,909,249</u>		<u>\$ 19,813</u>	<u>\$ 31,889,436</u>

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District has no investments in any one issuer (other than LAIF and money market mutual funds) that represent 5% or more of the City's investments.

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 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 California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the 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. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2021, the District's deposits (bank balances) were insured by the federal depository insurance limits or collateralized as required under California Law.

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

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.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices included within the Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation of other items.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurements. These unobservable inputs reflect the District's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the District's own data.

The District's investments in LAIF and money market mutual funds (held by bond trustee) are not subject to the fair value measurement hierarchy. The District's investment in the GIC are included in Level 3 since they are not actively traded. To value the GIC, the District verified the collateral required was held at a minimum of 100% of the value reported above and recorded the investment at that amount.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Nondepreciable Assets:				
Land	\$ 8,884,222	\$ -	\$ -	\$ 8,884,222
Intangibles	12,853,367	-	-	12,853,367
Idle Assets	3,017,958	-	-	3,017,958
Land Improvements	536,342	-	-	536,342
Construction in Progress	6,649,518	1,594,782	(4,138,617)	4,105,683
Total Nondepreciable Assets	<u>31,941,407</u>	<u>1,594,782</u>	<u>(4,138,617)</u>	<u>29,397,572</u>
Depreciable Assets:				
Buildings and Improvements	28,105,888	46,398	-	28,152,286
Computer and Communication	672,671	-	-	672,671
Furniture and Equipment	37,136,465	763,548	-	37,900,013
Infrastructure	195,982,625	5,785,660	-	201,768,285
Intangibles	1,542,724	-	-	1,542,724
Vehicles	3,554,588	359,066	(88,772)	3,824,882
Total Depreciable Assets	<u>266,994,961</u>	<u>6,954,672</u>	<u>(88,772)</u>	<u>273,860,861</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(10,069,757)	(690,148)	-	(10,759,905)
Computer and Communication	(571,706)	(49,244)	-	(620,950)
Furniture and Equipment	(28,332,530)	(1,502,582)	-	(29,835,112)
Infrastructure	(95,334,080)	(4,905,471)	-	(100,239,551)
Intangibles	(1,520,091)	(19,401)	-	(1,539,492)
Vehicles	(2,460,264)	(171,753)	64,725	(2,567,292)
Total Accumulated Depreciation	<u>(138,288,428)</u>	<u>(7,338,599)</u>	<u>64,725</u>	<u>(145,562,302)</u>
Total Depreciable Assets, Net	<u>128,706,533</u>	<u>(383,927)</u>	<u>(24,047)</u>	<u>128,298,559</u>
Capital Assets, Net	<u>\$ 160,647,940</u>	<u>\$ 1,210,855</u>	<u>\$ (4,162,664)</u>	<u>\$ 157,696,131</u>

Depreciation expense for the District was \$7,338,599 for the year ended June 30, 2021.

NOTE 4 LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2021, is noted below:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One Year
Other Long-Term Liabilities:					
Compensated Absences	\$ 487,121	\$ 462,547	\$ (456,271)	\$ 493,397	\$ 386,743
Other Debt:					
2006 Certificate of Participation	9,310,000	-	(380,000)	8,930,000	395,000
Unamortized Discounts/Premiums	99,083	-	(6,193)	92,890	-
Total	<u>\$ 9,896,204</u>	<u>\$ 462,547</u>	<u>\$ (842,464)</u>	<u>\$ 9,516,287</u>	<u>\$ 781,743</u>

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

2006 Certificates of Participation

On March 1, 2006, the City of Victorville's Baldy Mesa Water District issued 2006 Certificates of Participation. The proceeds were used to finance public improvements within the Baldy Mesa Water District service area.

