



**Hi-Desert Water District**  
Yucca Valley, California

**Annual Comprehensive Financial Report**

**For the Fiscal Years Ended June 30, 2021 and 2020**



## Our Mission Statement

*“To provide a safe and reliable water supply and Wastewater Reclamation System for customers of the Hi-Desert Water District in a safe, efficient and financially responsible manner”*

### **Hi Desert Water District**

#### **Board of Directors List**

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Roger Mayes	President	Elected	12/18 - 12/22
Sheldon Hough	Vice President	Elected	12/18 - 12/22
Jim Byerrum	Director	Appointed	04/20 - 12/22
Scot McKone	Director	Appointed	09/20 - 12/24
Bob Stadum	Director	Elected	12/20 - 12/24

**Hi-Desert Water District  
Paul Peschel, General Manager  
55439 29 Palms Highway  
Yucca Valley, CA 92284-2502  
(760) 365-8333 – [www.hdwd.com](http://www.hdwd.com)**



**Annual Comprehensive Financial Report**

**For the Fiscal Years Ended**

**June 30, 2021 and 2020**

**Hi-Desert Water District**

**55439 29 Palms Highway  
Yucca Valley, CA 92284-2503**

**Prepared By:**

***Jonathan Abadesco CPA, Assistant General Manager - Administration***

***Tanya Gruwell, Controller***

**HI-DESERT WATER DISTRICT**  
*For the Fiscal Year Ended June 30, 2021*  
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## *Introductory Section*

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December 15, 2021

Board of Directors  
Hi-Desert Water District

## **Introduction**

We are pleased to present the Hi-Desert Water District's (District) Annual Comprehensive Financial Report (Report) for the fiscal year ending June 30, 2021. The purpose of this Report is to provide the Board of Directors (Board), members of the public, and other interested parties with reliable financial information about the District.

District management assumes full responsibility for the completeness and reliability of the information contained in the Report, which is based upon a comprehensive framework of internal controls that were established for this purpose. Because the costs of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

State Law and Bond covenants requires an independent certified public accountant, selected by the Board, to audit the financial statements on an annual basis. Nigro & Nigro, PC has issued an unmodified (or clean) opinion on the District's financial statements for the fiscal year ending June 30, 2021. The Independent Auditor's Report is presented as the first component of the Financial Section of this Report.

Generally Accepted Accounting Principles (GAAP) require District management to provide a section within this Report that includes a narrative introduction with an overview and analysis referred to as the Management's Discussion and Analysis (MD&A) section, which can be found immediately following the Independent Auditor's Report in the Financial Section and provides an overview, summary, and analysis of the financial statements. The MD&A is designed to complement the letter of transmittal and should be read in conjunction with it.

## **District Structure and Leadership**

The District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The District was formed in 1962 and is governed by a five-member Board of Directors elected at-large from within the District's service area. The Board convenes for regularly scheduled meetings on the first and third Wednesday of each month. These meetings are publicly noticed, and citizens are encouraged to attend. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. As of the fiscal year ending June 30, 2021, the District employed forty-three (43) regular full-time employees who are organized into seven (7) departments.

Fiscal Year 2021 brought both major challenges and significant opportunities for the District as the COVID-19 pandemic and expanding drought conditions required staff to collaborate in new and innovative ways both internally and externally. The result was uninterrupted delivery of safe, reliable water supplies to its service area that proved the value of the District's long-term commitment and investment in supply reliability. The Urban Water Management Plan completed in June establishes the District has sufficient and reliable water supplies to meet customer water needs through 2045 considering water use forecasts under normal and dry conditions.

## **District Services**

As of June 30, 2021, the District provides water service to approximately 10,870 customers within its fifty-seven (57) square mile service area located in the eastern desert area of San Bernardino County (County). The District's service area encompasses the Town of Yucca Valley and portions of unincorporated areas of the County.

Residential customers represent approximately 91% of the District's customer base and consume approximately 76% of the annually produced water. The District has 12 groundwater wells with a maximum production capacity of 6,600 gallons per minute, and over 300 miles of water distribution and transmission pipelines. In 2021 and 2020, the District purchased 3,251 and 1,141 acre-feet of State Water Project (SWP) water respectively, through Mojave Water Agency, the District's SWP wholesaler.

As of June 30, 2021, the District provides sewer service to approximately 2,591 connections for Benefit Area 1 (Phase 1), supported by seventy-seven (77) linear miles of mainline. This area extends from the wastewater treatment plant on the south side of 29 Palms Highway extending west through the primary corridor of the Town of Yucca Valley.

## **Economic Condition and Outlook**

District offices are located in the Town of Yucca Valley. Economic conditions within the County continue to improve, however at a rate that is somewhat slower than its neighboring Counties within Southern California. According to the County's 2020 Economic Indicators Report, the cost of living is low in the County compared to its Southern California neighbors, but it is 18% higher than the national average. Real median household income has rebounded in the last five years. In 2019, median household income in the County was \$67,903, which is a 21% increase since the 10-year low in 2014 (\$56,200) and outpaces inflation. Housing indicators are showing signs of recovery from the decrease in economic activity over the past few years in the County. The minimum qualifying income needed to purchase a median-priced, entry-level home (\$296,250) was approximately \$42,000 as of the first quarter of 2020. Fewer than 69% of households in the County could afford an entry-level home, which is slightly higher than the 67% in the first quarter of 2019 but remains substantially less than the 87% in 2011. The County's homeownership rate dropped to 60% in 2020, down slightly from 61% in 2019 but a three-percentage point gain from the 10-year low of 57%. The 2019 rate of 60% is four percentage points below the homeownership rate of 64% in 2009. Seniors are found more likely to be homeowners (76%) within the County than non-seniors (56%). The County's homeownership rate is above the California rate of 52% and below the nationwide homeownership rate of 65%.

County unemployment rates ranged from a low of 5.6% in 2007 to a high of 13.5% in 2010. After years of steady decreases in the unemployment rate, hitting a low of 3.7% in 2019, the unemployment rate was 9.2% in December 2020. This is mostly due to the impact of the pandemic and mandatory stay-at-home orders. In December 2020, the County's unemployment rate was ranked 39 out of the 58 counties in California, a position that has worsened significantly from its 28<sup>th</sup> place in 2019. The County's unemployment rate is higher than the California rate (8.8%) and higher than the national rate (6.7%). The local economy continues to improve with visitor spending totaling \$5.7 billion within the County in 2019 (\$5.4 billion in 2018), the highest level in 15 years; which had a positive impact on jobs within the County and represents a 14% growth in visitor spending since 2005 (inflation-adjusted). Yucca Valley, being the hub of our local economy within the Morongo Basin, recognizes some of this visitor spending through tourist attractions such as the Joshua Tree National Park (Park), which attracts an estimated 3 million visitors per year. In 2020, the Park recorded \$2.4 million visitors, which marked the first time in seven years that the Park did not set an attendance record. The decrease in visitation is largely due to temporary closures in March, April, and May in response to the COVID-19 pandemic. Despite the decrease in attendance, the Park was the 10<sup>th</sup> most visited national park in 2020.

According to [californiadrought.org](http://californiadrought.org), approximately 95% of California is experiencing moderate to exceptional drought conditions. Also, per the website, 33.75% of California is experiencing extreme to exceptional drought conditions. Current cumulative precipitation in California's three key hydrologic regions has been dry and below long-term average with California's snowpack conditions well below normal. Total snowpack was about 17% below average as of April 2021.

Reservoir levels throughout the State vary, with Lake Shasta and Lake Oroville experiencing a drop to 46% and 60%, respectively in November 2021 from a historical average of 83% each in November 2021. Folsom Lake saw an increase from 83% in November 2020 to 92% in November 2021. San Luis Reservoir saw a 43% decrease from 89% in November 2020 to 46% in November 2021. With the State's current storage water levels at 59% of the historical average as of October 2021 (71% as of October 2020), Mojave Water Agency will be able to meet all the District's annual water needs with minimal annual SWP allocations from the Department of Water Resources. As of August 2021, the District has received 2,200 acre-feet of water from Mojave Water Agency. The District will have the opportunity to resume banking water from Mojave Water Agency for calendar year 2022.

A drought emergency was declared for the entire State to help minimize drought impacts.. Water regulators were authorized to ban wasteful water use. In addition, State officials are urging Californians to reduce water use by 15%. This comes as the State concluded its second-driest water year on record Associated conservation efforts are falling short of State targets with water use having dropped 1.8%.

The District has a Water Shortage Contingency Plan (Plan) in place to help ensure an appropriate and effective response to droughts. The Plan addresses shortages, while ensuring customers have access to safe and reliable potable water. The District is fortunate to receive its supplies primarily from the Warren Valley Groundwater Basin (Basin), which spans approximately 27 square miles and is beneath the Town of Yucca Valley and the surrounding area. Approximately 40% of the District's water is recycled to the Basin. This water source allows the District to reduce SWP imports and the associated cost by an equal amount while significantly increasing dependability. It is critical that the District ensure a balance between the amount of water that comes into the Basin and the net amount used. Customers are routinely encouraged to conserve to help ensure imports are minimized and water is used efficiently. The District encourages a 10% continuous reduction in water use to further help ensure conservation of this valuable resource.

### **Major Initiatives**

The activities of the Board and District staff are founded upon its Mission: "To provide a safe, reliable water supply and wastewater reclamation system for the customers of the Hi-Desert Water District in an efficient and financially responsible manner".

The strategic goals adopted by the Board are:

1. Customer Satisfaction;
2. Financial Vitality;
3. Water Resource Adequacy;
4. Infrastructure Stability;
5. Operational Optimization;
6. Operational Resiliency;
7. Community Sustainability;
8. Stakeholder Understanding and Support
9. Board, Employee, and Leadership Development; and
10. Product Quality.

All programs and operations of the District are developed and carried out to ensure the highest level of service to its customers. This is reflected in the District's motto, "Hi-Desert Water District—Serving You Today, Planning for Tomorrow".

### **Accomplishments**

In support of the District's Mission, the following objectives were completed in Fiscal Year 2020/21:

#### **Water Enterprise**

1. Replacement of 6,000 linear feet of water main;
2. Replacement of approximately 846 meters and service lines as part of the District's Capital Replacement Program with automatic meter reading (AMR) technology to enhance performance and assist with conservation measures;
3. Finished Tank Maintenance Program which includes inspection, wash out, clean out, along with repair and recoating of interior and exterior surfaces;
4. Imported 3,251 acre-feet (AF) of State Water Project water to recharge and build reserves in the Warren Valley Groundwater Basin;
5. Participated as a member of the Mojave Region Integrated Regional Water Management Plan Technical Advisory Committee
6. Updated the District's Emergency Response Plan (ERP) with a transition to electronic format;
7. Enhancing the Computer Maintenance Management System (CMMS) which Construction Maintenance, Production, Field Service, Customer Service, and Wastewater departments activities; and
8. Completed the 2020-2025 Urban Water Management Plan.

#### **Wastewater Enterprise**

1. Completed construction of Phase I, Package D of the wastewater collection system, which consists of approximately 29 miles of pipeline, appurtenances, pavement restoration and reconstruction;
2. Completed Phase I, Package B1 (Paxton Pump Station) construction;
3. Completed Phase I, Package B3 (Kickapoo Pump Station) construction;
4. Completed Wastewater Treatment Reclamation Facility (Facility) construction.. The Facility is designed to treat 1.6 million gallons per day of waste. and discharge fully treated effluent in compliance with Title 22 requirements into three (3) percolation ponds;
5. Continued private sewer connections. The District assists property owners with California State Water Resource Control Board Wastewater Treatment and Reclamation Project On-Lot Improvements Expanded Use Loan (Expanded Use Loan) Program applications. 58% or 2,591 (4,500 total) property owners connections.. Of the total sewer connections, 719 property owners applied for the Expanded Use Loan; and
6. Requested an extension of the prohibition deadline for Phase 1 and 2 for property owners. The Colorado River Basin Regional Board agreed to a extend the deadline to December 31, 2028 and December 31, 2031, if the Western Joshua Trees are listed as an endangered species by the California Department Fish and Wildlife (CDFW).

## **Internal Control Structure**

The District established and continually reviews its Internal Control Structure for improvement to ensure that assets are adequately safeguarded, and transactions are recorded in accordance with District policies and procedures. The Internal Control Structure also helps ensure adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

## **Budgetary Control**

On an annual basis, the District's Board approves and adopts a budget with operational and capital components, detailed at a department level, thereby integrating the financial planning process into the strategic planning process. A utility (or other enterprise government agency) is a self-supporting operation of a commercial or enterprise nature and the appropriate level of revenues and expenses is largely determined by the demand or service. Therefore, the annual budget should not be viewed as a rigid appropriation, but rather as a flexible, prioritized plan. The budget is prepared with a focus on objectives. With an objectives approach, annual objectives are delineated for each Strategic Plan goal. The cost to achieve these objectives and associated goals are then translated into dollars via the budget process. This process helps ensure each department is adequately financially resourced to effectuate the District Strategic Plan, Mission and Vision with the flexibility to adjust for fluctuations in demand for water services. Major capital project appropriations are carried forward from year to year until each project is completed.

## **Investment Policy**

The Board has adopted an investment policy that conforms to State law, District ordinances and resolutions, prudent money management, and the "prudent person" standard. The objective of the Investment Policy is safety, liquidity, and yield. District funds are invested in the State Treasurer's Local Agency Investment Fund, institutional savings, and checking accounts.

## **District Revenues - Water Rates and Sewer Maintenance Fees**

The District determines and sets its water and wastewater rates to ensure sufficient funds are generated to efficiently and efficiently operate and maintain the District's systems and maintain a reliable water supply.

For water services, the District uses a base rate which corresponds to the size of the water meter. The District's water rate structure consists of a 3-tier variable usage rate for consumption which increases as water use increases. The fee structure has been effective in helping to ensure water conservation through reduced customer use by encouraging customers to manage their water use. The District receives revenue through potable water rates charges paid by customers for services. Water revenue is the primary component of the District's revenue. Water revenues are recorded in the District's water fund.

Sewer Maintenance Fees are costs associated with operating and maintaining the District's sewer system. Maintenance fees for non-residential properties are based upon the amount of water consumption. Residential properties are billed a flat rate and are collected through property taxes. Wastewater revenues are recorded in the District's wastewater fund.

## **Water Conservation Programs**

As part of the District's conservation management practices in 1991, the District became a signatory to the California Department of Water Resources Urban Water Management Plan agreeing to develop and implement comprehensive conservation practices or "Best Management Practices." Conservation efforts include District staff participation in a number of community events, distribution of materials to encourage water conservation and the aforementioned water tiered rate structure.

The District also offers the following conservation programs:

- Residential Water Audits
- Water Awareness Program

## **Risk Management**

The District is a member of the Association of California Water Agencies Joint Power Insurance Authority (Authority). The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

## **Other References**

More information is contained in the Management's Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the Report.

## **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* (Certificate) to the District for its Report for the fiscal year ending June 30, 2020. This was the thirteenth consecutive year that the District has received this prestigious award. To be awarded a Certificate, a governmental entity must publish an easily readable and efficiently organized Report. The Report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate is valid for a period of one year. We believe that our current Report continues to meet Certificate requirements. As such we are submitting the Report to GFOA to determine the District's eligibility for another Certificate.

Preparation of this Report was completed by District staff. We appreciate the dedicated efforts and professionalism of our staff and would like to thank the members of our Board of Directors for their continued support in the planning and implementation of the Hi-Desert Water District's fiscal policies.

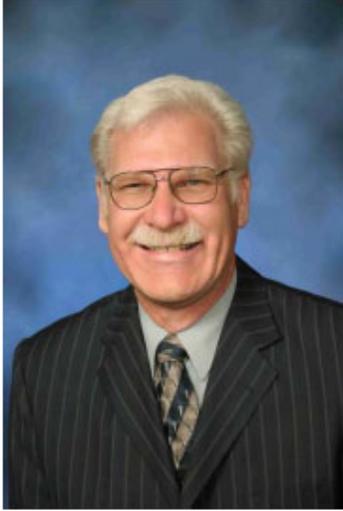
Respectfully submitted,

*Paul G. Peschel*

Paul Peschel  
General Manager  
Hi-Desert Water District

## Board of Directors

A five-member Board of Directors are elected by the Yucca Valley area to set policy and govern the District. Currently the Board of Directors are:



**Roger Mayes  
(President)**



**Sheldon Hough  
(Vice-President)**



**Scot McKone  
(Director)**



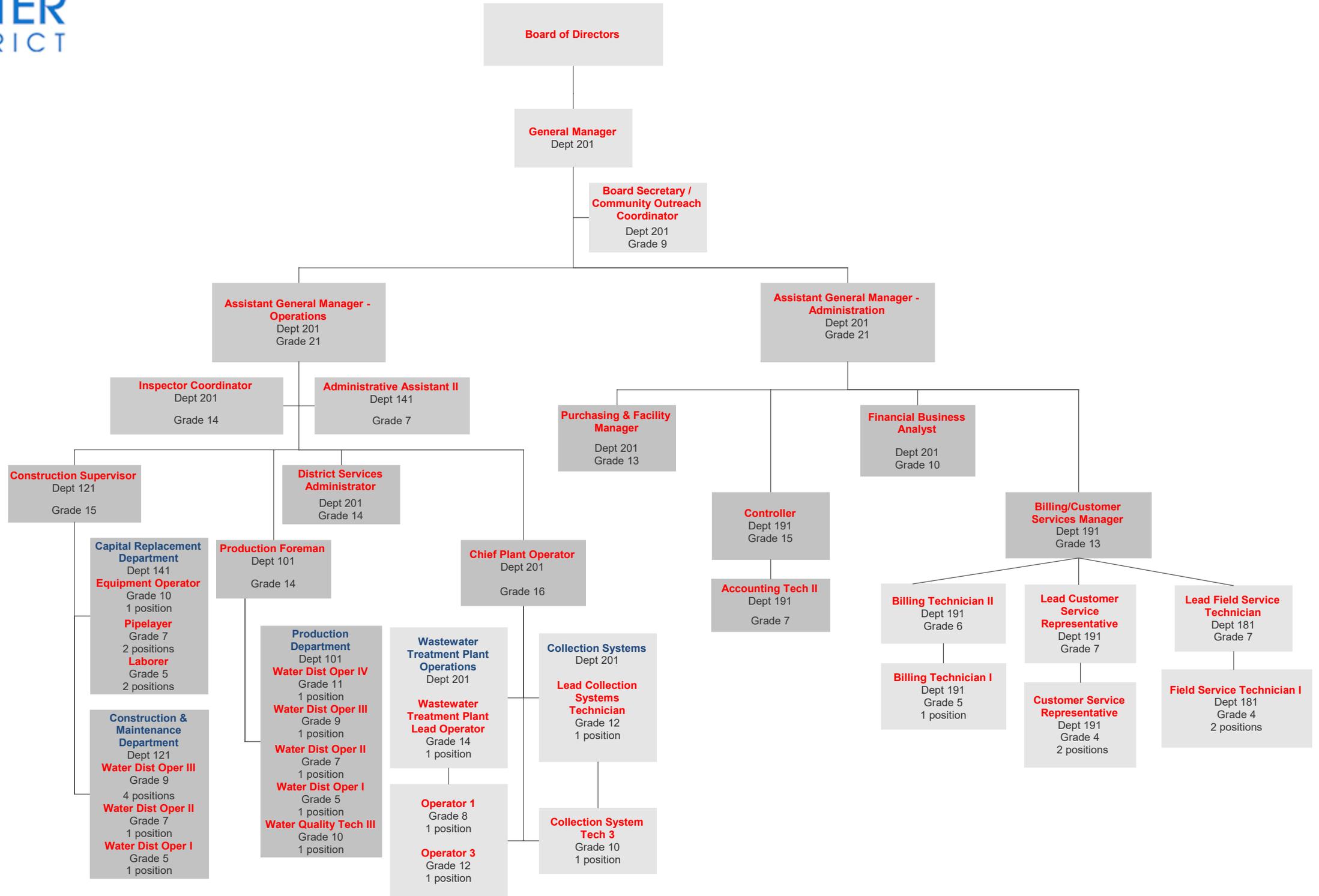
**Bob Stadum  
(Director)**



**Jim Byerrum  
(Director)**



Organizational Chart  
Fiscal Year 2020/2021





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Hi-Desert Water District  
California**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Morill*

Executive Director/CEO

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## *Financial Section*

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Hi-Desert Water District  
Yucca Valley, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Hi-Desert Water District (District), which comprise the statement of net position as of June 30, 2021, and the related statement of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

### 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 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.

### 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 respective changes in 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**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of the District's Contributions to the Defined Benefit Pension Plan, and Schedule of Changes in the District's Net OPEB Liability and Related Ratios 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.

