



Coastside County Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2021 and 2020





Mission Statement

The mission of Coastside County Water District is to provide our customers with high quality water and service at the lowest possible price, in accordance with the following values:

- *Reliability and sustainability of system facilities*
- *Timeliness of District policies, procedures, actions and decisions*
- *50-year outlook when replacing infrastructure*
- *Legality of all District actions and behaviors*
- *Culture of openness, fairness and inclusiveness*

**Coastside County Water District
Board of Directors as of June 30, 2021**

Name	Title	Elected/ Appointed	Current Term
Glenn Reynolds	President	Appointed	12/20-11/24
Robert Feldman	Vice-President	Appointed	11/18-11/22
Ken Coverdell	Director	Appointed	12/20-11/24
Chris Mickelsen	Director	Appointed	11/18-11/22
John Muller	Director	Appointed	12/20-11/24

**Coastside County Water District
Mary Rogren, General Manager
766 Main Street
Half Moon Bay, California 94019
(650) 726-4405 – www.coastsidewater.org**

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Financial Section



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Independent Auditor's Report

Board of Directors
Coastside County Water District
Half Moon Bay, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Coastside County Water District (District) for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the 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 respective financial position of the District, as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the required supplementary information on pages 45 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 48 and 49.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
January 11, 2022

Coastside County Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Coastside County Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2021 and 2020. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In fiscal year 2021, the District's net position increased 5.99% or \$2,771,468 to \$49,067,142 as a result from ongoing operations. In fiscal year 2020, the District's net position increased 7.59% or \$3,267,774 to \$46,295,674 as a result from ongoing operations.
- In fiscal year 2021, the District's operating revenues increased 4.16% or \$535,551 to \$13,416,671. In fiscal year 2020, the District's operating revenues increased 8.56% or \$1,015,887 to \$12,881,120.
- In fiscal year 2021, the District's non-operating revenues decreased 5.83% or \$108,332 to \$1,749,524. In fiscal year 2020, the District's non-operating revenues increased 6.13% or \$107,340 to \$1,857,856.
- In fiscal year 2021, the District's operating expenses increased 9.15% or \$794,484 to \$9,475,824. In fiscal year 2020, the District's operating expenses increased 1.73% or \$147,876 to \$8,681,340.
- In fiscal year 2021, the District's non-operating expenses decreased 6.29% or \$33,438 to \$498,282. In fiscal year 2020, the District's non-operating expenses decreased 5.06% or \$28,327 to \$531,720.

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 include all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. These statements measure 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 report 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.

Coastside County Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Financial Analysis of the District

One of the most important question 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, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 14 through 44.

Statements of Net Position

Condensed Statements of Net Position					
	2021	2020	Change	2019	Change
Assets:					
Current assets	\$ 13,475,713	11,585,665	1,890,048	11,128,310	457,355
Capital assets, net	<u>57,514,880</u>	<u>56,917,613</u>	<u>597,267</u>	<u>53,943,608</u>	<u>2,974,005</u>
Total assets	<u>70,990,593</u>	<u>68,503,278</u>	<u>2,487,315</u>	<u>65,071,918</u>	<u>3,431,360</u>
Deferred outflows of resources:	<u>1,128,426</u>	<u>1,099,412</u>	<u>29,014</u>	<u>1,298,272</u>	<u>(198,860)</u>
Liabilities:					
Current liabilities	1,828,579	1,770,015	58,564	1,434,092	335,923
Non-current liabilities	<u>20,912,531</u>	<u>21,154,749</u>	<u>(242,218)</u>	<u>21,699,199</u>	<u>(544,450)</u>
Total liabilities	<u>22,741,110</u>	<u>22,924,764</u>	<u>(183,654)</u>	<u>23,133,291</u>	<u>(208,527)</u>
Deferred inflows of resources:	<u>310,767</u>	<u>382,252</u>	<u>(71,485)</u>	<u>208,999</u>	<u>173,253</u>
Net position:					
Net investment in capital assets	42,679,690	41,467,479	1,212,211	37,893,505	3,573,974
Restricted	<u>282,081</u>	<u>370,599</u>	<u>(88,518)</u>	<u>314,403</u>	<u>56,196</u>
Unrestricted	<u>6,105,371</u>	<u>4,457,596</u>	<u>1,647,775</u>	<u>4,819,992</u>	<u>(362,396)</u>
Total net position	<u>\$ 49,067,142</u>	<u>46,295,674</u>	<u>2,771,468</u>	<u>43,027,900</u>	<u>3,267,774</u>

Coastside County Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Statements of Net Position, continued

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 exceeded liabilities and deferred inflows by \$49,067,142 and \$46,295,674 as of June 30, 2021 and 2020, respectively.