The Certificates of Participation had a stated interest rates ranging from 3.20% to 5.00%. The annual debt service is a special limited obligation of the District payable from and secured by a pledge of and lien on the net revenues of the District - see end of note. Principal and interest payments are due each August 1 and interest only payments are due each February 1. The amount of Certificates of Participation outstanding at June 30, 2020 is \$8,930,000.

The annual requirements to amortize outstanding debt of the District as of June 30, 2021 are as follows for each fiscal year ending June 30:

<u>Year Ending June 30,</u>	<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 395,000	\$ 412,403
2023	410,000	395,388
2024	425,000	377,226
2025	445,000	358,304
2026	465,000	338,511
2030-31	2,655,000	1,355,924
2032-36	3,360,000	630,500
2037	775,000	19,375
Subtotal	8,930,000	\$ 3,887,631
Premium	92,890	
Total	\$ 9,022,890	

Rate Covenant

The 2006 Certificate of Participation require that the Baldy Mesa Water District to generate sufficient net revenues which are at least equal to 110% of the amount of the installment payments and Parity Obligation coming due and payable in each fiscal year. The 2006 Certificate of Participations were issued before Baldy Mesa and Victor Valley Water District were consolidated into Victorville Water District. The City performed the calculation that demonstrated compliance with rate covenant for the fiscal year ended June 30, 2021. The calculation was prepared using revenues and the proportionate expenses applicable to the Baldy Mesa Water District.

Pledged Revenues

The District has a debt issuance outstanding that is collateralized by the pledging of certain revenues. The amount and term of the remainder of this commitment is indicated in the debt service to maturity table presented previously. The purpose for which the proceeds of the related debt issuance was utilized are disclosed in the debt description noted previously.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

Pledged Revenues (Continued)

For the current year, pledged gross revenue (or net of certain expenses were so required by the debt agreement) as a percentage of the debt service payments are indicated in the table below:

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue (Net of Expenses, Where Required)</u>	<u>Annual Debt Service Payment (of All Debt Secured by This Revenue)</u>	<u>Pledged Revenue as a Percentage of Debt Service</u>
Net Revenues Pledged by the District for the 2006 Certificates of Participation	\$ 1,294,351	\$ 808,195	160%

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

The District Plan provides medical benefits to eligible retired Water District employees and beneficiaries in accordance with various labor agreements. The plan covers employees who retire directly from the District with five years of service. The District Plan also provides Dental and Vision benefits to eligible former Water District employees with 15 years of service. The District also pays life insurance premium for eight Water District retirees and no benefit is available for future retirees. The District provides a contribution up to a certain amount (a portion of the Health Net HMO single premium). The percentage varies based on years of service.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). The District has not established a trust for the purpose of holding assets accumulated for plan benefits.

Employees Covered

As of the June 30, 2020 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active Employees	81
Inactive Employees Or Beneficiaries Currently Receiving Benefits	28
Inactive Employees Entitled To, But Not Yet Receiving Benefits	4
Total	113

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Contributions

The District Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units.

The annual contribution is based on the year's retiree medical premiums (pay-as-you-go basis). For the fiscal year ended June 30, 2021, the District's cash contributions were \$205,227 for current premiums and \$561 for administrative costs and the estimated implied subsidy was \$48,000 resulting in total payments of \$253,788.

OPEB Liability

The District's total OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation dated June 30, 2020.

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	2.21%
Inflation	2.75%
Salary Increases	3.0% per annum, in aggregate
Investment Rate of Return	N/A
Mortality, Retirement, Disability, Termination	1997-2015 Experience Study
Mortality Improvement	Postretirement mortality projected fully generational with Scale MP-2020
Healthcare Trend Rate	Non-Medicare: 7.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare (Non-Kaiser) - 6.1% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare (Kaiser) - 5.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076

Discount Rate

The discount rate used to measure the total OPEB liability was 2.21%. The discount rate is determined based on the Bond Buyer 20-bond index since the District has not established a trust.