### *Supplementary Information*

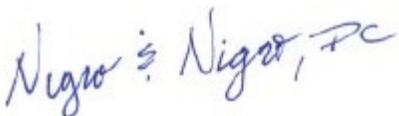
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The Schedule of Net Position – Combined and the Schedule of Revenues, Expenses and Changes in Net Position – Combined are presented 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, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Prior-Year Comparative Information**

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a 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 financial statements for the year ended June 30, 2020, from which such partial information was derived.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a separate report dated December 15, 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California  
December 15, 2021

## **HI-DESERT WATER DISTRICT**

### *Management's Discussion and Analysis (Unaudited)*

*For the Years Ended June 30, 2021 and 2020*

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Management's Discussion and Analysis (MD&A) offers readers of Hi-Desert Water District's financial statements a narrative overview of the District's financial activities for the year ended June 30, 2021. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

#### **FINANCIAL HIGHLIGHTS**

- In fiscal year 2021, the District's net position increased 4.11%, or \$3,140,668 from the prior year's net position of \$76,355,382 to \$79,496,050, as a result of the year's operations. In fiscal year 2020, the District's net position increased 15.67%, or \$10,344,060 from the prior year's net position of \$66,011,322 to \$76,355,382 as a result of the year's operations.
- In fiscal year 2021, operating revenues increased by 20.44%, or \$1,641,111 from \$8,029,937 to \$9,671,048, from the prior year, primarily due to increases in water consumption sales as well as increases in sewer service fees. In fiscal year 2020, operating revenues increased by 2.78%, or \$216,652 from \$7,813,285 to \$8,029,937, from the prior year, primarily due to increases in water consumption sales as well as increases in sewer service fees.
- In fiscal year 2021, operating expenses before depreciation expense increased by 13.69% or \$1,440,647 from \$10,526,776 to \$11,967,423, from the prior year, primarily due to increases in costs for source of supply and pumping and water treatment. In fiscal year 2020, operating expenses before depreciation expense increased by 14.06% or \$1,297,561 from \$9,229,215 to \$10,526,776, from the prior year, primarily due to increases in costs for pumping and water treatment and transmission and distribution.

#### **REQUIRED FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement 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 Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement 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 Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement 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.

**HI-DESERT WATER DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended June 30, 2021 and 2020*

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**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 Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting 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 them. You 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.

**Condensed Statements of Net Position**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>	<u>June 30, 2019</u>	<u>Change</u>
<b>Assets:</b>					
Current assets	\$ 27,319,065	\$ 24,190,922	\$ 3,128,143	\$ 35,639,018	\$ (11,448,096)
Non-current assets	2,215,941	530,162	1,685,779	-	530,162
Capital assets, net	<u>200,652,355</u>	<u>199,939,901</u>	<u>712,454</u>	<u>168,948,593</u>	<u>30,991,308</u>
<b>Total assets</b>	<u>230,187,361</u>	<u>224,660,985</u>	<u>5,526,376</u>	<u>204,587,611</u>	<u>20,073,374</u>
<b>Deferred outflows of resources</b>	<u>2,197,966</u>	<u>2,375,973</u>	<u>(178,007)</u>	<u>1,603,966</u>	<u>772,007</u>
<b>Liabilities:</b>					
Current liabilities	\$ 3,773,501	\$ 5,064,611	\$ (1,291,110)	\$ 20,315,173	\$ (15,250,562)
Non-current liabilities	<u>148,986,430</u>	<u>145,369,469</u>	<u>3,616,961</u>	<u>119,722,111</u>	<u>25,647,358</u>
<b>Total liabilities</b>	<u>152,759,931</u>	<u>150,434,080</u>	<u>2,325,851</u>	<u>140,037,284</u>	<u>10,396,796</u>
<b>Deferred inflows of resources</b>	<u>129,346</u>	<u>247,496</u>	<u>(118,150)</u>	<u>142,971</u>	<u>104,525</u>
<b>Net position:</b>					
Net investment in capital assets	63,660,666	65,480,889	(1,820,223)	58,878,373	6,602,516
Restricted	13,441,771	12,526,074	915,697	6,579,985	5,946,089
Unrestricted (Deficit)	<u>2,393,613</u>	<u>(1,651,581)</u>	<u>4,045,194</u>	<u>552,964</u>	<u>(2,204,545)</u>
<b>Total net position</b>	<u>\$ 79,496,050</u>	<u>\$ 76,355,382</u>	<u>\$ 3,140,668</u>	<u>\$ 66,011,322</u>	<u>\$ 10,344,060</u>

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 \$79,496,050 and \$76,355,382 as of June 30, 2021 and 2020, respectively.

## HI-DESERT WATER DISTRICT

### Management's Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2021 and 2020

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#### FINANCIAL ANALYSIS OF THE DISTRICT (continued)

##### Condensed Statements of Net Position (continued)

By far the largest portion of the District's net position (80% and 86% as of June 30, 2021 and 2020) 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 its customers; consequently, these assets are not available for future spending.

At the end of year 2021, the District showed a positive balance in its unrestricted net position of \$2,393,613 which may be utilized in future years.

At the end of year 2020, the District showed a deficit balance in its unrestricted net position of (\$1,651,581) which will be analyzed over time due to the actuarial estimates of the District's OPEB and pension liabilities.

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>	<u>June 30, 2019</u>	<u>Change</u>
Operating revenues	\$ 9,671,048	\$ 8,029,937	\$ 1,641,111	\$ 7,813,285	\$ 216,652
Operating expenses	<u>(11,967,423)</u>	<u>(10,526,776)</u>	<u>(1,440,647)</u>	<u>(9,229,215)</u>	<u>(1,297,561)</u>
<b>Operating income before depreciation</b>	(2,296,375)	(2,496,839)	200,464	(1,415,930)	(1,080,909)
Depreciation expense	<u>(4,133,315)</u>	<u>(1,916,159)</u>	<u>(2,217,156)</u>	<u>(1,871,168)</u>	<u>(2,378,470)</u>
<b>Operating income</b>	(6,429,690)	(4,412,998)	(2,016,692)	(3,287,098)	1,297,561
Non-operating revenues, net	<u>8,773,121</u>	<u>9,095,429</u>	<u>(322,308)</u>	<u>7,759,283</u>	<u>1,336,146</u>
<b>Net income before capital contributions</b>	2,343,431	4,682,431	(2,339,000)	4,472,185	210,246
Capital contributions	<u>797,237</u>	<u>5,661,629</u>	<u>(4,864,392)</u>	<u>11,025,421</u>	<u>(5,363,792)</u>
<b>Change in net position</b>	<u>3,140,668</u>	<u>10,344,060</u>	<u>(7,203,392)</u>	<u>15,497,606</u>	<u>(5,153,546)</u>
Net position:					
<b>Beginning of year</b>	<u>76,355,382</u>	<u>66,011,322</u>	<u>10,344,060</u>	<u>50,513,716</u>	<u>15,497,606</u>
<b>End of year</b>	<u>\$ 79,496,050</u>	<u>\$ 76,355,382</u>	<u>\$ (4,062,724)</u>	<u>\$ 66,011,322</u>	<u>\$ 10,344,060</u>

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years. In the case of the District:

In fiscal year 2021, the District's net position increased 4.11%, or \$3,140,668 from the prior year's net position of \$76,355,382 to \$79,496,050, as a result of the year's operations.

In fiscal year 2020, the District's net position increased 15.67%, or \$10,344,060 from the prior year's net position of \$66,011,322 to \$76,355,382 as a result of the year's operations.

**HI-DESERT WATER DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended June 30, 2021 and 2020*

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**FINANCIAL ANALYSIS OF THE DISTRICT (continued)**

**Total Revenues**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>	<u>June 30, 2019</u>	<u>Increase (Decrease)</u>
<b>Operating revenues:</b>					
Water consumption sales	\$ 6,530,140	\$ 5,864,805	\$ 665,335	\$ 5,707,152	\$ 157,653
Readiness-to-serve fees	1,637,183	1,727,259	(90,076)	1,800,183	(72,924)
Sewer service fees	1,400,055	194,103	1,205,952	-	194,103
Other operating revenues	103,670	243,770	(140,100)	305,950	(62,180)
<b>Total operating revenues</b>	<u>9,671,048</u>	<u>8,029,937</u>	<u>1,641,111</u>	<u>7,813,285</u>	<u>216,652</u>
<b>Non-operating revenues:</b>					
Property taxes	1,918,559	1,703,128	215,431	1,634,342	68,786
Measure Z sales tax revenue	2,433,370	2,040,545	392,825	2,028,361	12,184
Assessment revenue	4,077,377	3,877,314	200,063	2,673,129	1,204,185
Investment earnings	48,432	131,169	(82,737)	151,394	(20,225)
Capital surcharge	1,580,727	1,224,922	355,805	1,065,563	159,359
Morongo basin project surcharge	-	51,052	(51,052)	557,752	(506,700)
Other non-operating revenues	170,732	197,454	(26,722)	261,700	(64,246)
<b>Total non-operating revenues</b>	<u>10,229,197</u>	<u>9,225,584</u>	<u>1,003,613</u>	<u>8,372,241</u>	<u>853,343</u>
<b>Capital contributions:</b>					
Capital grants	54,835	5,249,970	(5,195,135)	10,657,176	(5,407,206)
Meter sales and installations	742,402	411,659	330,743	368,245	43,414
<b>Total capital contributions</b>	<u>797,237</u>	<u>5,661,629</u>	<u>(4,864,392)</u>	<u>11,025,421</u>	<u>(5,363,792)</u>
<b>Total revenues</b>	<u>\$ 20,697,482</u>	<u>\$ 22,917,150</u>	<u>\$ (2,219,668)</u>	<u>\$ 27,210,947</u>	<u>\$ (4,293,797)</u>

In fiscal year 2021, operating revenues increased by 20.44%, or \$1,641,111 from \$8,029,937 to \$9,671,048, from the prior year, primarily due to increases in water consumption sales as well as increases in sewer service fees. Also, non-operating revenues increased by 10.88%, or \$1,003,613 from \$9,225,584 to \$10,229,197 due to an increase in various revenue types.

In fiscal year 2020, operating revenues increased by 2.78%, or \$216,652 from \$7,813,285 to \$8,029,937, from the prior year, primarily due to increases in water consumption sales as well as increases in sewer service fees. Also, non-operating revenues increased by 10.19%, or \$853,343 from \$8,372,241 to \$9,225,584 due to an increase in various revenue types.

**HI-DESERT WATER DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended June 30, 2021 and 2020*

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**FINANCIAL ANALYSIS OF THE DISTRICT (continued)**

**Total Expenses**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>	<u>June 30, 2019</u>	<u>Increase (Decrease)</u>
<b>Operating expenses:</b>					
Source of supply	\$ 2,096,895	\$ 721,112	\$ 1,375,783	1,794,010	(1,072,898)
Pumping and water treatment	3,499,648	2,409,111	1,090,537	1,756,121	652,990
Transmission and distribution	1,622,916	1,940,831	(317,915)	1,687,110	253,721
Sewer operations	379,262	1,026,977	(647,715)	158,690	868,287
Customer accounts	257,937	259,413	(1,476)	371,078	(111,665)
General and administrative	4,110,765	4,169,332	(58,567)	3,462,206	707,126
<b>Total operating expenses</b>	<u>11,967,423</u>	<u>10,526,776</u>	<u>1,440,647</u>	<u>9,229,215</u>	<u>1,297,561</u>
Depreciation expense	4,133,315	1,916,159	2,217,156	1,871,168	44,991
<b>Non-operating expenses:</b>					
Lease payment – Morongo basin project	7,945	8,960	(1,015)	481,070	(472,110)
Interest expense	1,434,177	107,564	1,326,613	118,103	(10,539)
Other non-operating expenses	13,954	13,631	323	13,785	(154)
<b>Total non-operating expenses</b>	<u>1,456,076</u>	<u>130,155</u>	<u>1,325,921</u>	<u>612,958</u>	<u>(482,803)</u>
<b>Total expenses</b>	<u>\$ 17,556,814</u>	<u>\$ 12,573,090</u>	<u>\$ 4,983,724</u>	<u>\$ 11,713,341</u>	<u>\$ 814,758</u>

In fiscal year 2021, operating expenses before depreciation expense increased by 13.69% or \$1,440,647 from \$10,526,776 to \$11,967,423, from the prior year, primarily due to increases in costs for source of supply and pumping and water treatment.

In fiscal year 2020, operating expenses before depreciation expense increased by 14.06% or \$1,297,561 from \$9,229,215 to \$10,526,776, from the prior year, primarily due to increases in costs for pumping and water treatment and transmission and distribution.

**Capital Assets**

	<u>Balance June 30, 2021</u>	<u>Balance June 30, 2020</u>	<u>Balance June 30, 2019</u>
<b>Capital assets:</b>			
Non-depreciable assets	\$ 3,570,080	\$ 162,942,503	\$ 133,112,924
Depreciable assets	239,987,161	75,768,969	72,691,081
Accumulated depreciation	<u>(42,904,886)</u>	<u>(38,771,571)</u>	<u>(36,855,412)</u>
<b>Total capital assets, net</b>	<u>\$ 200,652,355</u>	<u>\$ 199,939,901</u>	<u>\$ 168,948,593</u>

At the end of fiscal year 2021 and 2020, the District's investment in capital assets amounted to \$200,652,355 and \$199,939,901 (net of accumulated depreciation), respectively. Capital asset additions amounted to \$4,845,769 and \$48,567,409 for various projects and equipment. See Note 5 for further information.

# HI-DESERT WATER DISTRICT

*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended June 30, 2021 and 2020*

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## FINANCIAL ANALYSIS OF THE DISTRICT (continued)

### Debt Administration

The long-term debt of the District is summarized below:

	<b>Balance</b>	<b>Balance</b>	<b>Balance</b>
<b>Long-term debt:</b>	<b><u>June 30, 2021</u></b>	<b><u>June 30, 2020</u></b>	<b><u>June 30, 2019</u></b>
Loans and bonds payable	<b><u>\$ 137,636,926</u></b>	<b><u>\$ 134,459,012</u></b>	<b><u>\$ 110,070,220</u></b>

In fiscal year 2021, long-term debt increased by a total of \$3,177,914. Principal payments were \$4,493,974 and amortization of the debt premiums amounted to \$45,457, while new debt proceeds amounted to \$7,717,345.

In fiscal year 2020, long-term debt increased by a total of \$24,388,792. Principal payments were \$450,000 and amortization of the debt premiums amounted to \$45,456, while new debt proceeds amounted to \$24,884,248.

See Notes 7, 8 and 9 for further information.

## 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.

## CONDITIONS AFFECTING CURRENT AND FUTURE FINANCIAL POSITION

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 in terms of past, present, and future periods.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's present users, including funding sources, customers, stakeholders, and other interested parties with a general overview of the District's finances; and to demonstrate the District's accountability 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 Assistant General Manager – Administration at Hi-Desert Water District, 55439 29 Palms Highway, Yucca Valley, California 92284-2503 or (760) 365-8333.