By far, the largest portion of the District's net position (87% and 90% as of June 30, 2021 and 2020, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2021 and 2020, the District showed a positive balance in its unrestricted net position of \$6,105,371 and \$4,457,596, respectively, which may be utilized in future years. See note 10 for further information.

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2021	2020	Change	2019	Change
Revenue:					
Operating revenue	\$ 13,416,671	12,881,120	535,551	11,865,233	1,015,887
Non-operating revenue	<u>1,749,524</u>	<u>1,857,856</u>	<u>(108,332)</u>	<u>1,750,516</u>	<u>107,340</u>
Total revenue	<u>15,166,195</u>	<u>14,738,976</u>	<u>427,219</u>	<u>13,615,749</u>	<u>1,123,227</u>
Expense:					
Operating expense	9,475,824	8,681,340	794,484	8,533,464	147,876
Depreciation	2,420,621	2,258,142	162,479	2,172,752	85,390
Non-operating expense	<u>498,282</u>	<u>531,720</u>	<u>(33,438)</u>	<u>560,047</u>	<u>(28,327)</u>
Total expense	<u>12,394,727</u>	<u>11,471,202</u>	<u>923,525</u>	<u>11,266,263</u>	<u>204,939</u>
Change in net position	2,771,468	3,267,774	(496,306)	2,349,486	918,288
Net position, beginning of year	46,295,674	43,027,900	3,267,774	40,678,414	2,349,486
Net position, end of year	\$ 49,067,142	46,295,674	2,771,468	43,027,900	3,267,774

The Statements of Revenues, Expenses, and Changes of Net Position show how the District's net position changed during the fiscal years. In the case of the District, net position increased 5.99% or \$2,771,468, in fiscal year 2021 to \$49,067,142 as a result from ongoing operations. In fiscal year 2020, the District's net position increased 7.59% or \$2,771,468 to \$46,295,674 as a result from ongoing operations.

Coastside County Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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

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

In fiscal year 2021, total revenues increased 2.90% or \$427,219 to \$15,166,195. Operating revenues increased 4.16% or \$535,551, primarily due to an increase in water consumption sales. Non-operating revenues decreased 5.83% or \$108,332, primarily due to decreases of \$119,075 in investment earnings, \$24,045 in transmission and storage fees, and \$23,464 in other revenue, which were offset by an increase of \$53,118 in property tax revenue. In fiscal year 2020, total revenues increased 8.25% or \$1,123,227 to \$14,738,976. Operating revenues increased 8.56% or \$1,015,887, primarily due to an increase in water consumption sales. Non-operating revenues increased 6.13% or \$107,340, primarily due to increases of \$67,932 in property tax revenue \$25,316 in investment earnings, and \$12,838 in other revenue.

In fiscal year 2021, total expenses (including depreciation) increased 8.05% or \$923,525 to \$12,394,727. Operating expenses increased 9.15% or \$794,484, due to increases of \$989,681 in source of supply, \$77,444 in pumping expense, and \$30,731 in general and administrative expense, which were offset by a decrease of \$303,372 in transmission and distribution as compared to prior year. Non-operating expenses decreased 6.29% or \$33,438, due to decreases of \$31,528 in interest related to long-term debt and \$13,592 in loss on disposal of capital assets, which were offset by a decrease of \$11,682 in County collection fees as compared to the prior year. In fiscal year 2020, total expenses (including depreciation) increased 1.82% or \$204,939 to \$11,471,202. Operating expenses increased 1.73% or \$147,876, due to increases of \$217,421 in general and administrative expense, \$134,626 in pumping expense, and \$98,468 in transmission and distribution, which were offset by a decrease of \$302,639 in source of supply as compared to prior year. Non-operating expenses decreased 5.06% or \$28,327, primarily due to decreases of \$33,721 in amortization of debt issuance costs and \$22,419 in interest expense, which were offset by an increase of \$24,773 in loss on disposal of assets as compared to the prior year.