Change in Actuarial Assumptions

The discount rate changed from 3.50% at the beginning of the measurement period to 2.21% based on changes in the index. In addition, the medical trend rate for Kaiser Senior Advantage plans decreased from 6.5% to 5.0%.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the District Plan are as follows:

	Total OPEB Liability
Total OPEB Liability 6/30/2019 (MD)	\$ 10,288,735
Service Cost	474,890
Interest	372,802
Differences Between Expected and Actual Experience	(904,000)
Changes of Assumptions	1,795,864
Benefit Payments	(224,298)
Net Changes During 2019-2020 (MP)	1,515,258
Total OPEB Liability 6/30/2020 (MD)	<u>\$ 11,803,993</u>

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

The following presents the total OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	1% Decrease	Current Rate	1% Increase
	(1.21%)	(2.21%)	(3.21%)
Total OPEB Liability	\$ 14,080,594	\$ 11,803,993	\$ 10,010,162

Sensitivity of the Total OPEB Liability to Changes in Health Care Cost Trend Rates

The following presents the total OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower (Non-Medicare: 6.0% for 2022 decreasing to 3.0% in 2076; Medicare (Non-Kaiser): 5.1% for 2022, decreasing to an ultimate rate of 3.0% in 2076; Medicare (Kaiser): 4.0% for 2022, decreasing to an ultimate rate of 3.0% in 2076) or one percentage point higher (Non-Medicare: 8.0% for 2022 decreasing to 5.0% in 2076; Medicare (Non-Kaiser): 7.1% for 2022, decreasing to an ultimate rate of 5.0% in 2076; Medicare (Kaiser): 6.0% for 2022, decreasing to an ultimate rate of 5.0% in 2076) than the current rate:

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 9,802,311	\$ 11,803,993	\$ 14,437,580

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in the total OPEB liability are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are recognized in future OPEB expense.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

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

The recognition period differs depending on the source of the gain or loss:

Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	
Plan Investments	5 Years
All Other Amounts	Expected average remaining service lifetime (EARSL) (8.2 Years at June 30, 2020 measurement date)

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

For the fiscal year ended June 30, 2021, the District recognized OPEB expense of \$524,372. As of the fiscal year ended June 30, 2021, the District reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer Contributions Subsequent to the Measurement Date	\$ 253,788	\$ -
Differences Between Expected and Actual Experience	-	(2,015,486)
Changes of Assumptions	<u>2,032,010</u>	<u>(1,020,974)</u>
Total	<u>\$ 2,285,798</u>	<u>\$ (3,036,460)</u>

The \$253,788 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized as expense as follows:

<u>Measurement Period Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2022	\$ (323,853)
2023	(323,853)
2024	(323,853)
2025	(286,603)
2026	(73,662)
Thereafter	327,374

Payable to the Pension Plan

At June 30, 2021, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 PENSION PLAN

General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Plan, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. The District's share of the net pension liability is reported as a cost-sharing plan in these financial statements. Benefit provisions under the Plan are established by State statute and Local Government 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.

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 to 62 with statutorily reduced benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least 5 years of services. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for nonduty disability benefits after 5 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.

The Plan's provisions and benefits in effect as of the measurement period ended June 30, 2020, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	on or after January 1, 2013
Hire Date		
Benefit Formula	2.5%@55	2.0%@62
Benefit Vesting Schedule	5 Years of Service	5 Years of service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 to 55	52 to 67
Required Employee Contribution Rates	8.00%	6.75%
Required Employer Contribution Rates:		
Normal Cost Rate	10.59%	9.69%
Payment of Unfunded Liability	\$859,002	N/A

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 PENSION PLAN (CONTINUED)

General Information about the Pension Plans (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The 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 Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Authority contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. For the fiscal year ended June 30, 2021, the District made contributions of \$1,520,299 to the plan.