# HI-DESERT WATER DISTRICT

## Statements of Net Position

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

	<u>2021</u>	<u>2020</u>
<b>Current assets:</b>		
Cash and cash equivalents (Note 2)	\$ 10,143,510	\$ 5,779,138
Restricted – cash and cash equivalents (Note 2)	13,441,771	12,526,074
Accrued interest receivable	2,985	13,228
Accounts receivable – water and sewer services, net (Note 3)	1,716,659	1,458,374
Accounts receivable – other	11,858	2,422
Taxes and assessments receivable	822,633	584,948
Federal, state and local funding receivable	17,304	2,477,041
Inventory – materials and supplies	315,544	510,954
Prepaid expenses and deposits	126,392	118,334
Prepaid lease payment (Note 13)	720,409	720,409
<b>Total current assets</b>	<u>27,319,065</u>	<u>24,190,922</u>
<b>Non-current assets:</b>		
Notes receivable (Note 4)	2,215,941	530,162
Capital assets – not being depreciated (Note 5)	3,570,080	162,942,503
Capital assets – being depreciated, net (Note 5)	<u>197,082,275</u>	<u>36,997,398</u>
<b>Total non-current assets</b>	<u>202,868,296</u>	<u>200,470,063</u>
<b>Total assets</b>	<u>230,187,361</u>	<u>224,660,985</u>
<b>Deferred outflows of resources:</b>		
Deferred amounts related to net OPEB obligation (Note 10)	716,114	891,916
Deferred amounts related to net pension liability (Note 11)	<u>1,481,852</u>	<u>1,484,057</u>
<b>Total deferred outflows of resources</b>	<u>2,197,966</u>	<u>2,375,973</u>
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 958,842	\$ 3,476,184
Deposits and unearned revenue	2,228,180	1,015,248
Accrued interest payable	14,392	17,458
Long-term liabilities – due within one year:		
Compensated absences (Note 6)	92,087	95,721
Bonds payable (Note 7)	<u>480,000</u>	<u>460,000</u>
<b>Total current liabilities</b>	<u>3,773,501</u>	<u>5,064,611</u>
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 6)	276,262	287,164
Bonds payable (Note 7)	1,716,826	2,242,283
Loans payable – State revolving fund (Note 8)	134,794,863	131,756,729
Loans payable – Expanded use loan (Note 9)	645,237	-
Net OPEB obligation (Note 10)	5,468,749	5,318,570
Net pension liability (Note 11)	<u>6,084,493</u>	<u>5,764,723</u>
<b>Total non-current liabilities</b>	<u>148,986,430</u>	<u>145,369,469</u>
<b>Total liabilities</b>	<u>152,759,931</u>	<u>150,434,080</u>
<b>Deferred inflows of resources:</b>		
Deferred amounts related to net OPEB obligation (Note 10)	27,770	35,938
Deferred amounts related to net pension liability (Note 11)	<u>101,576</u>	<u>211,558</u>
<b>Total deferred inflows of resources</b>	<u>129,346</u>	<u>247,496</u>
<b>Net position: (Note 12)</b>		
Net investment in capital assets	63,660,666	65,480,889
Restricted for sewer capital projects	13,441,771	12,526,074
Unrestricted (Deficit)	<u>2,393,613</u>	<u>(1,651,581)</u>
<b>Total net position</b>	<u>\$ 79,496,050</u>	<u>\$ 76,355,382</u>

## HI-DESERT WATER DISTRICT

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

For the Fiscal Year Ended June 30, 2021 (With Comparative Amounts as of June 30, 2020)

	<u>2021</u>	<u>2020</u>
<b>Operating revenues:</b>		
Water consumption sales	\$ 6,530,140	\$ 5,864,805
Readiness-to-serve fees	1,637,183	1,727,259
Sewer service fees	1,400,055	194,103
Other operating revenues	103,670	243,770
<b>Total operating revenues</b>	<u>9,671,048</u>	<u>8,029,937</u>
<b>Operating expenses:</b>		
Source of supply	2,096,895	721,112
Pumping and water treatment	3,499,648	2,409,111
Transmission and distribution	1,622,916	1,940,831
Sewer operations	379,262	1,026,977
Customer accounts	257,937	259,413
General and administrative	4,110,765	4,169,332
<b>Total operating expenses</b>	<u>11,967,423</u>	<u>10,526,776</u>
<b>Operating loss before depreciation</b>	(2,296,375)	(2,496,839)
Depreciation expense	(4,133,315)	(1,916,159)
<b>Operating loss</b>	<u>(6,429,690)</u>	<u>(4,412,998)</u>
<b>Non-operating revenues(expenses):</b>		
Property taxes	1,918,559	1,703,128
Measure Z sales tax revenue (Note 14)	2,433,370	2,040,545
Assessment revenue (Note 14)	4,077,377	3,877,314
Investment earnings	48,432	131,169
Capital surcharge	1,580,727	1,224,922
Morongo basin project surcharge (Note 13)	-	51,052
Lease payment – Morongo basin project	(7,945)	(8,960)
Interest expense	(1,434,177)	(107,564)
Other non-operating revenues	170,732	197,454
Other non-operating expenses	(13,954)	(13,631)
<b>Total non-operating revenues, net</b>	<u>8,773,121</u>	<u>9,095,429</u>
<b>Net income before capital contributions</b>	<u>2,343,431</u>	<u>4,682,431</u>
<b>Capital contributions:</b>		
Capital grants	54,835	5,249,970
Meter sales and installations	742,402	411,659
<b>Total capital contributions</b>	<u>797,237</u>	<u>5,661,629</u>
<b>Change in net position</b>	3,140,668	10,344,060
<b>Net position:</b>		
Beginning of year	<u>76,355,382</u>	<u>66,011,322</u>
End of year	<u>\$ 79,496,050</u>	<u>\$ 76,355,382</u>

## HI-DESERT WATER DISTRICT

### Statements of Cash Flows

For the Fiscal Year Ended June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers and others	\$ 9,077,206	\$ 8,260,525
Cash paid to employees for salaries and wages	(4,354,071)	(4,230,843)
Cash paid to vendors and suppliers for materials and services	<u>(9,428,182)</u>	<u>(5,384,161)</u>
<b>Net cash used in operating activities</b>	<u>(4,705,047)</u>	<u>(1,354,479)</u>
<b>Cash flows from non-capital financing activities:</b>		
Proceeds from property taxes	1,922,843	1,702,533
Proceeds from Measure Z sales tax	2,231,695	2,040,545
Proceeds from assessment revenue	<u>4,047,203</u>	<u>3,877,314</u>
<b>Net cash provided by non-capital financing activities</b>	<u>8,201,741</u>	<u>7,620,392</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(4,845,769)	(48,567,409)
Proceeds from capital grants	2,514,572	18,497,026
Proceeds from meter sales and installation	742,402	411,659
Proceeds from state revolving fund loan	7,072,108	24,884,248
Proceeds from expanded use loan	645,237	-
Principal paid on long-term debt	(4,493,974)	(495,456)
Interest paid on long-term debt	(1,482,700)	(109,064)
Proceeds from capital surcharge	1,580,727	1,224,922
Proceeds from Morongo basin project surcharge	-	51,052
Lease payment – Morongo basin project	<u>(7,903)</u>	<u>(8,960)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>1,724,700</u>	<u>(4,111,982)</u>
<b>Cash flows from investing activities:</b>		
Investment earnings	<u>58,675</u>	<u>140,575</u>
<b>Net cash provided by investing activities</b>	<u>58,675</u>	<u>140,575</u>
<b>Net increase in cash and cash equivalents</b>	5,280,069	2,294,506
<b>Cash and cash equivalents:</b>		
Beginning of year	<u>18,305,212</u>	<u>16,010,706</u>
End of year	<u>\$ 23,585,281</u>	<u>\$ 18,305,212</u>
<b>Reconciliation of cash and cash equivalents:</b>		
Cash and cash equivalents	\$ 10,143,510	\$ 5,779,138
Restricted – cash and cash equivalents	<u>13,441,771</u>	<u>12,526,074</u>
<b>Total cash and cash equivalents</b>	<u>\$ 23,585,281</u>	<u>\$ 18,305,212</u>

**HI-DESERT WATER DISTRICT***Statements of Cash Flows (continued)**For the Fiscal Year Ended June 30, 2021 (With Comparative Amounts as of June 30, 2020)*

	<u>2021</u>	<u>2020</u>
<b>Reconciliation of operating income to net cash used in operating activities:</b>		
Operating loss	\$ (6,429,690)	\$ (4,412,998)
<b>Adjustments to reconcile operating income to net cash used in operating activities:</b>		
Depreciation	4,133,315	1,916,159
Allowance for doubtful accounts	12,553	22,425
Other non-operating revenues	170,732	197,454
Other non-operating expenses		(13,631)
<b>Change in assets - (increase)decrease:</b>		
Accounts receivable, net	(270,838)	(3,037)
Other receivables	(9,436)	5,850
Inventory - materials and supplies	195,410	475,852
Prepaid expenses	-	771
<b>Change in deferred outflows of resources - (increase)decrease</b>		
Deferred amounts related to net OPEB obligation	175,802	(711,978)
Deferred amounts related to net pension liability	2,205	(60,029)
<b>Change in liabilities - increase(decrease):</b>		
Accounts payable and accrued expenses	(2,517,342)	(160,160)
Deposits and unearned revenues	(496,853)	7,896
Compensated absences	(14,536)	31,425
Net OPEB obligation	150,179	920,510
Net pension liability	319,770	324,487
<b>Change in deferred inflows of resources - increase(decrease)</b>		
Deferred amounts related to net OPEB obligation	(8,168)	35,938
Deferred amounts related to net pension liability	(118,150)	68,587
<b>Total adjustments</b>	<u>1,724,643</u>	<u>3,058,519</u>
<b>Net cash used in operating activities</b>	<u>\$ (4,705,047)</u>	<u>\$ (1,354,479)</u>
<b>Noncash investing, capital and financing charges</b>		
Amortization of bond premium	<u>\$ 45,457</u>	<u>\$ 45,456</u>

# HI-DESERT WATER DISTRICT

## Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

#### A. Description of Organization

The Hi-Desert Water District (District) was formed on December 14, 1962, and provides a safe, reliable water supply and sewer service to a population of about 24,000 people in the Town of Yucca Valley and an unincorporated area in the County San Bernardino. The District is governed by a five-member Board of Directors who serves overlapping four-year terms.

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.

The Hi-Desert Improvement Corporation (HDIC) was incorporated on February 13, 1981. The HDIC is a California nonprofit public benefit corporation formed to assist the Hi-Desert Water District (District) by acquiring, constructing, operating, and maintaining facilities, equipment, or other property needed by the District, and leasing or selling such property to the District and as such has no employees or other operations. Although the HDIC is legally separate, it is included as a blended component unit of the District, as it is in substance part of the District's operations.

The Warren Valley Basin (Basin) provides groundwater supply for the community of Yucca Valley in the County of San Bernardino. Concerned about the significant increase in groundwater overdraft of the Basin, the District filed a complaint for adjudication of the groundwater in 1976. In 1977, the Superior Court of the County of San Bernardino issued its judgment for adjudication. In the adjudication, the Court recognized the need to issue groundwater rights in excess of the Basin's safe yield so that the local economy could support the cost of a solution to the overdraft problem. To administer the provisions of the adjudication judgment, the Court appointed the District as the Warren Valley Basin Watermaster (WVBW) for the Basin and ordered that the WVBW formulate a plan and program for management of the Basin's resources. Although the WVBW is legally separate, it is included as a blended component unit of the District, as it is in substance part of the District's operations and governed by the same Board of Directors. No separate financial statements are prepared for the HDIC and/or WVBW.

On May 23, 2015, the District formed the Assessment District 2014-1 to finance the construction of the Wastewater Reclamation Project (Project). Assessments are used to repay a loan from the Clean Water State Revolving Fund (SRF).

#### B. Basis of Presentation, Basis of Accounting

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 (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied.

## HI-DESERT WATER DISTRICT

### Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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#### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### B. Basis of Presentation, Basis of Accounting (Continued)

The District reports its activities as an enterprise fund, Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net position from operations as operating income in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating 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 pronouncements in the current year:

##### ***Government Accounting Standards Board Statement No. 98***

In October 2021, the GASB issued Statement No. 98 – *The Annual Comprehensive Financial Report*. The objective of this Statement is to establish the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

##### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

###### 1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of 90 days or less, when purchased, to be cash equivalents. Cash deposits are reported at the carrying amount, which reasonably estimates fair value.

###### 2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

# HI-DESERT WATER DISTRICT

## Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)

##### 2. Investments (Continued)

Financial assets and liabilities recorded on the statement of net position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

*Level 2* – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

*Level 3* – Inputs that are unobservable. Unobservable inputs reflect the District’s own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

##### 3. Restricted Assets

Amounts shown as restricted assets have been restricted by either bond indentures, external constraints, or laws and regulations of other governments.

##### 4. Receivables and Allowance for Doubtful Accounts

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. Uncollectable accounts are based on prior experience and management’s assessment of the collectability of existing accounts.

##### 5. Prepays

Certain payments of vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

##### 6. Inventory – Materials and Supplies

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

##### 7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

# HI-DESERT WATER DISTRICT

## Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)

##### 8. 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 acquisition value rather than 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 mains – 15 to 40 years
Reservoirs and tanks – 10 to 45 years
Wells – 10 to 30 years
Meter service installations – 7 to 10 years
Recharge site #3 – 40 years
Recharge ponds – 3 to 40 years
Nitrate removal plant – 40 years
Reach II pipeline – 40 years
Pumps – 12 to 20 years
Boosters – 20 to 25 years
Hydrants – 25 to 40 years
Blending facility – 40 years
Buildings and structures – 5 to 30 years
Office furniture and equipment – 5 to 10 years
Tools and equipment – 5 years
Vehicles – 4 years

##### 9. Compensated Absences

The District's policy is to permit employees to accumulate paid time off (PTO) in lieu of vacation and sick leave. No employee is allowed to accrue PTO in excess of the following: four hundred forty-eight (448) hours for years one (1) through five (5); five hundred twenty-eight (528) hours for years six (6) through ten (10); six hundred eight (608) hours for years eleven (11) through fifteen (15); six hundred seventy-two (672) hours for years sixteen (16) and greater. Payment of unused PTO shall not reduce the accrual balance to less than eighty (80) hours.

##### 10. 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 and addition to/deductions 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. The following timeframes are used for pension reporting:

Valuation Date June 30, 2019
Measurement Date June 30, 2020
Measurement Period July 1, 2019 to June 30, 2020

# HI-DESERT WATER DISTRICT

## Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)

##### 11. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Retiree Benefits Plan ("the Plan") and additions to/deductions from the Plan's 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. Investments are reported at fair value, except for money market investments which are reported at cost. The following timeframes are used for OPEB reporting:

Valuation Date June 30, 2020

Measurement Date June 30, 2021

Measurement Period July 1, 2020 to June 30, 2021

##### 12. Property Taxes

The San Bernardino County Assessor's Office assesses all real and personal property within the County each year. The San Bernardino County Tax Collector's Office bills and collects the District's share of property taxes. The San Bernardino County Auditor-Controller's Office remits current property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent (1%) of countywide assessed valuations. Property taxes receivable at year-end are related to property taxes collected by the San Bernardino County Tax Collector's Office, which have not been credited to the District's cash balance as of June 30.

The property tax calendar is as follows:

Lien date March 1

Levy date July 1

Due dates November 1 and March 1

Collection dates December 10 and November 10

## HI-DESERT WATER DISTRICT

### Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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#### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

##### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)

###### 13. Net Position

Net position is classified into three separate components: net investment in capital assets, restricted, and unrestricted. These classifications focus on the accessibility of the underlying assets, and are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** – 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 (restricted or unrestricted depending on the constraints on the unexpended resources).
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

###### 14. Grants

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a capital or operating grant receivable on the statements of net position and as capital grant contribution or operating grant revenue, as appropriate, on the statements of revenues, expenses, and changes in net position.

###### 15. 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.

###### 16. Water Sales

Water sales are billed cyclically on a monthly basis and the respective revenues are recognized when they are earned.

###### 17. Reclassifications

The District has reclassified certain prior year information to conform with current year presentation.

##### E. Use of Estimates

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

## HI-DESERT WATER DISTRICT

### Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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#### NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents were classified in the accompanying financial statements as follows:

<u>Description</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Cash and cash equivalents	\$ 10,143,510	\$ 5,779,138
Restricted – cash and cash equivalents	13,441,771	12,526,074
<b>Total cash and cash equivalents</b>	<b>\$ 23,585,281</b>	<b>\$ 18,305,212</b>

Cash and cash equivalents consisted of the following:

<u>Description</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Petty cash	\$ 1,800	\$ 1,700
Demand deposits held with financial institutions	19,927,110	14,660,345
Local Agency Investment Fund (LAIF)	3,656,371	3,643,167
<b>Total cash and cash equivalents</b>	<b>\$ 23,585,281</b>	<b>\$ 18,305,212</b>

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

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5-years	None	None
Federal agency and bank obligations	5-years	None	None
Negotiable Certificates of Deposit (Negotiable CD)	5-years	30%	None
Commercial Paper	270 days	25%	10%
California Local Agency Investment Fund (LAIF)	N/A	None	None
State and local bonds, notes and warrants	N/A	None	None
Money Market Mutual Funds	N/A	20%	None

#### **Demand Deposits with Financial Institutions**

At June 30, 2021, the carrying amount of the District's demand deposits were \$19,927,110 and the financial institution's balances were \$25,408,233. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

## HI-DESERT WATER DISTRICT

### Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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#### NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

##### **Custodial Credit Risk – Deposits**

Custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution the District 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 the District 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 District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the 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. As of June 30, 2021, the District's deposits were covered by the Federal Deposit Insurance Corporation insurance limits or collateralized as required by California law.

##### **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 Section 16429 and is under the management of the Treasurer of the State of California with oversight provided by the Local Agency Investment Advisory Board. 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. Bank balances are secured by the pledging of a pool of eligible securities to collateralize the District's deposits with the bank in accordance with the Code.

District's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of \$1,000 dollars.
- Withdrawals of \$10,000,000 or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF for verbal authorization.

##### **Interest Rate Risk**

Interest rate risk is the risk that the change in market interest rates will adversely affect the fair value of an investment. The longer an investment has to maturity, the greater its fair value has sensitivity to the change in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

##### **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; however, LAIF is not rated.

## HI-DESERT WATER DISTRICT

### Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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#### NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

##### Concentration of Credit Risk

The District's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's deposit portfolio with governmental agencies, LAIF, is 15% and 20% as of June 30, 2021 and 2020, respectively, of the District's total depository and investment portfolio. There were no investments in any one non-governmental issuer that represent 5% or more of the District's total investments.

#### NOTE 3 – ACCOUNTS RECEIVABLE WATER AND SEWER SERVICES, NET

The balance at June 30, 2021 and 2020 consists of the following;

<u>Description</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Accounts receivable – water and sewer services	\$ 1,781,301	\$ 1,510,464
Allowance for doubtful accounts	(64,642)	(52,090)
<b>Accounts receivable – water and sewer, net</b>	<b>\$ 1,716,659</b>	<b>\$ 1,458,374</b>

#### NOTE 4 – NOTES RECEIVABLE

The balance at June 30, 2021 and 2020 consists of the following;

<u>Description</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Unearned revenues	\$ 1,731,026	\$ 545,288
Loans payable – Expanded use loan	645,237	-
Future reimbursement credit	(160,322)	(15,126)
<b>Total notes receivable</b>	<b>\$ 2,215,941</b>	<b>\$ 530,162</b>

On March 28, 2019, the District entered into an agreement with the California State Water Resources Control Board for loan and grant funding for the Septic System Abatement & Private Lateral Installation Project (Project). The Project is funded in part by the United States Environment Protection Agency (EPA), passed through the California's Clean Water State Revolving Fund, and state bond proceeds. The loan and grant funding is to be used to decommission and abandon the septic systems on private properties and install private laterals to connect the District's sewer system for approximately 3,584 residential and 467 commercial buildings in the central portion of the Town of Yucca Valley.

Total project cost is estimated to be \$45,200,000; whereby \$16,000,000 is anticipated to be a grant and \$29,200,000 is estimated to be a loan due to the State Water Resource Control Board. Residents can use the grant and loan funding to construct the private lateral or bear the cost of construction. Residents that participate in the grant and loan funding will be assessed on the County's property tax roll to repay the loan portion of the funding. Due to the uncertainty of grant and loan participants, the District will assess the grant portion of the funding equably amongst all applicants at the conclusion of the Project. As a result, the grant and loan funding is unearned until the project is complete.