Capital Asset Administration

Changes in capital asset amounts for 2021 were as follows:

	Balance 2020	Additions	Transfers/ Deletions	Balance 2021
Capital assets:				
Non-depreciable assets	\$ 2,712,254	3,044,940	(1,528,227)	4,228,967
Depreciable assets	89,567,015	1,514,856	(48,136)	91,033,735
Accumulated depreciation	<u>(35,361,656)</u>	<u>(2,420,621)</u>	<u>34,455</u>	<u>(37,747,822)</u>
Total capital assets, net	<u>\$ 56,917,613</u>	<u>2,139,175</u>	<u>(1,541,908)</u>	<u>57,514,880</u>

Coastside County Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Capital Asset Administration, continued

Changes in capital asset amounts for 2020 were as follows:

	Balance 2019	Additions	Transfers/ Deletions	Balance 2020
Capital assets:				
Non-depreciable assets	\$ 1,722,213	4,956,425	(3,966,384)	2,712,254
Depreciable assets	85,416,420	4,283,579	(132,984)	89,567,015
Accumulated depreciation	<u>(33,195,025)</u>	<u>(2,258,142)</u>	<u>91,511</u>	<u>(35,361,656)</u>
Total capital assets, net	<u>\$ 53,943,608</u>	<u>6,981,862</u>	<u>(4,007,857)</u>	<u>56,917,613</u>

At the end of fiscal years 2021 and 2020, the District's investment in capital assets amounted to \$57,514,880 and \$56,917,613 (net of accumulated depreciation), respectively. This investment in capital assets includes land, source of supply infrastructure, transmission and distribution systems, the Crystal Springs pump station, treatment plants, well fields and tanks, pipelines and meters, buildings and structures, vehicles, furniture and equipment, and construction-in-process. See Note 3 to the basic financial statements for further detailed information on the District's capital assets.

Debt Administration

Changes in long-term debt amounts for 2021 were as follows:

	Balance 2020	Additions	Transfers/ Deletions	Balance 2021
Long-term debt:				
Loans payable	\$ 15,450,134	-	(614,944)	14,835,190
Total long-term debt	<u>\$ 15,450,134</u>	<u>-</u>	<u>(614,944)</u>	<u>14,835,190</u>

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

	Balance 2019	Additions	Transfers/ Deletions	Balance 2020
Long-term debt:				
Loans payable	\$ 16,050,103	-	(599,969)	15,450,134
Total long-term debt	<u>\$ 16,050,103</u>	<u>-</u>	<u>(599,969)</u>	<u>15,450,134</u>

In 2021 and 2020, long-term debt decreased by \$614,944 and \$599,969, due to current year scheduled principal payments, respectively. The long-term debt position of the District is more fully analyzed in Note 5 to the basic financial statements.

Coastside County Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Conditions Affecting Current Financial Position

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

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

Requests for Information

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 respect to 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 General Manager at 766 Main Street, Half Moon Bay, California 94019 – (650) 726-5245.

Basic Financial Statements

Coastside County Water District
Statements of Net Position
June 30, 2021 and 2020

	2021	2020
Current assets:		
Cash and cash equivalents (note 2)	\$ 11,083,431	9,194,271
Restricted – cash and cash equivalents (note 2)	32,081	120,599
Accrued interest receivable	4,300	19,054
Accounts receivable – water sales and services	1,932,177	1,873,607
Accounts receivable – other	7,883	33,583
Accounts receivable – property taxes	14,973	44,012
Materials and supplies inventory	177,096	163,719
Water-in-storage inventory	44,774	22,655
Prepaid expenses and other deposits	178,998	114,165
Total current assets	13,475,713	11,585,665
Non-current assets:		
Capital assets – not being depreciated (note 3)	4,228,967	2,712,254
Capital assets, net – being depreciated (note 3)	<u>53,285,913</u>	<u>54,205,359</u>
Total non-current assets	57,514,880	56,917,613
Total assets	70,990,593	68,503,278
Deferred outflows of resources:		
Deferred other post-employment benefits outflows (note 6)	213,774	55,278
Deferred pension outflows (note 7)	<u>914,652</u>	<u>1,044,134</u>
Total deferred outflows of resources	\$ 1,128,426	1,099,412

Continued on next page

See accompanying notes to the basic financial statements

Coastside County Water District
Statements of Net Position, continued
June 30, 2021 and 2020