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

Actuarial Assumptions

The total pension liability for the Miscellaneous Plan for the June 30, 2020 measurement period was determined by an actuarial valuation as of June 30, 2019, with standard update procedures used to roll forward the total pension liability to June 30, 2020.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 PENSION PLAN (CONTINUED)

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources
Related to Pensions (Continued)**

Actuarial Assumptions (Continued)

The total pension liability for the Miscellaneous Plan was based on the following assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Income	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. for more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

(3) Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

Long-Term Expected Rate of Return

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

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

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Long-Term Expected Rate of Return (Continued)

The expected real rates of return by asset class are as follows:

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 (b)</u>	<u>Real Return Years 11+ (c)</u>
Global Equity	50.00 %	4.80 %	5.98 %
Fixed Income	28.00	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)
	<u>100.00 %</u>		

(a) in the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

(b) An expected inflation of 2.0% used for this period

(c) An expected inflation of 2.92% used for this period

Discount Rate

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

Proportionate Share of Net Pension Liability – City's Miscellaneous Agent Multiple-Employer Plan Allocation to the District

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the Miscellaneous Plan relative to the projected contributions of the City, actuarially determined.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Proportionate Share of Net Pension Liability – City’s Miscellaneous Agent Multiple-Employer Plan Allocation to the District (Continued)

The District’s proportionate share of the net pension liability for the Miscellaneous Plan as of the measurement date ended June 30, 2019 and 2020 was as follows:

	Increase (Decrease)			Proportionate Share
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)	
Balance at: 6/30/2019 (MD)	\$ 50,970,002	\$ 37,973,905	\$ 12,996,097	25.15%
Balance at: 6/30/2020 (MD)	53,469,704	39,392,859	14,076,845	25.07%
Net Changes During 2019-20	<u>\$ 2,499,702</u>	<u>\$ 1,418,954</u>	<u>\$ 1,080,748</u>	-0.08%

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2021, the District recognized pension expense of \$2,156,528 for the Miscellaneous Plan. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Miscellaneous Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to the Measurement Date	\$ 1,520,299	\$ -
Changes of Assumptions	-	(260,383)
Differences Between Expected and Actual Experience	767,296	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	435,727	-
Total	<u>\$ 2,723,322</u>	<u>\$ (260,383)</u>

\$1,520,299 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Differences between projected and actual investment earnings are amortized on a five-year straight-line basis and all other amounts are amortized over the expected average remaining service lives of all members that are provided with benefits.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

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

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

Measurement Period <u>Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2022	\$ 187,088
2023	344,893
2024	240,668
2025	169,991
2026	-
Thereafter	-

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

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

	<u>Discount Rate</u>		
	<u>1% Decrease (6.15%)</u>	<u>Current Rate (7.15%)</u>	<u>1% Increase (8.15%)</u>
Net Pension Liability	\$ 21,628,259	\$ 14,076,845	\$ 7,881,436

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separate issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2021, the District had no outstanding amount of contributions to the Miscellaneous Plan required for the year ended June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

**VICTORVILLE WATER DISTRICT
SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
(COST SHARING PLAN)
LAST TEN FISCAL YEARS***

	Reporting Fiscal Year (Measurement Date)						
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Plan's Proportion of the Net Pension Liability	25.07%	25.15%	24.95%	24.87%	24.63%	24.40%	24.28%
Plan's Proportionate Share of the Net Pension Liability	\$ 14,076,845	\$ 12,996,097	\$ 11,526,434	\$ 11,480,941	\$ 9,777,304	\$ 7,425,085	\$ 6,754,806
Plan's Covered Payroll	\$ 6,177,914	\$ 5,546,115	\$ 5,598,545	\$ 5,506,946	\$ 4,860,190	\$ 4,824,221	\$ 4,707,026
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	227.86%	234.33%	205.88%	208.48%	201.17%	153.91%	143.50%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	18.47%	18.74%	18.88%	18.52%	18.59%	19.55%	19.73%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

from fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

from fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

from fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

from fiscal year June 30, 2018 to June 30, 2021:

There were no significant changes in assumptions.

*Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.

**VICTORVILLE WATER DISTRICT
SCHEDULE OF PLAN CONTRIBUTIONS
(COST SHARING PLAN)
LAST TEN FISCAL YEARS***

	Fiscal Year						
	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Actuarially Determined Contribution	\$ 1,520,299	\$ 1,459,333	\$ 1,221,074	\$ 1,026,643	\$ 916,742	\$ 827,951	\$ 709,786
Contributions in relation to the Actuarially Determined Contribution	(1,520,299)	(1,459,333)	(1,221,074)	(1,026,643)	(916,742)	(827,951)	(709,786)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 6,148,247	\$ 6,177,914	\$ 5,546,115	\$ 5,598,545	\$ 5,506,946	\$ 4,860,190	\$ 4,824,221
Contributions as a Percentage of Covered Payroll	24.73%	23.62%	22.02%	18.34%	16.65%	17.04%	14.71%

Notes to Schedule:

Valuation Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	15-Year Smoothed Market Method
Inflation	2.50%	2.63%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) 50 - 55 for 2.5%@55; 52 - 67 for 2.0%@62

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

*Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.

**VICTORVILLE WATER DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS***

	Fiscal Year Ended (Measurement Date)			
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB Liability:				
Service Cost	\$ 474,890	\$ 417,399	\$ 494,095	\$ 583,831
Interest on the Total OPEB Liability	372,802	364,950	404,923	345,325
Changes of Assumptions	1,795,864	601,978	(509,085)	(1,452,630)
Differences Between Expected and Actual Experience	(904,000)	-	(1,985,311)	-
Benefit Payments, Including Refunds and the Implied Subsidy Benefit Payments	(224,298)	(216,889)	(199,802)	(185,817)
Net Change in Total OPEB Liability	1,515,258	1,167,438	(1,795,180)	(709,291)
Total OPEB Liability - Beginning	10,288,735	9,121,297	10,916,477	11,625,768
Total OPEB Liability - Ending (A)	<u>\$ 11,803,993</u>	<u>\$ 10,288,735</u>	<u>\$ 9,121,297</u>	<u>\$ 10,916,477</u>
Covered-Employee Payroll	\$ 7,618,996	\$ 7,078,295	\$ 6,818,328	\$ 4,577,527
Total OPEB Liability As A Percentage of Covered-Employee Payroll	154.93%	145.36%	133.78%	238.48%

Notes to Schedule:

Changes in Assumptions:

Discount rate	2.21%	3.50%	3.87%	3.58%
Mortality improvement rates	Scale MP-2020	Scale MP-2018	Scale MP-2018	Scale MP-2016

The mortality, retirement, disability, and termination rates for the measurement periods ended June 30, 2017 and 2018 were based on the CalPERS 1997-2011 Experience Study and CalPERS 1997-2015 Experience Study, respectively.

In the June 30, 2018 measurement period, the pre-65 waived retiree re-election was updated to be 10% after age 65.

In the June 30, 2020 measurement period, the medical trend rate for Kaiser Senior Advantage plans decreased from 6.5% to 5.0%.

*Fiscal year 2018 was the first year of implementation, therefore only four years are shown.

SUPPLEMENTARY INFORMATION

VICTORVILLE WATER DISTRICT
COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2021
(WITH COMPARATIVE DATA FOR JUNE 30, 2020)