Total unearned revenues amounted to \$1,731,026 and \$545,288 as of June 30, 2021 and 2020, respectively. Loans, payable amounted to \$645,237 and \$0 as of June 30, 2021 and 2020, respectively. Of this amount, \$160,322 and \$15,126 as of June 30, 2021 and 2020, respectively, consists of credits for future reimbursement requests resulting from property owners' decision to opt out of the District's loan. Any unused credit will be returned to the State or used at the discretion of the State.

# HI-DESERT WATER DISTRICT

## Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

### NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Changes in capital assets for the fiscal year ended June 30, 2021, were as follows:

Description	Balance July 1, 2020	Additions	Deletions/ Transfers	Balance June 30, 2021
<b>Non-depreciable assets:</b>				
Land	\$ 1,130,089	\$ -	\$ -	\$ 1,130,089
Easements	337,851	1,225,523	-	1,563,374
Construction-in-process	161,474,563	3,620,246	(164,218,192)	876,617
<b>Total non-depreciable assets</b>	<b>162,942,503</b>	<b>4,845,769</b>	<b>(164,218,192)</b>	<b>3,570,080</b>
<b>Depreciable assets:</b>				
Transmission and distribution mains	37,802,687	-	1,011,934	38,814,621
Collection system - mains	-	-	115,919,883	115,919,883
Wastewater facility	-	-	38,619,752	38,619,752
Reservoirs and tanks	7,230,308	-	216,400	7,446,708
Wells	7,235,277	-	-	7,235,277
Meter service installations	1,201,496	-	-	1,201,496
Recharge ponds	2,000,846	-	-	2,000,846
Recharge site #3	2,459,164	-	-	2,459,164
Nitrate removal facility	2,738,124	-	-	2,738,124
Reach II pipeline	1,473,958	-	-	1,473,958
Pumps	1,067,194	-	-	1,067,194
Pump station and equipment	-	-	8,155,543	8,155,543
Boosters	2,253,605	-	-	2,253,605
Hydrants	847,105	-	-	847,105
Blending facility	792,739	-	-	792,739
Buildings and structures	1,166,406	-	44,109	1,210,515
Office furniture and equipment	1,147,214	-	-	1,147,214
Tools and equipment	572,786	-	12,919	585,705
Vehicles	5,780,060	-	237,652	6,017,712
<b>Total depreciable assets</b>	<b>75,768,969</b>	<b>-</b>	<b>164,218,192</b>	<b>239,987,161</b>
<b>Accumulated depreciation:</b>				
Transmission and distribution mains	(13,546,296)	(859,881)	-	(14,406,177)
Collection system - mains	-	(1,448,998)	-	(1,448,998)
Wastewater facility	-	(483,394)	-	(483,394)
Reservoirs and tanks	(4,076,469)	(163,195)	-	(4,239,664)
Wells	(5,131,788)	(221,515)	-	(5,353,303)
Meter service installations	(1,201,496)	-	-	(1,201,496)
Recharge ponds	(1,271,065)	(47,092)	-	(1,318,157)
Recharge site #3	(891,447)	(61,479)	-	(952,926)
Nitrate removal facility	(1,186,113)	(68,234)	-	(1,254,347)
Reach II pipeline	(902,799)	(36,849)	-	(939,648)
Pumps	(1,054,063)	(2,377)	-	(1,056,440)
Pump station and equipment	-	(203,889)	-	(203,889)
Boosters	(1,010,633)	(90,875)	-	(1,101,508)
Hydrants	(746,105)	(11,573)	-	(757,678)
Blending facility	(308,514)	(21,414)	-	(329,928)
Buildings and structures	(914,965)	(30,060)	-	(945,025)
Office furniture and equipment	(1,114,317)	(17,212)	-	(1,131,529)
Tools and equipment	(562,665)	(5,340)	-	(568,005)
Vehicles	(4,852,836)	(359,938)	-	(5,212,774)
<b>Total accumulated depreciation</b>	<b>(38,771,571)</b>	<b>(4,133,315)</b>	<b>-</b>	<b>(42,904,886)</b>
<b>Total depreciable assets, net</b>	<b>36,997,398</b>	<b>(4,133,315)</b>	<b>164,218,192</b>	<b>197,082,275</b>
<b>Total capital assets, net</b>	<b>\$ 199,939,901</b>	<b>\$ 712,454</b>	<b>\$ -</b>	<b>\$ 200,652,355</b>

**HI-DESERT WATER DISTRICT***Notes to Financial Statements**June 30, 2021 (With Comparative Amounts as of June 30, 2020)***NOTE 5 – CAPITAL ASSETS AND DEPRECIATION (Continued)**

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

Description	Balance July 1, 2019	Additions	Deletions/ Transfers	Balance June 30, 2020
<b>Non-depreciable assets:</b>				
Land	\$ 1,130,089	\$ -	\$ -	\$ 1,130,089
Easements	337,851	-	-	337,851
Construction-in-process	131,644,984	30,613,354	(783,775)	161,474,563
<b>Total non-depreciable assets</b>	<b>133,112,924</b>	<b>30,613,354</b>	<b>(783,775)</b>	<b>162,942,503</b>
<b>Depreciable assets:</b>				
Transmission and distribution mains	35,767,991	2,034,696	-	37,802,687
Reservoirs and tanks	7,230,308	-	-	7,230,308
Wells	7,023,642	211,635	-	7,235,277
Meter service installations	1,201,496	-	-	1,201,496
Recharge ponds	2,000,846	-	-	2,000,846
Recharge site #3	2,459,164	-	-	2,459,164
Nitrate removal facility	2,738,124	-	-	2,738,124
Reach II pipeline	1,473,958	-	-	1,473,958
Pumps	1,067,194	-	-	1,067,194
Boosters	2,189,974	63,631	-	2,253,605
Hydrants	847,105	-	-	847,105
Blending facility	792,739	-	-	792,739
Buildings and structures	1,151,786	14,620	-	1,166,406
Office furniture and equipment	1,110,509	36,705	-	1,147,214
Tools and equipment	572,786	-	-	572,786
Vehicles	5,063,459	716,601	-	5,780,060
<b>Total depreciable assets</b>	<b>72,691,081</b>	<b>3,077,888</b>	<b>-</b>	<b>75,768,969</b>
<b>Accumulated depreciation:</b>				
Transmission and distribution mains	(12,721,677)	(824,619)	-	(13,546,296)
Reservoirs and tanks	(3,924,883)	(151,586)	-	(4,076,469)
Wells	(4,887,562)	(244,226)	-	(5,131,788)
Meter service installations	(1,201,496)	-	-	(1,201,496)
Recharge ponds	(1,223,972)	(47,093)	-	(1,271,065)
Recharge site #3	(829,968)	(61,479)	-	(891,447)
Nitrate removal facility	(1,117,879)	(68,234)	-	(1,186,113)
Reach II pipeline	(865,950)	(36,849)	-	(902,799)
Pumps	(1,049,552)	(4,511)	-	(1,054,063)
Boosters	(922,939)	(87,694)	-	(1,010,633)
Hydrants	(733,916)	(12,189)	-	(746,105)
Blending facility	(287,102)	(21,412)	-	(308,514)
Buildings and structures	(886,178)	(28,787)	-	(914,965)
Office furniture and equipment	(1,101,922)	(12,395)	-	(1,114,317)
Tools and equipment	(558,616)	(4,049)	-	(562,665)
Vehicles	(4,541,800)	(311,036)	-	(4,852,836)
<b>Total accumulated depreciation</b>	<b>(36,855,412)</b>	<b>(1,916,159)</b>	<b>-</b>	<b>(38,771,571)</b>
<b>Total depreciable assets, net</b>	<b>35,835,669</b>	<b>1,161,729</b>	<b>-</b>	<b>36,997,398</b>
<b>Total capital assets, net</b>	<b>\$ 168,948,593</b>	<b>\$ 31,775,083</b>	<b>\$ (783,775)</b>	<b>\$ 199,939,901</b>

## HI-DESERT WATER DISTRICT

### Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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#### NOTE 5 – CAPITAL ASSETS AND DEPRECIATION (Continued)

Construction-in-process as of June 30 consisted of the following projects:

<u>Description</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Wastewater treatment facility and collection system	\$ 751,957	\$ 161,462,273
Steel building	76,204	-
Various small projects under \$50,000	48,456	12,290
<b>Total construction-in process, net</b>	<b>\$ 876,617</b>	<b>\$ 161,474,563</b>

#### NOTE 6 – COMPENSATED ABSENCES

Summary changes to compensated absences balances for the years ended June 30, 2021 and 2020, were as follows:

<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Due Within</u> <u>One Year</u>	<u>Due in More</u> <u>Than One Year</u>
\$ 382,885	\$ 348,368	\$ (362,904)	\$ 368,349	\$ 92,087	\$ 276,262

<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>	<u>Due in More</u> <u>Than One Year</u>
\$ 351,460	\$ 338,008	\$ (306,583)	\$ 382,885	\$ 95,721	\$ 287,164

#### NOTE 7 – BONDS PAYABLE

Changes in bonds payable for the year ended June 30, 2021, were as follows:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Due Within</u> <u>One Year</u>	<u>Due in More</u> <u>Than One Year</u>
<b>Bonds payable</b>	\$ 2,475,000	\$ -	\$ (460,000)	\$ 2,015,000	\$ 480,000	\$ 1,535,000
<b>Premium</b>	227,283	-	(45,457)	181,826	-	181,826
<b>Total</b>	<b>\$ 2,702,283</b>	<b>\$ -</b>	<b>\$ (505,457)</b>	<b>\$ 2,196,826</b>	<b>\$ 480,000</b>	<b>\$ 1,716,826</b>

#### 2013 Revenue Refunding Bonds

On April 1, 2013, the District issued \$5,110,000 in a twelve-year Water Revenue Refunding Bonds, Series 2013, (2013 Revenue Refunding Bonds) to provide funds to pay off and refund the Districts following prior obligations: the 1986 California Department of Water Resources loan, the 1982 Lease Revenue bonds, the 1998 Revenue Refunding bonds, and the 1978 Farmer's Home Loan Administration note. The bonds and interest are payable from and are secured by a pledge of net revenues and certain funds held under the indenture.

The bonds are scheduled to mature in 2025. Interest payments are due semi-annually on September 1<sup>st</sup> and March 1<sup>st</sup> each year at a rate of 2.00%, and principal payments are due annually on March 1<sup>st</sup> each year.

## HI-DESERT WATER DISTRICT

### Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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#### NOTE 7 – BONDS PAYABLE (Continued)

##### 2013 Revenue Refunding Bonds (Continued)

Annual debt service requirements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 480,000	\$ 86,350	\$ 566,350
2023	490,000	76,750	566,750
2024	510,000	52,250	\$ 562,250
2025	<u>535,000</u>	<u>26,750</u>	<u>561,750</u>
Total	2,015,000	<u>\$ 242,100</u>	<u>\$ 2,257,100</u>
Current	<u>(480,000)</u>		
Long-term	<u>\$ 1,535,000</u>		

Annual premium amortization are as follows:

<u>Fiscal Year</u>	<u>Amortized Interest</u>	<u>Balance</u>
2022	\$ 45,457	\$ 136,369
2023	45,457	90,912
2024	45,456	45,456
2025	<u>45,456</u>	<u>-</u>
Total	<u>\$ 181,826</u>	

#### NOTE 8 – LOAN PAYABLE – STATE REVOLVING FUND

Changes in loans payable for the year ended June 30, 2021, were as follows:

<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
<u>\$ 131,756,729</u>	<u>\$ 7,072,108</u>	<u>\$ (4,033,974)</u>	<u>\$ 134,794,863</u>	<u>\$ -</u>	<u>\$ 134,794,863</u>

##### Clean Water State Revolving Fund Loan

On December 17, 2015, the District entered into a grant funding agreement with the California State Water Resources Control Board (State) for a construction loan and grant, pursuant to the Clean Water State Revolving Fund (SRF) and Chapter 6.5 of Division 7 of the California Water Code, for the purpose of the Clean Water Act. The SRF program is a federal and state partnership that provides communities a permanent, independent source of low-cost financing for a wide range of water quality infrastructure projects. The project to be constructed under the grant funding agreement includes the construction of a sewer collection system, wastewater treatment facility, and water reclamation recharge ponds. The grant is funded by federal and state monies of 80% and 20% (matching funds), respectively. The agreement provides grant fund totaling \$142,349,314, bearing an interest rate of 1%, and loan repayment term of 30 years. The loan repayment term shall commence after all disbursements have been paid. The balance of the SRF loan as of June 30, 2021 and 2020, amounted to \$134,794,863 and \$131,756,729, respectively.

**HI-DESERT WATER DISTRICT**

*Notes to Financial Statements*

*June 30, 2021 (With Comparative Amounts as of June 30, 2020)*

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**NOTE 9 – LOAN PAYABLE – EXPANDED USE LOAN**

Changes in loans payable for the year ended June 30, 2021, were as follows:

<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Due Within</u> <u>One Year</u>	<u>Due in More</u> <u>Than One Year</u>
\$ -	\$ 645,237	\$ -	\$ 645,237	\$ -	\$ 645,237

On March 28, 2019, the District entered into an agreement with the California State Water Resources Control Board for loan and grant funding for the Septic System Abatement & Private Lateral Installation Project (Project). The Project is funded in part by the United States Environment Protection Agency (EPA), passed through the California’s Clean Water State Revolving Fund, and state bond proceeds. The loan and grant funding is to be used to decommission and abandon the septic systems on private properties and install private laterals to connect the District’s sewer system for approximately 3,584 residential and 467 commercial buildings in the central portion of the Town of Yucca Valley.

Total project cost is estimated to be \$45,200,000; whereby \$16,000,000 is anticipated to be a grant and \$29,200,000 is estimated to be a loan due to the State Water Resource Control Board. Residents can use the grant and loan funding to construct the private lateral or bear the cost of construction. Residents that participate in the grant and loan funding will be assessed on the County’s property tax roll to repay the loan portion of the funding. Due to the uncertainty of grant and loan participants, the District will assess the grant portion of the funding equably amongst all applicants at the conclusion of the Project. As a result, the grant and loan funding is unearned until the project is complete.

The loan repayment term shall commence after all disbursements have been paid. The balance of the loan as of June 30, 2021 and 2020, amounted to \$645,237 and \$0, respectively.

## HI-DESERT WATER DISTRICT

### Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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#### NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

##### Summary

The following balances on the statement of net position will be addressed in this footnote as follows:

Description	2021	2020
OPEB related deferred outflows	\$ 716,114	\$ 891,916
Net other post-employment benefits obligation	5,468,749	5,318,570
OPEB related deferred inflows	27,770	35,938

##### A. General Information about the OPEB Plan

###### Plan Description

The District's defined benefit other post-employment benefit (OPEB) plan (Plan) provides OPEB to all 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 does not have an OPEB trust established and no assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

###### Benefits Provided

The District offers post-employment medical, dental, vision, and life insurance benefits to employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive medical, dental, and vision benefits. Retirees may enroll in any plan available through the District's medical, dental, and vision plans; however, the District paid benefits are based on the Silver plan premiums. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors. All retired employees who are eligible for district-paid retirement benefits, and who retire on or after January 1, 2011, will be required to enroll in Medicare Parts A and B at their earliest eligibility, and notify the District of such enrollment. Medicare premiums will be the responsibility of the retiree. For retirees on Medicare, the district-paid retirement benefit is intended to act as a supplement to Medicare.

Retired employees who are eligible for district-paid retirement benefits, who retire on or after January 1, 2011, and who are eligible for Medicare Parts A and B, but not enrolled in it, will relinquish their district paid medical benefits.

The District continues the payment of medical, dental, and vision benefits for spouses of deceased retired District personnel and eligible directors in effect at the time of the retiree's death provided that the spouse was the spouse at the time of the employee's retirement; and the beneficiary and spouse have been continuously married for a period of not less than one year. OPEB are to be provided pursuant to the criteria stipulated by the insurance carriers until such time as said spouse either remarries or becomes employed with an employer offering comparable medical coverage as part of its employee benefits program. In the event a surviving spouse terminates coverage, said spouse is not eligible to reenroll.

###### Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and/or the District's Board of Directors. Currently, contributions are not required from plan members. The District has been typically funding this OPEB plan on a pay-as-you-go basis.

## HI-DESERT WATER DISTRICT

### Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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#### NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

##### A. General Information about the OPEB Plan (Continued)

###### Contributions

Benefit provisions and contribution requirements are established and may be amended through agreements and memorandums of understanding between the District and its employees. The plan does not require employee contributions. Administrative costs of this plan are financed by the District. For fiscal year ended June 30, 2021, the measurement period, the District's contributions totaled \$144,238. The contribution amount consists of \$125,970 in paid medical premiums and \$18,268 in an implied rate subsidy.

###### Accounting for the Plan

The other post-employment benefit trust is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits are recognized when due and payable in accordance with the terms of each plan.

##### B. Net OPEB Liability

The District's total OPEB liability was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2020. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

###### Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry age normal, level percentage of payroll
Asset Valuation Method	Market value of assets as of the measurement date
Actuarial Assumptions:	
Discount Rate	2.16%
Long-Term Expected	
Rate of Return on Investments	2.16%
Inflation	2.75%
Payroll increases	2.75%
Healthcare Trend Rates	4.00% Long-term medical trend
Mortality	CalPERS 2017 Study
Disability	Not valued
Retirement	2017 CalPERS Public Agency Miscellaneous experience study;
	2.5%@55 for Miscellaneous Employees
Percent Married	80% of future retirees would enroll a spouse

# HI-DESERT WATER DISTRICT

## Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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### NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

#### B. Net OPEB Liability (Continued)

##### Employee Covered By Benefit Terms

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

	<u>2021</u>	<u>2020</u>
Inactive plan members or beneficiaries currently receiving benefit payments	19	19
Inactive plan members entitled to but not yet receiving benefit payments	-	-
Active plan members	<u>18</u>	<u>18</u>
Total	<u>37</u>	<u>37</u>

##### Discount Rate

The discount rate used to measure the total OPEB liability was 2.16%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

#### C. Changes in the Net OPEB Liability

The changes in the total OPEB liability are as follows:

	<u>Increase (Decrease)</u>		
	<u>Total</u>	<u>Plan Fiduciary</u>	<u>Net</u>
	<u>OPEB Liability</u>	<u>Net Position</u>	<u>OPEB Liability</u>
<b>Balance at July 1, 2020 (Measurement date July 1, 2020)</b>	<u>\$ 5,318,570</u>	<u>\$ -</u>	<u>\$ 5,318,570</u>
<b>Changes for the year:</b>			
Service cost	141,462	-	141,462
Interest	116,978	-	116,978
Changes in assumption	35,977	-	35,977
Employer contributions	-	144,238	(144,238)
Benefit payments	<u>(144,238)</u>	<u>(144,238)</u>	<u>-</u>
Net changes	<u>150,179</u>	<u>-</u>	<u>150,179</u>
<b>Balance at June 30, 2021 (Measurement date June 30, 2021)</b>	<u>\$ 5,468,749</u>	<u>\$ -</u>	<u>\$ 5,468,749</u>

# HI-DESERT WATER DISTRICT

## Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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### NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

#### C. Changes in the Net OPEB Liability (Continued)

##### Changes of Assumptions

In fiscal year 2020-21, the interest rate assumption changed from 2.20% to 2.16%

##### Change of Benefit Terms

In fiscal year 2020-21, the measurement period, there were no changes to the benefit terms.

##### Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.16%) or 1 percentage point higher (3.16%) than the current discount rate:

	<u>1% Decrease</u> <u>1.16%</u>	<u>Discount Rate</u> <u>2.16%</u>	<u>1% Increase</u> <u>3.16%</u>
Net OPEB Liability	<u>\$ 6,444,113</u>	<u>\$ 5,468,749</u>	<u>\$ 4,688,853</u>

##### Sensitivity of the Total OPEB Liability to Changes in Medical Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using medical trend rates that are 1-percentage point lower:

	<u>Healthcare Cost</u>		
	<u>3.00%</u>	<u>4.00%</u>	<u>5.00%</u>
	<u>\$ 4,538,118</u>	<u>\$ 5,468,749</u>	<u>\$ 6,681,450</u>

#### D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$462,051. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Account Description</u>	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Changes in assumptions	\$ 716,114	\$ -
Differences between expected and actual experience	-	(27,770)
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<u>\$ 716,114</u>	<u>\$ (27,770)</u>

## HI-DESERT WATER DISTRICT

### Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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#### NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

##### D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2022	\$ 203,611
2023	203,611
2024	203,611
2025	74,849
2026	<u>2,662</u>
<b>Total</b>	<u>\$ 688,344</u>

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

#### NOTE 11 – PENSION PLAN

##### Summary

The following balances on statement of net position will be addressed in this footnote as follows:

<u>Description</u>	<u>2021</u>	<u>2020</u>
Pension related deferred outflows	\$ 1,481,852	\$ 1,484,057
Net pension liability	6,084,493	5,764,723
Pension related deferred inflows	101,576	211,558

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

# HI-DESERT WATER DISTRICT

## Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

### NOTE 11 – PENSION PLAN (Continued)

#### A. General Information about the Pension Plan

##### The Plan

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	Miscellaneous Plans		
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3
Hire date	Prior to January 1, 2011	On or after January 1, 2011 - December 31, 2012	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.1% to 2.4%	1.0% to 2.0%
Required member contribution rates	8.000%	7.000%	7.250%
Required employer contribution rates – FY 2020	12.142%	8.668%	7.072%

##### Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2020 Annual Actuarial Valuation Reports. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

At June 30, 2020 measurement date, the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans			Total
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3	
Active members	20	5	18	43
Transferred and terminated members	25	2	27	54
Retired members and beneficiaries	31	-	-	31
<b>Total plan members</b>	<b>76</b>	<b>7</b>	<b>45</b>	<b>128</b>

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

# HI-DESERT WATER DISTRICT

## Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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### NOTE 11 – PENSION PLAN (Continued)

#### A. General Information about the 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 nonindustrial disability benefits after five 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.

##### Contributions

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

Contributions for the year ended June 30, 2021, were as follows:

Contribution Type	Miscellaneous Plans			Total
	Classic Tier 1	Classic Tier 2	PEPRA Tier 2	
Contributions – employer	\$ 739,459	\$ 41,397	\$ 93,607	\$ 874,463

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

##### Proportionate Share of Net Pension Liability and Pension Expense

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2020, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard update procedures. 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 pension plans relative to the projected contributions of all participating employers, actuarially determined.

The following table shows the District's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2021:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
<b>CalPERS – Miscellaneous Plan:</b>			
Balance as of June 30, 2019 (Measurement Date)	\$ 21,086,461	\$ 15,321,738	\$ 5,764,723
Balance as of June 30, 2020 (Measurement Date)	\$ 22,636,411	\$ 16,551,918	\$ 6,084,493
<b>Change in Plan Net Pension Liability</b>	<b>\$ 1,549,950</b>	<b>\$ 1,230,180</b>	<b>\$ 319,770</b>

## HI-DESERT WATER DISTRICT

### Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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#### NOTE 11 – PENSION PLAN (Continued)

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

###### Proportionate Share of Net Pension Liability and Pension Expense (continued)

The District's proportionate share percentage of the net pension liability for the June 30, 2020, measurement date was as follows:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020	
Measurement Date	June 30, 2020	June 30, 2019	
Percentage of Risk Pool Net Pension Liability	0.055921%	0.056257%	-0.000336%
Percentage of Plan Net Pension Liability	0.144248%	0.143956%	0.000292%

For the year ended June 30, 2021, the District recognized pension expense of \$272,484. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	\$ 874,463	\$ -
Difference between actual and proportionate share of employer contributions	113,081	-
Adjustment due to differences in proportions	-	(58,178)
Differences between expected and actual experience	313,556	-
Differences between projected and actual earnings on pension plan investments	180,752	-
Changes in assumptions	-	(43,398)
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<b>\$ 1,481,852</b>	<b>\$ (101,576)</b>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

# HI-DESERT WATER DISTRICT

## Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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### NOTE 11 – PENSION PLAN (Continued)

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

##### Proportionate Share of Net Pension Liability and Pension Expense (continued)

An amount of \$874,463 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2022	\$ 70,195
2023	200,059
2024	148,864
2025	<u>86,695</u>
<b>Total</b>	<u>\$ 505,813</u>

##### Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2020 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019 (valuation date) total pension liability. The June 30, 2020, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	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.

## HI-DESERT WATER DISTRICT

### Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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#### NOTE 11 – PENSION PLAN (Continued)

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

###### Long-term Expected Rate of Return (Continued)

The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rate of return by asset class.

Investment Type	New Strategic Allocation	Real Return Years 1 - 10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	<u>100.0%</u>		

<sup>1</sup> An expected inflation of 2.0% is used for years 1-10.

<sup>2</sup> An expected inflation of 2.9% is used for years 11+.

###### 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.

###### Subsequent Events

There were no subsequent events that would materially affect the results in this disclosure.

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
CalPERS – Miscellaneous Plan	<u>9,096,847</u>	<u>\$ 6,084,493</u>	<u>\$ 3,595,480</u>

## HI-DESERT WATER DISTRICT

### Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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#### NOTE 11 – PENSION PLAN (Continued)

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

###### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications. (See the Required Information Section for further information).

##### C. Payable to the Pension Plans

At June 30, 2021, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2021.

#### NOTE 12 – NET POSITION

Calculation of the District's net position as of June 30, was as follows:

Description	June 30, 2021	June 30, 2020
<b>Net investment in capital assets:</b>		
Capital assets – not being depreciated	\$ 3,570,080	\$ 162,942,503
Capital assets, net – being depreciated	197,082,275	36,997,398
Bonds payable – current portion	(480,000)	(460,000)
Bonds payable, net – non-current portion	(1,716,826)	(2,242,283)
Loan payable – State revolving fund	(134,794,863)	(131,756,729)
<b>Total net investment in capital assets</b>	<b>63,660,666</b>	<b>65,480,889</b>
<b>Restricted net position:</b>		
Assessment District 2014-1	5,799,508	7,133,006
Measure Z sales tax	7,624,763	5,393,068
Expanded use loan	17,500	-
<b>Total restricted net position</b>	<b>13,441,771</b>	<b>12,526,074</b>
<b>Unrestricted net position:</b>		
<b>Non-spendable net position:</b>		
Materials and supplies inventory	315,544	510,954
Prepaid lease payment	126,392	118,334
Prepaid expenses and other deposits	720,409	720,409
<b>Total non-spendable net position</b>	<b>1,162,345</b>	<b>1,349,697</b>
<b>Spendable net position:</b>		
Unrestricted (Deficit)	1,231,268	(3,001,278)
<b>Total spendable net position</b>	<b>1,231,268</b>	<b>(3,001,278)</b>
<b>Total unrestricted net position</b>	<b>2,393,613</b>	<b>(1,651,581)</b>
<b>Total net position</b>	<b>\$ 79,496,050</b>	<b>\$ 76,355,382</b>

## **HI-DESERT WATER DISTRICT**

### *Notes to Financial Statements*

*June 30, 2021 (With Comparative Amounts as of June 30, 2020)*

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#### **NOTE 13 – MORONGO BASIN SURCHARGE**

The District is a participant of the Mojave Water Agency's Improvement District M State Water Project (Morongo Basin Project). The Mojave Water Agency was authorized to issue \$66,500,000 of general obligation bonds to build a pipeline connection from the State Water Project's California Aqueduct in Hesperia to the Morongo Basin. The project was completed in June 1996, and to date \$51,780,000 in bonded debt has been issued to cover the costs of the construction. The District and other project participants have agreed to pay their portion of the construction, operation, and financing costs for the entire project. Therefore, the District is charging all of its customers a monthly surcharge to pay for the District's expense for participating in the Morongo Basin Project. Total surcharge revenue for the fiscal years ended June 30, 2021 and 2020, totaled \$0 and \$51,052, respectively.

The agreement is being treated as a 25-year operating lease since title to the pipeline connection assets will not be transferred to the District. As part of the agreement, the District is required to pre-pay its portion of the lease (debt service on the project) on June 1, for the next fiscal year. The District's commitment under the agreement is 17.70% of the annual bonded debt service requirements (principal and interest).

The Mojave Water Agency believes the current cash reserves maintained for the Morongo Basin Project is sufficient to discontinue the surcharge assessed by the District. The Mojave Water Agency plans to bill all participants a final bill on May 2022, when the general obligation bonds for the Morongo Basin Project will be paid in full. At June 30, 2021 and 2020, the District has recorded a prepaid asset on the statement of net position in the amount of \$720,409 related to the Morongo Basin Project and Surcharge.

#### **NOTE 14 – ASSESSMENT DISTRICT NO. 2014-1**

On February 18, 2015, The Board of Directors authorized staff to initiate the construction of certain sewer improvements, including the construction of the wastewater reclamation facility, sewer collection and lateral lines connecting sewer lines to the property lines of certain properties, together with appurtenances and appurtenant work, including the repairs to streets within which the sewer lines are installed, and initiating proceedings to establish a special assessment district to finance the costs of such construction pursuant to the terms and provisions of the Municipal Improvement Act of 1913. The special assessment district is designated as Assessment District 2014-1.

On May 13, 2015, the Board of Directors authorized the District's General Manager to establish an Improvement Fund, whereby assessment revenues collected from owners of real property within the Assessment District will be used to service the Clean Water State Revolving Fund Loan from the California State Water Resources Control Board. For the fiscal years ended June 30, 2021 and 2020, the District recognized assessment revenues totaling \$4,077,377 and \$3,877,314, respectively.

On August 3, 2017, the Board of Directors authorized the District's General Manager to establish a Measure Z Sales Tax Checking Account (Account), whereby an additional Town of Yucca Valley sales tax at a rate of 0.5% is collected for 10 years and deposited into the account. Revenues from the Measure Z Sales Tax is to be used to service the Clean Water State Revolving Fund Loan from the California State Water Resources Control Board. For the fiscal years ended June 30, 2021 and 2020, the District recognized Measure Z sales tax revenues totaling \$2,433,370 and \$2,040,545, respectively.

## HI-DESERT WATER DISTRICT

### Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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#### NOTE 15 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in two 457 Deferred Compensation Programs (Programs). The purpose of these Programs is to provide deferred compensation for public employees that elect to participate in the Programs. 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.

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 accompanying financial statements.

#### NOTE 16 – RISK MANAGEMENT POOL

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et seq. The purpose of the Insurance Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Further information about the Insurance Authority is as follows:

<b>A. Entity</b>	ACWA-JPIA
<b>B. Purpose</b>	To pool member contributions and realize the advantages of self-insurance
<b>C. Participants</b>	As of September 30, 2020 – 445 member districts
<b>D. Governing board</b>	Nine representatives employed by members
<b>E. Condensed financial information</b>	September 30, 2020
<b>Audit signed</b>	May 14, 2021
<b>Statement of financial position:</b>	
<b>Total assets</b>	<u>Sept 30, 2020</u> \$ 212,099,851
<b>Deferred outflows</b>	553,790
<b>Total liabilities</b>	<u>112,046,920</u>
<b>Deferred inflows</b>	<u>1,672,219</u>
<b>Net position</b>	<u>\$ 98,934,502</u>
<b>Statement of revenues, expenses and changes in net position:</b>	
<b>Total revenues</b>	\$ 181,825,144
<b>Total expenses</b>	<u>(169,356,246)</u>
<b>Change in net position</b>	12,468,898
<b>Beginning – net position</b>	<u>86,465,604</u>
<b>Ending – net position</b>	<u>\$ 98,934,502</u>
<b>F. Member agencies share of year-end financial position</b>	Not Calculated

## HI-DESERT WATER DISTRICT

### Notes to Financial Statements

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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#### NOTE 16 – RISK MANAGEMENT POOL (Continued)

The District participated in the self-insurance programs of the Insurance Authority as follows:

**Property Loss** - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage up to \$500,000,000 (total insurable value of \$48,405,017). The District has a \$2,500 deductible for buildings, personal property and fixed equipment, a \$25,000/\$50,000 deductible for accidental mechanical breakdown, a \$1,000 deductible for mobile equipment, and a \$500 deductible for licensed vehicles.

**General Liability** - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage in layers up to of \$60,000,000. This program does not have a deductible.

**Auto Liability** - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage in layers up to \$60,000,000. This program does not have a deductible.  
**Public Officials' Liability** - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage in layers up to \$60,000,000.

**Cyber Liability** - The Insurance Authority has purchased insurance coverage of \$3,000,000 per occurrence/\$5,000,000 aggregate. This program does not have a deductible.

**Crime** - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence. The District has a \$1,000 deductible.

**Public Official Bond** - The District has purchased a \$200,000 bond to cover the general manager's faithful performance of duty.

**Workers' Compensation** - The Insurance Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased up to the statutory limit for workers' compensation coverage. The Insurance Authority is self-insurance up to \$2,000,000 and has purchased excess insurance coverage of \$2,000,000 for employer's liability coverage.

**Underground Storage Tank Pollution Liability** - The Insurance Authority is self-insured up to \$500,000 per occurrence and has purchased excess coverage of \$3,000,000. The District has a \$10,000 deductible.

The District pays annual premiums for these coverages. They are subject to retrospective adjustments based on claims expended. The nature and amount of these adjustments cannot be estimated and are charged to expenses as invoiced. There were no instances in the past three years where a settlement exceeded the District's coverage.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2021, 2020, and 2019. 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, 2021, 2020, and 2019.

## **HI-DESERT WATER DISTRICT**

*Notes to Financial Statements*

*June 30, 2021 (With Comparative Amounts as of June 30, 2020)*

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### **NOTE 17 – COMMITMENTS AND CONTINGENCIES**

#### ***Grant Awards***

Grant funds received by the District are subject to audit by grantor agencies. Such audit could lead to requests for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

#### ***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.

### **NOTE 18 – SUBSEQUENT EVENTS**

The District has evaluated subsequent events through December 15, 2021, the date which the financial statements were available to be issued.

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*Required Supplementary Information*

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## HI-DESERT WATER DISTRICT

### Schedule of the District's Proportionate Share of the Net Pension Liability For the Year Ended June 30, 2021

#### Last Ten Fiscal Years\*

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

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2014	0.05575%	\$ 3,468,735	\$ 2,048,638	169.32%	79.40%
June 30, 2015	0.06170%	4,234,766	2,255,616	187.74%	78.40%
June 30, 2016	0.05784%	5,005,060	2,408,114	207.84%	74.06%
June 30, 2017	0.05685%	5,638,193	2,423,895	232.61%	73.31%
June 30, 2018	0.05646%	5,440,236	2,881,177	188.82%	75.26%
June 30, 2019	0.05626%	5,764,723	3,027,048	190.44%	72.66%
June 30, 2020	0.05592%	6,084,493	3,943,145	154.31%	73.12%

#### Notes to Schedule:

##### Benefit Changes:

There were no changes in benefits.

##### Changes in Assumptions:

##### From fiscal year June 30, 2015 and 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, 2019:

There were no significant changes in assumptions.

##### From fiscal year June 30, 2019 to June 30, 2020:

There were no significant changes in assumptions.

##### From fiscal year June 30, 2020 to June 30, 2021:

There were no significant changes in assumptions.

\*Fiscal year 2014 was the first measurement date year of implementation; therefore, only seven years are shown.

## HI-DESERT WATER DISTRICT

### Schedule of the District's Contributions to the Defined Benefit Pension Plan For the Year Ended June 30, 2021

#### Last Ten Fiscal Years\*

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

Fiscal Year	Contributions in Relation to the			Covered Payroll	Contributions as a Percentage of Covered Payroll
	Actuarially Determined Contribution	Actuarially Determined Contribution	Contribution Deficiency (Excess)		
June 30, 2015	\$ 457,832	\$ (549,865)	\$ (92,033)	\$ 2,255,616	20.30%
June 30, 2016	228,861	(522,794)	(293,933)	2,408,114	9.50%
June 30, 2017	637,178	(576,531)	60,647	2,423,895	26.29%
June 30, 2018	637,178	(624,870)	12,308	2,881,177	22.12%
June 30, 2019	714,019	(714,019)	-	3,027,048	23.59%
June 30, 2020	813,975	(813,975)	-	3,943,145	20.64%
June 30, 2021	874,463	(874,463)	-	3,420,591	25.56%

#### Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
June 30, 2015	June 30, 2012	Entry Age	Market Value	2.75%	7.65%
June 30, 2016	June 30, 2013	Entry Age	Market Value	2.75%	7.65%
June 30, 2017	June 30, 2014	Entry Age	Market Value	2.75%	7.65%
June 30, 2018	June 30, 2015	Entry Age	Market Value	2.75%	7.15%
June 30, 2019	June 30, 2016	Entry Age	Market Value	2.50%	7.15%
June 30, 2020	June 30, 2017	Entry Age	Market Value	2.50%	7.15%
June 30, 2021	June 30, 2018	Entry Age	Market Value	2.50%	7.15%

#### Amortization Method

Level percentage of payroll, closed

#### Salary Increases

Depending on age, service, and type of employment

#### Investment Rate of Return

Net of pension plan investment expense, including inflation

#### Retirement Age

50 years (2%@55 and 2%@60), 52 years (2%@62)

#### Mortality

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 measurement date year of implementation; therefore, only seven years are shown.