	2021	2020
Current liabilities:		
Accounts payable and accrued expenses	\$ 608,283	808,542
Accrued wages and related payables	86,864	68,378
Customer deposits and deferred revenue	274,917	56,821
Accrued interest payable	160,992	166,933
Long-term liabilities – due within one year:		
Compensated absences (note 4)	62,654	54,397
Loans payable (note 5)	<u>634,869</u>	<u>614,944</u>
Total current liabilities	<u>1,828,579</u>	<u>1,770,015</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 4)	187,961	163,190
Loans payable (note 5)	14,200,321	14,835,190
Net other post-employment benefit liability (note 6)	2,568,827	2,318,227
Net pension liability (note 7)	<u>3,955,422</u>	<u>3,838,142</u>
Total non-current liabilities	<u>20,912,531</u>	<u>21,154,749</u>
Total liabilities	<u>22,741,110</u>	<u>22,924,764</u>
Deferred inflows of resources:		
Deferred other post-employment benefits inflows (note 6)	131,612	169,493
Deferred pension inflows (note 7)	<u>179,155</u>	<u>212,759</u>
Total deferred inflows	<u>310,767</u>	<u>382,252</u>
Net position:		
Net investment in capital assets (note 8)	42,679,690	41,467,479
Restricted (note 9)	282,081	370,599
Unrestricted (note 10)	<u>6,105,371</u>	<u>4,457,596</u>
Total net position	<u>\$ 49,067,142</u>	<u>46,295,674</u>

See accompanying notes to the basic financial statements

Coastside County Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2021 and 2020

	2021	2020
Operating revenues:		
Water consumption sales	\$ 13,416,671	12,881,120
Total operating revenues	<u>13,416,671</u>	<u>12,881,120</u>
Operating expenses:		
Source of supply	2,924,366	1,934,685
Pumping	1,486,583	1,409,139
Transmission and distribution	1,987,166	2,290,538
General and administrative	<u>3,077,709</u>	<u>3,046,978</u>
Total operating expenses	<u>9,475,824</u>	<u>8,681,340</u>
Operating income before depreciation expense	3,940,847	4,199,780
Depreciation expense – capital recovery	<u>(2,420,621)</u>	<u>(2,258,142)</u>
Operating income	<u>1,520,226</u>	<u>1,941,638</u>
Non-operating revenue(expense):		
Property taxes	1,516,333	1,463,215
Investment earnings	4,360	123,435
Transmission and storage fees	32,060	56,105
Rental revenue	183,867	178,733
Interest expense	<u>(458,070)</u>	<u>(489,598)</u>
Collection fees – County	<u>(29,031)</u>	<u>(17,349)</u>
Loss on disposition of assets	<u>(11,181)</u>	<u>(24,773)</u>
Other revenue	<u>12,904</u>	<u>36,368</u>
Total non-operating, net	<u>1,251,242</u>	<u>1,326,136</u>
Change in net position	<u>2,771,468</u>	<u>3,267,774</u>
Net position, beginning of year	<u>46,295,674</u>	<u>43,027,900</u>
Net position, end of year	<u>\$ 49,067,142</u>	<u>46,295,674</u>

See accompanying notes to the basic financial statements

Coastsid County Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 13,601,897	12,708,609
Cash paid to employees for salaries and wages	(3,435,291)	(2,997,804)
Cash paid to vendors and suppliers for materials and services	<u>(6,523,426)</u>	<u>(4,768,853)</u>
Net cash provided by operating activities	<u>3,643,180</u>	<u>4,941,952</u>
Cash flows from non-capital financing activities:		
Cash receipts from property taxes	1,545,372	1,437,072
Cash paid for collection fees	(29,031)	(17,349)
Other revenues	228,831	271,206
Other expenses	<u>(11,181)</u>	<u>(24,773)</u>
Net cash provided by operating activities	<u>1,733,991</u>	<u>1,666,156</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,516,251)	(5,318,585)
Principal paid on long-term debt	(614,944)	(599,969)
Interest paid on long-term debt	<u>(464,011)</u>	<u>(495,384)</u>
Net cash used in capital and related financing activities	<u>(3,595,206)</u>	<u>(6,413,938)</u>
Cash flows from investing activities:		
Investment earnings	<u>18,677</u>	<u>111,334</u>
Net cash provided by investing activities	<u>18,677</u>	<u>111,334</u>
Net increase in cash and cash equivalents	1,800,642	305,504
Cash and cash equivalents, beginning of year	<u>9,314,870</u>	<u>9,009,366</u>
Cash and cash equivalents, end of year	<u>\$ 11,115,512</u>	<u>9,314,870</u>
Reconciliation of cash and cash equivalents to the statement of financial position:		
Cash and cash equivalents	\$ 11,083,431	9,194,271
Restricted assets – cash and cash equivalents	<u>32,081</u>	<u>120,599</u>
Total cash and cash equivalents	<u>\$ 11,115,512</u>	<u>9,314,870</u>