	Victorville Wastewater Reclamation				Totals	
	Water	Facility	Reclaimed Water	Eliminations	2021	2020
ASSETS						
Current Assets						
Cash and Investments	\$ 50,441,260	\$ 5,479,546	\$ 5,424,186	\$ -	\$ 61,344,992	\$ 51,805,262
Cash and Investments with Fiscal Agent	836,313	-	-	-	836,313	836,634
Accounts Receivable, Net	4,001,721	780,619	32,379	-	4,814,719	4,667,426
Interest Receivable	25,368	-	-	-	25,368	112,417
Due from Other Governments	14,711	-	-	-	14,711	15,761
Inventory	1,247,678	-	-	-	1,247,678	755,791
Total Current Assets	<u>56,567,051</u>	<u>6,260,165</u>	<u>5,456,565</u>	<u>-</u>	<u>68,283,781</u>	<u>58,193,291</u>
Noncurrent Assets						
Prepaid Deposits	17,319	186,569	-	-	203,888	282,402
Advances to Other Funds	29,010,274	-	-	(29,010,274)	-	-
Nondepreciable Capital Assets	27,393,985	1,956,017	47,570	-	29,397,572	31,941,407
Depreciable Capital Assets, Net	111,524,166	12,236,286	4,538,107	-	128,298,559	128,706,533
Total Noncurrent Assets	<u>167,945,744</u>	<u>14,378,872</u>	<u>4,585,677</u>	<u>(29,010,274)</u>	<u>157,900,019</u>	<u>160,930,342</u>
Total Assets	224,512,795	20,639,037	10,042,242	(29,010,274)	226,183,800	219,123,633
Deferred Outflows of Resources						
Deferred Outflows - OPEB Related	2,220,373	65,425	-	-	2,285,798	753,397
Deferred Charge on Refunding	2,644,536	78,786	-	-	2,723,322	2,548,508
	<u>4,864,909</u>	<u>144,211</u>	<u>-</u>	<u>-</u>	<u>5,009,120</u>	<u>3,301,905</u>
LIABILITIES						
Current Liabilities						
Accounts Payable	2,064,050	213,226	2,404	-	2,279,680	1,531,948
Interest Payable	175,208	-	-	-	175,208	181,621
Prepaid Water Connection Fees	217,489	-	-	-	217,489	715,533
Deposits Payable	1,438,378	-	-	-	1,438,378	2,557,971
Total OPEB Liability - Due Within One Year	219,599	4,699	-	-	224,298	-
Long-Term Liabilities, Due Within One Year	781,743	-	-	-	781,743	761,824
Total Current Liabilities	<u>4,896,467</u>	<u>217,925</u>	<u>2,404</u>	<u>-</u>	<u>5,116,796</u>	<u>5,748,897</u>
Noncurrent Liabilities:						
Advances from Other Funds	-	29,010,274	-	(29,010,274)	-	-
Total OPEB Liability	11,337,124	242,571	-	-	11,579,695	10,288,735
Net Pension Liability	13,882,814	194,031	-	-	14,076,845	12,996,097
Long-Term Liabilities, Due in More Than One Year	8,734,544	-	-	-	8,734,544	9,134,380
Total Noncurrent Liabilities	<u>33,954,482</u>	<u>29,446,876</u>	<u>-</u>	<u>(29,010,274)</u>	<u>34,391,084</u>	<u>32,419,212</u>
Total Liabilities	38,850,949	29,664,801	2,404	(29,010,274)	39,507,880	38,168,109
Deferred Inflows of Resources						
Deferred Inflows - OPEB Related	2,978,187	58,273	-	-	3,036,460	2,748,733
Deferred Inflows - Pension Related	255,592	4,791	-	-	260,383	555,753
Total Deferred Outflows of Resources	<u>3,233,779</u>	<u>63,064</u>	<u>-</u>	<u>-</u>	<u>3,296,843</u>	<u>3,304,486</u>
Net Position						
Net Investment in Capital Assets	130,077,107	14,192,303	4,585,677	-	148,855,087	151,694,293
Unrestricted	57,215,869	(23,136,920)	5,454,161	-	39,533,110	29,258,650
Total Net Position	<u>\$ 187,292,976</u>	<u>\$ (8,944,617)</u>	<u>\$ 10,039,838</u>	<u>\$ -</u>	<u>\$ 188,388,197</u>	<u>\$ 180,952,943</u>