# HI-DESERT WATER DISTRICT

## Schedule of Changes in the District's Net OPEB Liability and Related Ratios For the Year Ended June 30, 2021

Fiscal Year Ended	Last Ten Fiscal Years*			
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
<b>Total OPEB liability:</b>				
Service cost	\$ 141,462	\$ 37,237	\$ 34,220	\$ 33,304
Interest	116,978	152,102	143,199	153,369
Changes of assumptions	35,977	917,094	215,221	-
Differences between expected and actual experience	-	(44,106)	-	-
Benefit payments	<u>(144,238)</u>	<u>(141,817)</u>	<u>(137,737)</u>	<u>(126,688)</u>
<b>Net change in total OPEB liability</b>	150,179	920,510	254,903	59,985
<b>Total OPEB liability - beginning</b>	<u>5,318,570</u>	<u>4,398,060</u>	<u>4,143,157</u>	<u>4,083,172</u>
<b>District's net OPEB liability</b>	<u>\$ 5,468,749</u>	<u>\$ 5,318,570</u>	<u>\$ 4,398,060</u>	<u>\$ 4,143,157</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
<b>Covered-employee payroll</b>	<u>1,835,684</u>	<u>1,786,554</u>	<u>2,938,882</u>	<u>2,797,259</u>
<b>District's net OPEB liability as a percentage of covered-employee payroll</b>	<u>297.91%</u>	<u>297.70%</u>	<u>149.65%</u>	<u>148.11%</u>

### Notes to Schedule:

#### Benefit Changes:

Measurement Date June 30, 2018 – There were no changes in benefits

Measurement Date June 30, 2019 – Coverage expanded to spouses for future retirees hired on or after July 1, 2009 if they have 25 years of service, effective fiscal year ending June 30, 2018

Measurement Date June 30, 2020 – There were no changes in benefits

Measurement Date June 30, 2021 – There were no changes in benefits

#### Changes in Assumptions:

Measurement Date June 30, 2018 – Average per capita claims cost was updated to reflect actual 2017 premiums, health care cost trend rate was updated to reflect 2018 industry survey data, and mortality table was updated to reflect most recent CalPERS studies.

Measurement Date June 30, 2019 – There were no changes in benefits

Measurement Date June 30, 2020 – Census data from the plans participants was updated, which decreased the total OPEB liability by \$262,190.

Measurement Date June 30, 2021 – There were no changes in benefits

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

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*Supplementary Information*

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# HI-DESERT WATER DISTRICT

## Statements of Net Position – Combined – Internal Funds

For the Year Ended June 30, 2021 (With Comparative Amounts as of June 30, 2020)

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>Water</b>	<b>Sewer</b>	<b>2021</b>	<b>Water</b>	<b>Sewer</b>	<b>2020</b>
<b>Current assets:</b>						
Cash and cash equivalents	\$ 9,314,572	\$ 828,938	\$ 10,143,510	\$ 5,195,599	\$ 583,539	\$ 5,779,138
Restricted – cash and cash equivalents	-	13,441,771	13,441,771	-	12,526,074	12,526,074
Accrued interest receivable	2,985	-	2,985	13,228	-	13,228
Accounts receivable – water and sewer services, net	1,604,436	112,223	1,716,659	1,397,633	60,741	1,458,374
Accounts receivable – other	1,758	10,100	11,858	1,422	1,000	2,422
Taxes and assessments receivable	48,370	774,263	822,633	52,654	532,294	584,948
Federal, state and local funding receivable	17,304	-	17,304	32,172	2,444,869	2,477,041
Inventory – materials and supplies	315,544	-	315,544	510,954	-	510,954
Prepaid expenses and other deposits	126,392	-	126,392	118,334	-	118,334
Prepaid lease payment	720,409	-	720,409	720,409	-	720,409
<b>Total current assets</b>	<b>12,151,770</b>	<b>15,167,295</b>	<b>27,319,065</b>	<b>8,042,405</b>	<b>16,148,517</b>	<b>24,190,922</b>
<b>Non-current assets:</b>						
Notes receivable	-	2,215,941	2,215,941	-	530,162	530,162
Internal balances	7,000,147	(7,000,147)	-	9,638,162	(9,638,162)	-
Capital assets – not being depreciated	1,193,110	2,376,970	3,570,080	1,156,944	161,785,559	162,942,503
Capital assets – being depreciated, net	36,097,728	160,984,547	197,082,275	36,408,687	588,711	36,997,398
<b>Total non-current assets</b>	<b>44,290,985</b>	<b>158,577,311</b>	<b>202,868,296</b>	<b>47,203,793</b>	<b>153,266,270</b>	<b>200,470,063</b>
<b>Total assets</b>	<b>56,442,755</b>	<b>173,744,606</b>	<b>230,187,361</b>	<b>55,246,198</b>	<b>169,414,787</b>	<b>224,660,985</b>
<b>Deferred outflows of resources:</b>						
Deferred amounts related to net OPEB obligation	716,114	-	716,114	891,916	-	891,916
Deferred amounts related to net pension liability	1,481,852	-	1,481,852	1,484,057	-	1,484,057
<b>Total deferred outflows of resources</b>	<b>2,197,966</b>	<b>-</b>	<b>2,197,966</b>	<b>2,375,973</b>	<b>-</b>	<b>2,375,973</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>						
<b>Current liabilities:</b>						
Accounts payable and accrued expenses	\$ 803,131	\$ 155,711	\$ 958,842	\$ 474,639	\$ 3,001,545	\$ 3,476,184
Deposits and unearned revenues	497,154	1,731,026	2,228,180	469,036	546,212	1,015,248
Accrued interest payable	14,392	-	14,392	17,458	-	17,458
Long-term liabilities – due within one year:						
Compensated absences	79,326	12,761	92,087	84,333	11,388	95,721
Bonds payable	480,000	-	480,000	460,000	-	460,000
<b>Total current liabilities</b>	<b>1,874,003</b>	<b>1,899,498</b>	<b>3,773,501</b>	<b>1,505,466</b>	<b>3,559,145</b>	<b>5,064,611</b>
<b>Non-current liabilities:</b>						
Long-term liabilities – due in more than one year:						
Compensated absences	237,978	38,284	276,262	253,000	34,164	287,164
Bonds payable, net	1,716,826	-	1,716,826	2,242,283	-	2,242,283
Loan payable – State revolving fund	-	134,794,863	134,794,863	-	131,756,729	131,756,729
Loan payable – Expanded use loan	-	645,237	645,237	-	-	-
Net OPEB obligation	5,468,749	-	5,468,749	5,318,570	-	5,318,570
Net pension liability	6,084,493	-	6,084,493	5,764,723	-	5,764,723
<b>Total non-current liabilities</b>	<b>13,508,046</b>	<b>135,478,384</b>	<b>148,986,430</b>	<b>13,578,576</b>	<b>131,790,893</b>	<b>145,369,469</b>
<b>Total liabilities</b>	<b>15,382,049</b>	<b>137,377,882</b>	<b>152,759,931</b>	<b>15,084,042</b>	<b>135,350,038</b>	<b>150,434,080</b>
<b>Deferred inflows of resources:</b>						
Deferred amounts related to net OPEB obligation	27,770	-	27,770	35,938	-	35,938
Deferred amounts related to net pension liability	101,576	-	101,576	211,558	-	211,558
<b>Total deferred inflows of resources</b>	<b>129,346</b>	<b>-</b>	<b>129,346</b>	<b>247,496</b>	<b>-</b>	<b>247,496</b>
<b>Net position:</b>						
Net investment in capital assets	35,094,012	28,566,654	63,660,666	34,863,348	30,617,541	65,480,889
Restricted	-	13,441,771	13,441,771	-	12,526,074	12,526,074
Unrestricted	8,035,314	(5,641,701)	2,393,613	7,427,285	(9,078,866)	(1,651,581)
<b>Total net position</b>	<b>\$ 43,129,326</b>	<b>\$ 36,366,724</b>	<b>\$ 79,496,050</b>	<b>\$ 42,290,633</b>	<b>\$ 34,064,749</b>	<b>\$ 76,355,382</b>

## HI-DESERT WATER DISTRICT

### Statements of Revenues, Expenses and Changes in Net Position – Combined – Internal Funds For the Year Ended June 30, 2021 (With Comparative Amounts as of June 30, 2020)

	Water	Sewer	2021	Water	Sewer	2020
<b>Operating revenues:</b>						
Water consumption sales	\$ 6,530,140	\$ -	\$ 6,530,140	\$ 5,864,805	\$ -	\$ 5,864,805
Readiness-to-serve fees	1,637,183	-	1,637,183	1,727,259	-	1,727,259
Sewer service fees	-	1,400,055	1,400,055	-	194,103	194,103
Other operating revenues	99,705	3,965	103,670	242,285	1,485	243,770
<b>Total operating revenues</b>	<b>8,267,028</b>	<b>1,404,020</b>	<b>9,671,048</b>	<b>7,834,349</b>	<b>195,588</b>	<b>8,029,937</b>
<b>Operating expenses:</b>						
Source of supply	2,096,895	-	2,096,895	721,112	-	721,112
Pumping and water treatment	1,943,482	1,556,166	3,499,648	1,902,833	506,278	2,409,111
Transmission and distribution	1,612,011	10,905	1,622,916	1,762,708	178,123	1,940,831
Sewer operations	-	379,262	379,262	-	1,026,977	1,026,977
Customer accounts	257,937	-	257,937	259,413	-	259,413
General and administrative	4,110,765	-	4,110,765	4,169,332	-	4,169,332
<b>Total operating expenses</b>	<b>10,021,090</b>	<b>1,946,333</b>	<b>11,967,423</b>	<b>8,815,398</b>	<b>1,711,378</b>	<b>10,526,776</b>
<b>Operating income(loss) before depreciation</b>	<b>(1,754,062)</b>	<b>(542,313)</b>	<b>(2,296,375)</b>	<b>(981,049)</b>	<b>(1,515,790)</b>	<b>(2,496,839)</b>
Depreciation expense	(1,814,053)	(2,319,262)	(4,133,315)	(1,821,965)	(94,194)	(1,916,159)
<b>Operating income(loss)</b>	<b>(3,568,115)</b>	<b>(2,861,575)</b>	<b>(6,429,690)</b>	<b>(2,803,014)</b>	<b>(1,609,984)</b>	<b>(4,412,998)</b>
<b>Non-operating revenues(expenses):</b>						
Property taxes	1,918,559	-	1,918,559	1,703,128	-	1,703,128
Measure Z sales tax revenue	-	2,433,370	2,433,370	-	2,040,545	2,040,545
Assessment revenue	-	4,077,377	4,077,377	-	3,877,314	3,877,314
Investment earnings	48,432	-	48,432	131,169	-	131,169
Capital surcharge	1,580,727	-	1,580,727	1,224,922	-	1,224,922
Morongo basin project surcharge	-	-	-	51,052	-	51,052
Lease payment – Morongo basin project	(7,945)	-	(7,945)	(8,960)	-	(8,960)
Interest expense	(90,507)	(1,343,670)	(1,434,177)	(107,564)	-	(107,564)
Transfers in(out)	61,904	(61,904)	-	-	-	-
Other non-operating revenues	167,190	3,542	170,732	186,774	10,680	197,454
Other non-operating expenses	(13,954)	-	(13,954)	(13,631)	-	(13,631)
<b>Total non-operating revenues, net</b>	<b>3,664,406</b>	<b>5,108,715</b>	<b>8,773,121</b>	<b>3,166,890</b>	<b>5,928,539</b>	<b>9,095,429</b>
<b>Change in net position before capital contribs.</b>	<b>96,291</b>	<b>2,247,140</b>	<b>2,343,431</b>	<b>363,876</b>	<b>4,318,555</b>	<b>4,682,431</b>
<b>Capital contributions:</b>						
Capital grants	-	54,835	54,835	404,810	4,845,160	5,249,970
Meter sales and installation	742,402	-	742,402	411,659	-	411,659
<b>Total capital contributions</b>	<b>742,402</b>	<b>54,835</b>	<b>797,237</b>	<b>816,469</b>	<b>4,845,160</b>	<b>5,661,629</b>
<b>Change in net position</b>	<b>838,693</b>	<b>2,301,975</b>	<b>3,140,668</b>	<b>1,180,345</b>	<b>9,163,715</b>	<b>10,344,060</b>
<b>Net position:</b>						
Beginning of year	42,290,633	34,064,749	76,355,382	41,110,288	24,901,034	66,011,322
End of year	\$ 43,129,326	\$ 36,366,724	\$ 79,496,050	\$ 42,290,633	\$ 34,064,749	\$ 76,355,382

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*Statistical Section*

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# HI-DESERT WATER DISTRICT

## Statistical Section

### Table of Contents

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This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

	<u>Pages</u>
<b>Financial Trends</b>	<b>57-60</b>
These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	<b>61-65</b>
These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	
<b>Debt Capacity</b>	<b>66-67</b>
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
<b>Demographic Information</b>	<b>68</b>
This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	
<b>Operating Information</b>	<b>69-70</b>
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides.	

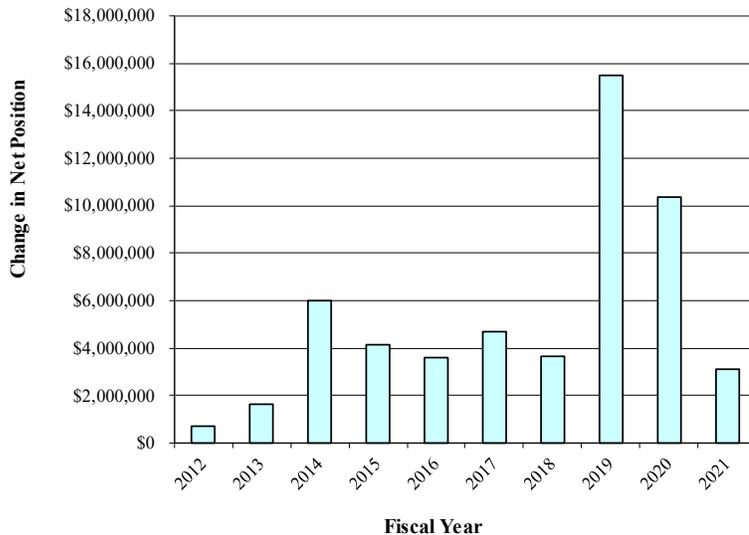
# HI-DESERT WATER DISTRICT

## Changes in Net Position by Component

### Last Ten Fiscal Years

	Fiscal Year				
	2012	2013	2014	2015	2016
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 7,654,560	7,875,823	8,270,632	7,616,919	7,512,847
Operating expenses (see Schedule 3)	(7,153,393)	(8,399,247)	(5,604,675)	(6,863,367)	(7,512,365)
Depreciation and amortization	(1,393,659)	(1,532,888)	(1,375,158)	(1,555,113)	(1,811,941)
<b>Operating income(loss)</b>	<b>(892,492)</b>	<b>(2,056,312)</b>	<b>1,290,799</b>	<b>(801,561)</b>	<b>(1,811,459)</b>
Non-operating revenues(expenses):					
Property taxes	1,292,775	1,354,043	1,338,163	1,393,362	1,448,390
Assessment revenue	-	-	-	-	650,071
Investment income	14,148	11,846	53,148	57,118	65,086
Dept. of Water Resources Reach II surcharge	893,895	1,013,458	1,019,310	1,033,544	1,040,681
Morongo Basin Project	517,716	528,887	532,424	539,748	543,894
Lease payment - Morongo Basin Project	(524,958)	(513,073)	(480,021)	(480,187)	(479,946)
Interest expense	(243,280)	(284,330)	(257,853)	(139,733)	(158,943)
Bond issuance costs	-	(110,078)	(2,131)	(31,337)	(3,631)
Other revenue/(expense), net	(1) (1,021,925)	108,241	36,625	90,976	46,442
<b>Total non-operating revenues, net</b>	<b>928,371</b>	<b>2,108,994</b>	<b>2,239,665</b>	<b>2,463,491</b>	<b>3,152,044</b>
<b>Net income (loss) before capital contributions</b>	<b>35,879</b>	<b>52,682</b>	<b>3,530,464</b>	<b>1,661,930</b>	<b>1,340,585</b>
Capital contributions	687,323	1,572,905	2,497,998	2,508,448	2,239,380
<b>Changes in net position</b>	<b>\$ 723,202</b>	<b>1,625,587</b>	<b>6,028,462</b>	<b>4,170,378</b>	<b>3,579,965</b>
Net position by component:					
Net investment in capital assets	\$ 25,599,745	26,627,116	32,102,689	35,998,775	39,682,015
Restricted	-	-	-	-	-
Unrestricted	5,514,560	6,112,776	8,482,841	5,723,695	5,620,420
<b>Total net position</b>	<b>\$ 31,114,305</b>	<b>32,739,892</b>	<b>40,585,530</b>	<b>41,722,470</b>	<b>45,302,435</b>

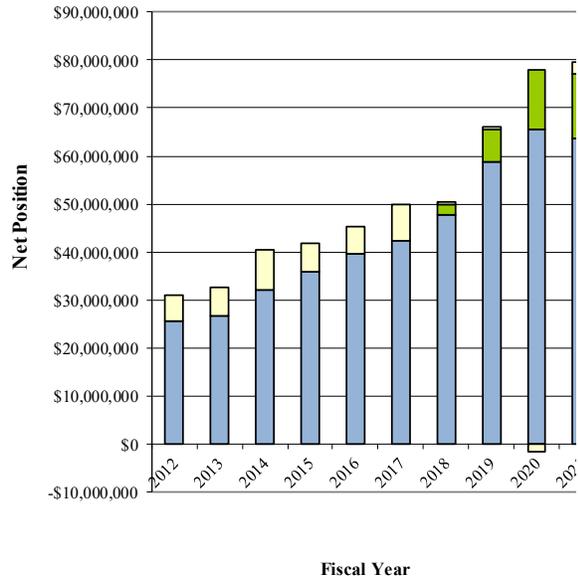
Note: (1) Includes CalPERS Side-Fund expense in FY 2012.



Source: Hi-Desert Water District Accounting Department

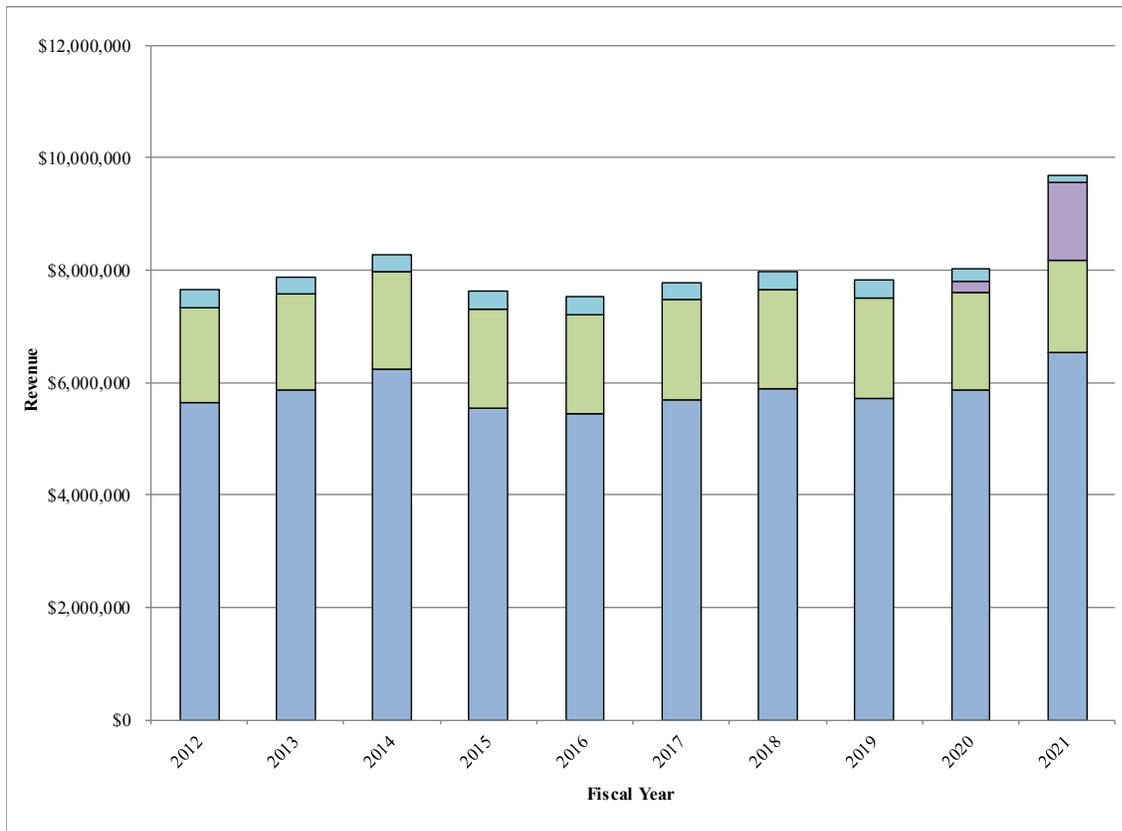
**HI-DESERT WATER DISTRICT**  
*Changes in Net Position by Component (Continued)*  
*Last Ten Fiscal Years*

Fiscal Year				
2017	2018	2019	2020	2021
7,779,002	7,968,186	7,813,285	8,029,937	9,671,048
(8,423,756)	(10,922,202)	(9,229,215)	(10,526,776)	(11,967,423)
(1,904,459)	(1,912,447)	(1,871,168)	(1,916,159)	(4,133,315)
(2,549,213)	(4,866,463)	(3,287,098)	(4,412,998)	(6,429,690)
1,483,026	1,538,716	1,634,342	1,703,128	1,918,559
18,160	1,776,801	4,701,490	5,917,859	6,510,747
70,752	104,782	151,394	131,169	48,432
1,043,528	1,052,307	1,065,563	1,224,922	1,580,727
545,689	550,632	557,752	51,052	-
(479,651)	(487,102)	(481,070)	(8,960)	(7,945)
(147,196)	(134,605)	(118,103)	(107,564)	(1,434,177)
(3,631)	(3,631)	(3,631)	-	-
151,628	171,672	251,546	183,823	156,778
2,682,305	4,569,572	7,759,283	9,095,429	8,773,121
133,092	(296,891)	4,472,185	4,682,431	2,343,431
4,571,514	3,956,009	11,025,421	5,661,629	797,237
4,704,606	3,659,118	15,497,606	10,344,060	3,140,668
42,424,863	47,787,711	58,878,373	65,480,889	63,660,666
-	1,987,520	6,579,985	12,526,074	13,441,771
7,582,178	738,485	552,964	(1,651,581)	2,393,613
50,007,041	50,513,716	66,011,322	76,355,382	79,496,050



**HI-DESERT WATER DISTRICT**  
*Operating Revenues by Source*  
*Last Ten Fiscal Years*

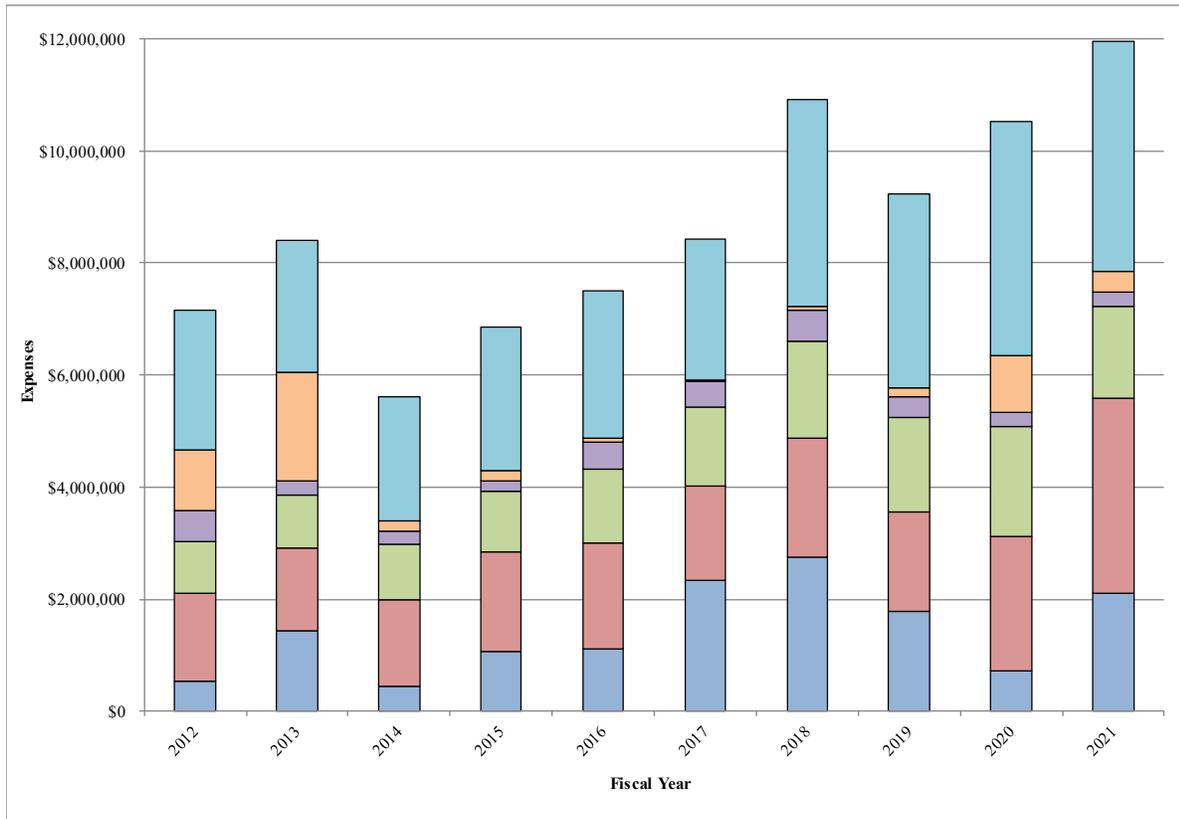
Fiscal Year	Water Consumption Sales	Connection Fees	Readiness-to-serve Fees	Sewer Service Fees	Other Charges	Total Operating Revenue
2012	5,647,160	-	1,679,168	-	328,232	7,654,560
2013	5,852,385	-	1,721,526	-	301,912	7,875,823
2014	6,229,153	-	1,738,905	-	302,574	8,270,632
2015	5,538,428	-	1,762,154	-	316,337	7,616,919
2016	5,438,541	-	1,770,154	-	304,152	7,512,847
2017	5,684,811	-	1,783,455	-	310,736	7,779,002
2018	5,882,939	-	1,774,138	-	311,109	7,968,186
2019	5,707,152	-	1,800,183	-	305,950	7,813,285
2020	5,864,805	-	1,727,259	194,103	243,770	8,029,937
2021	6,530,140	-	1,637,183	1,400,055	103,670	9,671,048



Source: Hi-Desert Water District Accounting Department

**HI-DESERT WATER DISTRICT**  
*Operating Expenses by Activity*  
*Last Ten Fiscal Years*

Fiscal Year	Source of Supply	Pumping and Water Treatment	Transmission and Distribution	Customer Accounts	Sewer Operations	General and Administrative	Total Operating Expenses
2012	532,350	1,564,708	925,133	551,548	1,084,190	2,495,464	7,153,393
2013	1,446,300	1,469,160	933,629	273,606	1,924,239	2,352,313	8,399,247
2014	454,950	1,536,227	983,161	231,935	199,742	2,198,660	5,604,675
2015	1,070,190	1,772,996	1,092,276	174,430	198,639	2,554,836	6,863,367
2016	1,121,814	1,875,176	1,316,808	489,008	75,799	2,633,760	7,512,365
2017	2,341,561	1,689,555	1,392,429	456,547	38,649	2,505,015	8,423,756
2018	2,752,253	2,121,494	1,733,198	561,103	49,574	3,704,580	10,922,202
2019	1,794,010	1,756,121	1,687,110	371,078	158,690	3,462,206	9,229,215
2020	721,112	2,409,111	1,940,831	259,413	1,026,977	4,169,332	10,526,776
2021	2,096,895	3,499,648	1,622,916	257,937	379,262	4,110,765	11,967,423



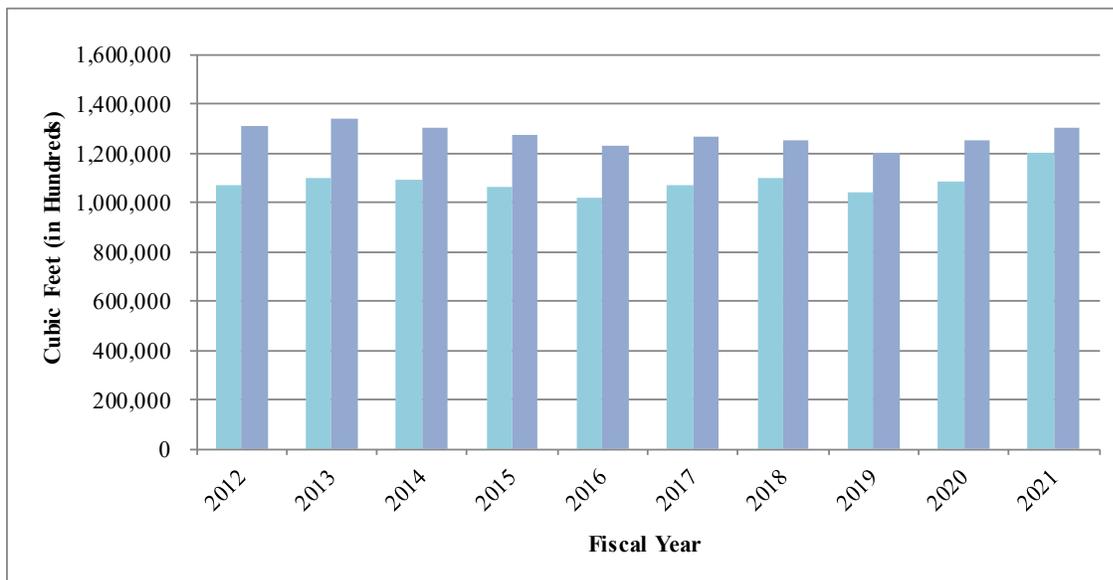
Source: Hi-Desert Water District Accounting Department

# HI-DESERT WATER DISTRICT

## Revenue Base

### Last Ten Fiscal Years

Fiscal Year	Water Sales (HCF)	Water Produced (HCF)
2012	1,070,166	1,308,588
2013	1,095,624	1,339,394
2014	1,091,186	1,300,001
2015	1,060,296	1,275,294
2016	1,020,490	1,227,125
2017	1,070,591	1,262,241
2018	1,101,130	1,253,973
2019	1,039,903	1,199,358
2020	1,083,500	1,247,857
2021	1,199,597	1,302,284



**Source:** Hi-Desert Water District Accounting Department

**Note:** See Schedule 2 "Operating Revenue by Source" for information regarding water revenues.

# HI-DESERT WATER DISTRICT

## Revenue Rates

### Last Ten Fiscal Years

#### Water Rates:

##### Water Consumption per Hundred Cubic Feet (HCF)

HCF Consumed	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
0-4	\$ 3.59	3.59	3.59	3.59	3.59	3.59	3.59	3.59	3.65	3.76
5-10 / 5-11 (20&21)	5.69	5.69	5.69	5.69	5.69	5.69	5.69	5.69	6.17	6.36
-28 / 12-28 (20 & 21)	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	7.02	7.24
29-40	9.08	9.08	9.08	9.08	9.08	9.08	9.08	9.08	7.02	7.24
41-53	9.08	9.08	9.08	9.08	9.08	9.08	9.08	9.08	7.02	7.24
54-65	9.08	9.08	9.08	9.08	9.08	9.08	9.08	9.08	7.02	7.24
66-78	9.08	9.08	9.08	9.08	9.08	9.08	9.08	9.08	7.02	7.24
79-over	9.08	9.08	9.08	9.08	9.08	9.08	9.08	9.08	7.02	7.24

##### Connection Fees per Month

Meter Size	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
5/8" & 3/4"	\$ 11.80	11.80	11.80	11.80	11.80	11.80	11.80	11.80	10.39	10.70
1"	23.80	23.80	23.80	23.80	23.80	23.80	23.80	23.80	15.12	15.57
1 1/2"	43.80	43.80	43.80	43.80	43.80	43.80	43.80	43.80	23.01	23.70
2"	67.80	67.80	67.80	67.80	67.80	67.80	67.80	67.80	32.47	33.44
3"	131.90	131.90	131.90	131.90	131.90	131.90	131.90	131.90	57.70	59.43
4"	203.90	203.90	203.90	203.90	203.90	203.90	203.90	203.90	86.09	88.67
6"	404.10	404.10	404.10	404.10	404.10	404.10	404.10	404.10	164.94	169.89

##### Pipeline Surcharge Fees per Month

Meter Size	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
5/8" & 3/4"	\$ 4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	0.00	0.00
1"	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	0.00	0.00
1 1/2"	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	0.00	0.00
2"	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	0.00	0.00
3"	44.00	44.00	44.00	44.00	44.00	44.00	44.00	44.00	0.00	0.00
4"	68.00	68.00	68.00	68.00	68.00	68.00	68.00	68.00	0.00	0.00
6"	132.00	132.00	132.00	132.00	132.00	132.00	132.00	132.00	0.00	0.00

##### Capital Replacement Program (CRP) Surcharge Fees Per Month

Meter Size	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
5/8" & 3/4"	\$ 7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	10.36	10.67
1"	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	25.90	26.68
1 1/2"	22.50	22.50	22.50	22.50	22.50	22.50	22.50	22.50	51.80	53.35
2"	37.50	37.50	37.50	37.50	37.50	37.50	37.50	37.50	82.88	85.37
3"	82.50	82.50	82.50	82.50	82.50	82.50	82.50	82.50	165.75	170.72
4"	127.50	127.50	127.50	127.50	127.50	127.50	127.50	127.50	258.97	266.74
6"	247.50	247.50	247.50	247.50	247.50	247.50	247.50	247.50	517.94	533.48

#### Sewer Rates:

##### Operation and Maintenance Fees per Month

EDU <sup>(2)</sup>	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
SFR									44.03	45.35
MFR									44.03	45.35
MH									44.03	45.35
Non-residential									44.03	45.35

Source: Hi-Desert Water District Board of Directors approved rate ordinances and resolutions

#### Note:

(1) Rates as of June 30, of each fiscal year.

(2) EDU stands for Equivalent Dwelling Unit.

Single Family Residential - 1.0 EDU per residential unit

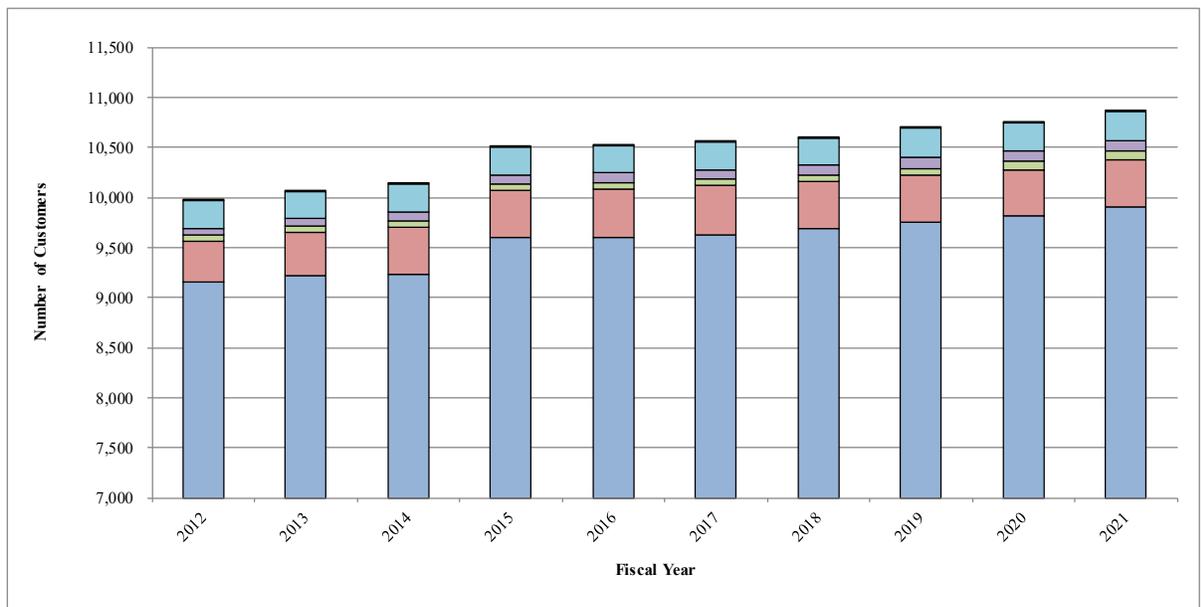
Multi-Family Residential - 0.75 EDU per residential unit

Mobile Homes Residential - 0.6 EDU per residential unit

Non-Residential - A minimum of 1.0 EDU or 90% of water consumption, whichever is greater