VICTORVILLE WATER DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2020)

	Victorville Wastewater Reclamation				Totals	
	Water	Facility	Reclaimed Water	Eliminations	2021	2020
Operating Revenues						
Utility Sales	\$ 24,153,594	\$ 8,294,456	\$ 548,875	\$ -	\$ 32,996,925	\$ 27,405,638
Meter and Service Fees	7,481,406	-	-	-	7,481,406	7,217,219
Pass-Thru Charges	1,084,485	-	-	-	1,084,485	289,000
Fines and Forfeitures	-	-	-	-	-	231,994
Arsenic Surcharge	263,614	-	-	-	263,614	264,302
Other	335,654	4,918	-	-	340,572	198,467
Total Operating Revenues	<u>33,318,753</u>	<u>8,299,374</u>	<u>548,875</u>	<u>-</u>	<u>42,167,002</u>	<u>35,606,620</u>
Operating Expenses						
Personnel Services	10,619,704	191,935	89,818	-	10,901,457	11,689,745
Maintenance and Operations	12,582,989	4,231,086	102,475	-	16,916,550	15,718,657
Production Costs	4,625,808	-	5,479	-	4,631,287	4,034,055
Pass-Thru Production Costs	1,084,485	1,446,328	-	-	2,530,813	289,000
Depreciation	5,957,947	1,215,150	165,502	-	7,338,599	7,276,463
Total Operating Expenses	<u>34,870,933</u>	<u>7,084,499</u>	<u>363,274</u>	<u>-</u>	<u>42,318,706</u>	<u>39,007,920</u>
Operating Income (Loss)	<u>(1,552,180)</u>	<u>1,214,875</u>	<u>185,601</u>	<u>-</u>	<u>(151,704)</u>	<u>(3,401,300)</u>
Nonoperating Revenues (Expenses)						
Taxes	1,096,573	-	-	-	1,096,573	912,768
Investment Income	270,724	8,813	8,561	(175,928)	112,170	998,042
Interest Expense	(415,588)	(175,928)	-	175,928	(415,588)	(430,914)
Gain on Disposal of Assets	12,976	-	-	-	12,976	-
Other Nonoperating Revenues	62,540	55,466	-	-	118,006	292,774
Total Nonoperating Revenues (Expenses)	<u>1,027,225</u>	<u>(111,649)</u>	<u>8,561</u>	<u>-</u>	<u>924,137</u>	<u>1,772,670</u>
Income (Loss) Before Capital Contributions	<u>(524,955)</u>	<u>1,103,226</u>	<u>194,162</u>	<u>-</u>	<u>772,433</u>	<u>(1,628,630)</u>
Capital Contributions						
Connection Fees	3,078,389	2,091,000	-	-	5,169,389	3,619,685
Alternate Water Source Fees	-	-	903,332	-	903,332	574,233
Capital Restricted Use Fees	-	590,100	-	-	590,100	1,048,742
Capital Grants	-	-	-	-	-	60,020
Total Capital Contributions	<u>3,078,389</u>	<u>2,681,100</u>	<u>903,332</u>	<u>-</u>	<u>6,662,821</u>	<u>5,302,680</u>
Change in Net Position	<u>2,553,434</u>	<u>3,784,326</u>	<u>1,097,494</u>	<u>-</u>	<u>7,435,254</u>	<u>3,674,050</u>
Net Position - Beginning of Year	<u>184,739,542</u>	<u>(12,728,943)</u>	<u>8,942,344</u>	<u>-</u>	<u>180,952,943</u>	<u>177,278,893</u>
Net Position - End of Year	<u><u>\$ 187,292,976</u></u>	<u><u>\$ (8,944,617)</u></u>	<u><u>\$ 10,039,838</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 188,388,197</u></u>	<u><u>\$ 180,952,943</u></u>