**HI-DESERT WATER DISTRICT**  
*Customers by Type – Water Operations*  
*Last Ten Fiscal Years*

Fiscal Year	Customer Type						Total
	Residential	Commercial	Public Entities	Irrigation	Multi-Family	Parks	
2012	9,155	404	63	71	271	12	9,976
2013	9,220	431	62	79	261	12	10,065
2014	9,235	464	63	86	287	13	10,148
2015	9,594	477	64	91	273	13	10,512
2016	9,605	483	64	94	273	13	10,532
2017	9,630	492	63	93	273	13	10,564
2018	9,686	476	65	95	272	13	10,607
2019	9,748	472	62	115	290	13	10,700
2020	9,820	459	77	107	283	13	10,759
2021	9,910	470	79	108	290	13	10,870

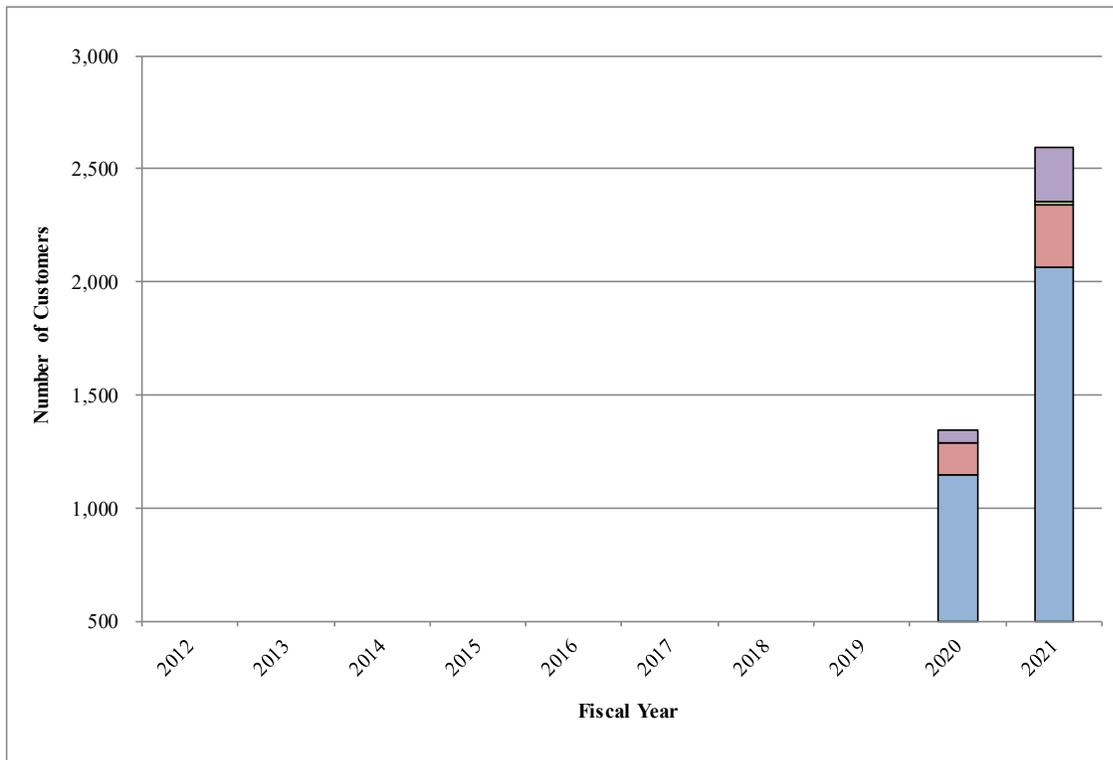


Source: Hi-Desert Water District Accounting Department

Note: Number of customers as of June 30, of fiscal year.

**HI-DESERT WATER DISTRICT**  
*Customers by Type – Sewer Operations*  
*Last Ten Fiscal Years*

Fiscal Year	Customer Type				Total
	Single Family Residential	Multifamily Residential	Mobile Home Parks	Non Residential	
2012					-
2013					-
2014					-
2015					-
2016					-
2017					-
2018					-
2019					-
2020	1,149	135	-	59	1,343
2021	2,062	280	11	238	2,591



Source: Hi-Desert Water District Accounting Department

Note: Number of customers as of June 30, of fiscal year.  
 Private Lateral Connections started in November 2019.

## HI-DESERT WATER DISTRICT

### Principal Customers

#### Current and Nine Years Ago

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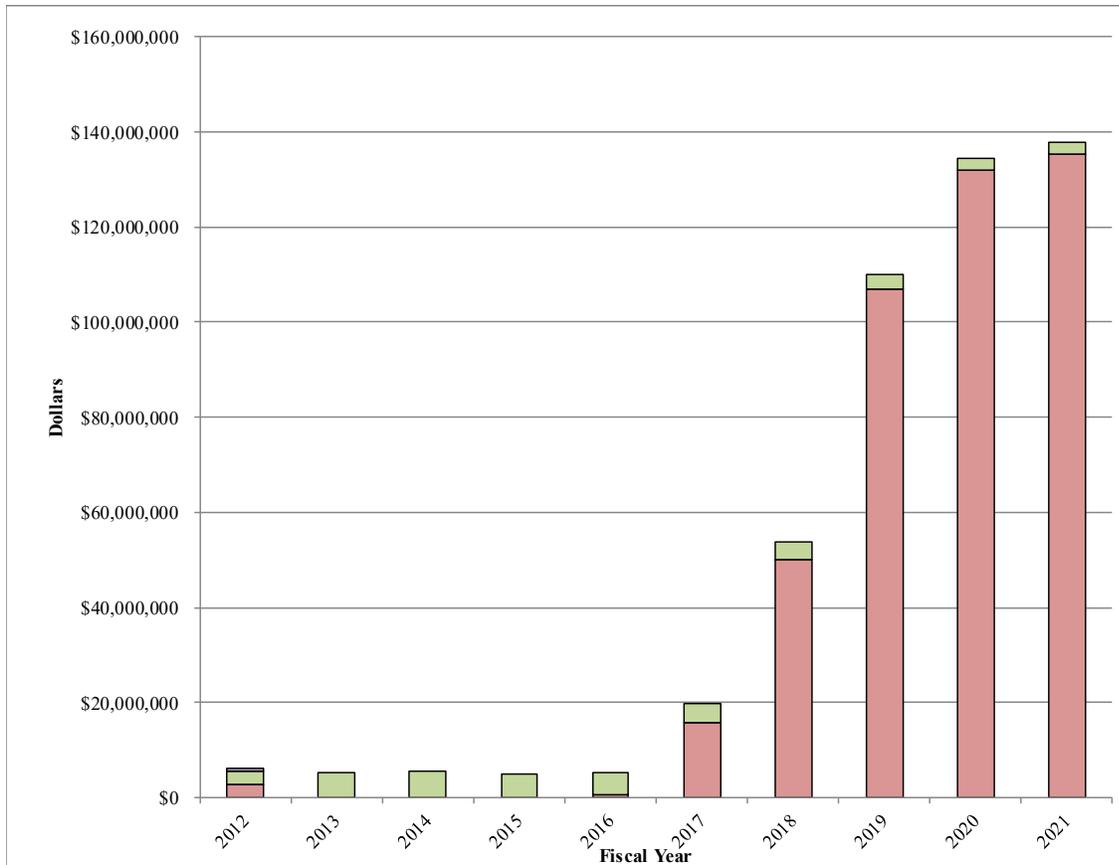
<u>Customer</u>	<b>2021</b>	
	<u>Water Consumed</u>	<u>Percentage of Total</u>
Morongo Unified School District	9,696	0.81%
Morongo Unified School District	9,528	0.79%
Brehm2 Town of Yucca Valley	7,758	0.65%
Apache MHP Association	7,295	0.61%
Caritas Corporation	6,865	0.57%
Town of Yucca Valley	6,403	0.53%
Top Dog Express Car & Dog Wash	5,175	0.43%
Walmart Stores	4,824	0.40%
Joshua Springs Irrigation	4,819	0.40%
Town of Yucca Valley	4,421	0.37%
Total	<u>66,784</u>	<u>5.57%</u>
Total Water Consumed (HCF)	<u>1,199,597</u>	<u>100.00%</u>

<u>Customer</u>	<b>2012</b>	
	<u>Water Consumed</u>	<u>Percentage of Total</u>
Schools (12)	23,812	2.23%
Mobile Home Parks (4)	23,268	2.17%
Parks (6)	21,098	1.97%
Medical (4)	11,266	1.05%
Grocery (4)	11,555	1.08%
Hotels (3)	7,390	0.69%
Restraunts (5)	8,086	0.76%
Churches (4)	1,429	0.13%
Total	<u>107,904</u>	<u>10.08%</u>
Total Water Consumed (HCF)	<u>1,070,166</u>	<u>100.00%</u>

**Source:** Hi-Desert Water District Accounting Department

**HI-DESERT WATER DISTRICT**  
*Ratios of Outstanding Debt*  
*Last Ten Fiscal Years*

Fiscal Year	Loans Payable	Bonds Payable	Notes Payable	Total		
				Debt	Per Capita	As a Share of Personal Income
2012	2,769,768	2,695,000	870,600	6,335,368	302.90	1.01%
2013	-	5,110,000	-	5,110,000	242.20	0.82%
2014	-	5,480,022	-	5,480,022	260.58	0.87%
2015	-	5,044,565	-	5,044,565	236.22	0.74%
2016	695,924	4,599,108	-	5,295,032	245.14	0.75%
2017	15,712,166	4,143,652	-	19,855,818	917.04	2.53%
2018	50,150,011	3,678,196	-	53,828,207	2,475.09	6.38%
2019	106,872,481	3,197,739	-	110,070,220	5,003.19	12.89%
2020	131,756,729	2,702,283	-	134,459,012	6,127.93	15.20%
2021	135,440,100	2,196,836	-	137,636,936	6,254.23	13.95%



Source: Hi-Desert Water District Accounting Department

**HI-DESERT WATER DISTRICT**  
*Pledged Revenue Coverage*  
*Last Ten Fiscal Years*

Fiscal Year	Net Revenues	Operating Expenses <sup>(1)</sup>	Net Available Revenues	Debt Service			Coverage Ratio
				Principal <sup>(2)</sup>	Interest	Total	
2012	9,337,021	(7,153,393)	2,183,628	479,427	243,280	722,707	3.02
2013	10,770,374	(8,399,247)	2,371,127	610,297	14,416	624,713	3.80
2014	11,195,023	(5,604,675)	5,590,348	870,076	186,457	1,056,533	5.29
2015	10,643,212	(6,863,367)	3,779,845	879,816	138,008	1,017,824	3.71
2016	11,238,694	(7,512,365)	3,726,329	889,486	157,383	1,046,869	3.56
2017	11,017,402	(8,423,756)	2,593,646	900,518	145,800	1,046,318	2.48
2018	13,054,683	(10,922,202)	2,132,481	915,002	133,250	1,048,252	2.03
2019	16,020,347	(9,229,215)	6,791,132	930,186	116,650	1,046,836	6.49
2020	17,110,721	(11,967,423)	5,143,298	450,000	107,564	557,564	9.22
2021	19,878,346	(11,967,423)	7,910,923	480,000	86,350	566,350	13.97

Source: Hi-Desert Water District Accounting Department

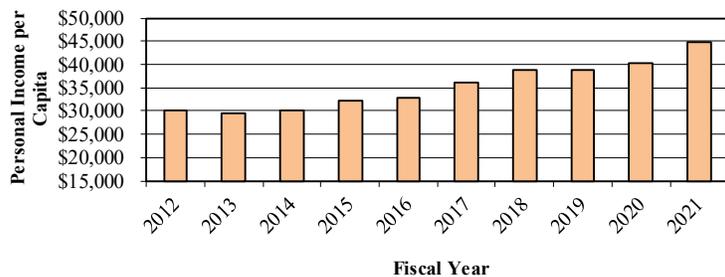
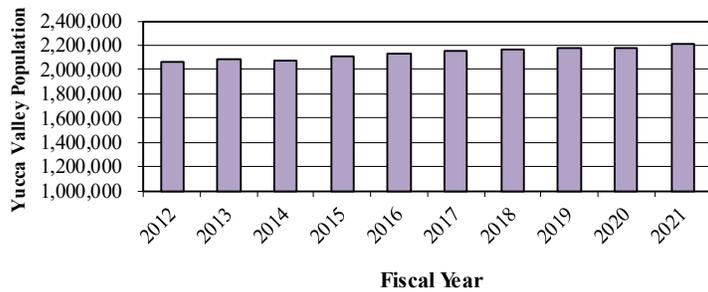
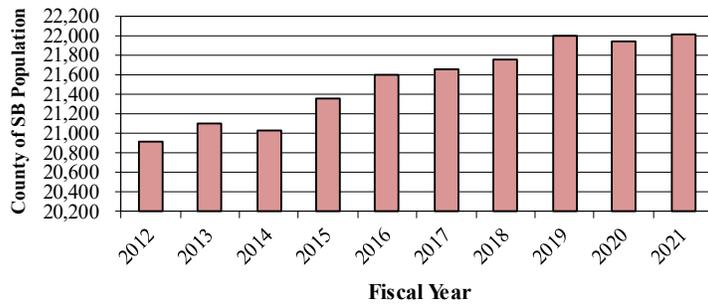
**Notes:**

(1) Operating expenses exclude depreciation expense.

(2) Includes only normal principal payments (does not include payments as a result of refinancing of debt)

**HI-DESERT WATER DISTRICT**  
*Demographic and Economic Statistics*  
*Last Ten Fiscal Years*

Year	County of San Bernardino <sup>(2)</sup>				
	Yucca Valley Population <sup>(1)</sup>	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2012	20,916	16.0%	2,063,919	61,913,442	29,998
2013	21,098	12.0%	2,081,313	61,677,629	29,634
2014	21,030	10.3%	2,076,274	62,259,000	29,990
2015	21,355	6.5%	2,104,291	67,488,821	32,072
2016	21,600	5.9%	2,128,133	69,689,971	32,747
2017	21,652	5.4%	2,147,933	77,823,908	36,232
2018	21,748	5.8%	2,160,256	83,852,497	38,816
2019	22,000	4.1%	2,171,603	84,292,942	38,816
2020	21,942	13.1%	2,180,085	87,892,307	40,316
2021	22,007	8.1%	2,206,750	98,930,809	44,831



Source: California Department of Finance and California Labor Market Info

**Notes:**

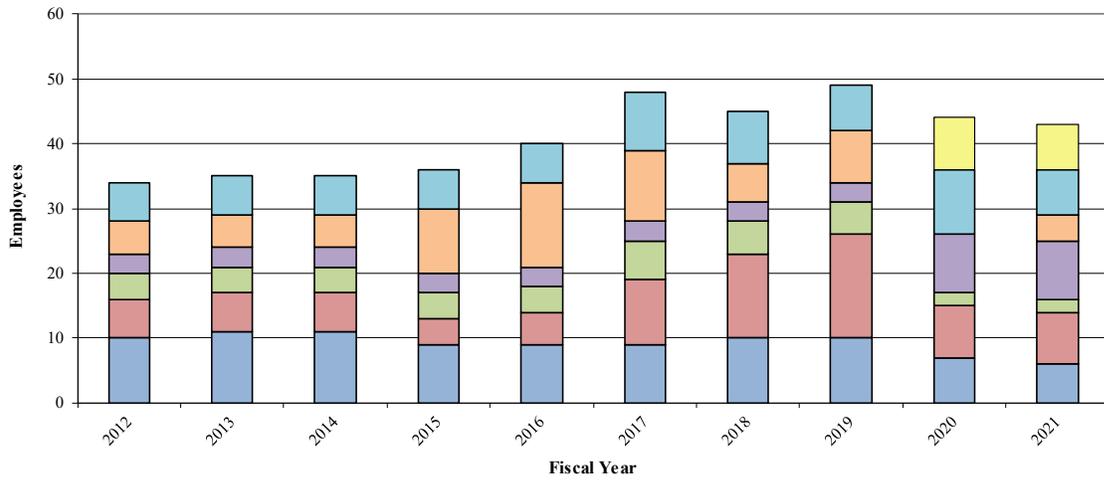
- (1) Separate data is not prepared for the District, therefore, the District has used data for the Town of Yucca Valley. A substantial portion of the District lies within the Town, and therefore, is a reasonable basis for determining the demographic and economic statistics of the District.
- (2) Only County data is updated annually. Therefore, the District has chosen to use its data since the District believes that the County data is representative of the conditions and experience of the District.

N/A - Data not available

# HI-DESERT WATER DISTRICT

## Full Time Equivalent District Employees by Department Last Ten Fiscal Years

Full-time Equivalent District Employees by Department								
Fiscal Year	Operations	Administration	Accounting and Billing	Customer Service	CRP	Construction & Maintenance	Wastewater	Total
2012	10	6	4	3	5	6	0	34
2013	11	6	4	3	5	6	0	35
2014	11	6	4	3	5	6	0	35
2015	9	4	4	3	10	6	0	36
2016	9	5	4	3	13	6	0	40
2017	9	10	6	3	11	9	0	48
2018	10	13	5	3	6	8	0	45
2019	10	16	5	3	8	7	0	49
2020	7	8	2	9	0	10	8	44
2021	6	8	2	9	4	7	7	43



Source: Hi-Desert Water District Operations and Accounting Departments

**HI-DESERT WATER DISTRICT**  
*Operating and Capacity Indicators*  
*Last Ten Fiscal Years*

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Other Operating and Capacity Indicators							
<u>Fiscal Year</u>	<u>District Area (Square Miles)</u>	<u>Miles of Pipeline</u>	<u>Storage Tanks</u>	<u>Storage Capacity (MG)</u>	<u>Groundwater Wells</u>	<u>Well Capacity (MGD)</u>	<u>Fire Hydrants</u>
2012	57	296	16	12.66	11	9.2	1,801
2013	57	296	16	12.66	13	9.2	1,801
2014	57	296	16	12.66	13	9.2	1,801
2015	57	308	16	13.18	12	9.2	2,042
2016	57	308	16	13.18	12	9.2	2,066
2017	57	308	16	13.18	12	9.2	2,066
2018	57	317	16	12.20	12	9.5	2,066
2019	57	317	16	12.20	12	9.5	2,066
2020	57	322	16	12.20	12	9.5	2,066
2021	57	322	16	12.20	12	9.5	2,066

MG - Millions of Gallons  
 MGD - Millions of Gallons per Day

**Source:** Hi-Desert Water District Operations and Accounting Departments

**Note:** The Fire Hydrant total is inclusive of Hydrants and Jones heads.

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*Other Independent Auditors' Reports*

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A Professional Accountancy Corporation

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Hi-Desert Water District  
Yucca Valley, 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 Hi-Desert Water District (District), which comprise the statement of net position as of June 30, 2021, and the related statement of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 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) as a basis for designing audit procedures to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 District'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 of 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 financial statements. 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*.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 financial statements. 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*.

**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.

A handwritten signature in blue ink that reads "Nigro & Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California  
December 15, 2021