Continued on next page

See accompanying notes to the basic financial statements

Coastside County Water District
Statements of Cash Flows, continued
For the Fiscals Year Ended June 30, 2021 and 2020

	2021	2020
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ <u>1,520,226</u>	<u>1,941,638</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,420,621	2,258,142
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase)Decrease in assets:		
Accounts receivable – water sales and services	(58,570)	(148,330)
Accounts receivable – other	25,700	(9,910)
Materials and supplies inventory	(13,377)	6,962
Water-in-storage inventory	(22,119)	(3,027)
Prepaid expenses and other deposits	(64,833)	15,044
(Increase)Decrease in deferred outflows of resources		
Deferred other post-employment benefits outflows	(158,496)	(14,918)
Deferred pension outflows	129,482	213,778
Increase(Decrease) in liabilities and deferred inflows:		
Accounts payable and accrued expenses	(200,259)	329,438
Accrued wages and related payables	18,486	12,740
Customer deposits and deferred revenue	218,096	(14,271)
Compensated absences	33,028	(4,694)
Other post-employment benefit obligation	(250,600)	56,046
Net pension liability	117,280	130,061
Decrease in deferred inflows of resources		
Deferred other post-employment benefits inflows	(37,881)	85,063
Deferred pension inflows	<u>(33,604)</u>	<u>88,190</u>
Total adjustments	<u>2,122,954</u>	<u>3,000,314</u>
Net cash provided by operating activities	<u>\$ 3,643,180</u>	<u>4,941,952</u>
Non cash investing, capital and related financing activities:		
Change in fair value of funds deposited with LAIF	<u>\$ 437</u>	<u>25,654</u>

See accompanying notes to the basic financial statements

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

The Coastside County Water District (District) was formed in July 1947 for the purposes of furnishing potable water within the District's service area. The District operates under the authority of the provisions found in Division 12 of the State of California Water Code. The District is located in San Mateo County and includes the City of Half Moon Bay and the unincorporated communities of El Granada, Miramar, and Princeton-By-The-Sea. The District provides water to approximately 19,000 customers. The District is governed by a five-member Board of Directors who serve 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.

Basis of Accounting and Measurement Focus

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

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

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:

Governmental Accounting Standards Board Statement No. 84

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

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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

Governmental Accounting Standards Board Statement No. 84, continued

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

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

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

Governmental Accounting Standards Board Statement No. 90

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

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

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

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

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

Use of Estimates

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

Uncertainty

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

Cash and Cash Equivalents

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

Investments

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

Fair Value Measurements

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

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

Accounts Receivable

The District extends credit to customers in the normal course of operations. Management has evaluated the accounts and believes all accounts are collectible at June 30. When management deems customer accounts uncollectible, the District uses the direct write off method for the write-off those accounts to bad debt expense.

Restricted Assets

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

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued
Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

Inventory and Water-in-Storage

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

Prepays

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

Capital Assets

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

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

- Source of supply infrastructure – 10 to 50 years
- Transmission and distribution system – 50 years
- Pump station – Crystal Springs – 50 years
- Treatment Plants – 30 years
- Well field and tanks – 10 to 50 years
- Buildings and structures – 5 to 50 years
- Vehicles – 5 to 10 years
- Furniture and equipment – 5 to 10 years

Deferred Outflows of Resources

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

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred outflow which is equal to the employer contributions made after the measurement date of the total OPEB liability. This amount will be amortized-in-full against the total OPEB liability in the next fiscal year.
- Deferred outflow for the Plans' experience (gains)/losses which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan.

Pensions

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

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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

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

Deferred Outflows of Resources, continued

Pensions, continued

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

Compensated Absences

The District's personnel policies provide for accumulation of vacation and sick leave. Liabilities for vacation and portions of sick leave are recorded when benefits are earned. Cash payment of unused vacation is available to those qualified employees when retired or terminated. Cash payment of unused sick leave is payable at 50% to those employees eligible for retirement and meet vesting requirements.

Post-Employment Benefits Other Than Pensions (OPEB)

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

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

- Valuation Dates: June 30, 2020 and June 30, 2019
- Measurement Dates: June 30, 2020 and June 30, 2019
- Measurement Periods: July 1, 2019 to June 30, 2020 and July 1, 2018 to June 30, 2019

Pensions

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

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

- Valuation Dates: June 30, 2019 and June 30, 2018
- Measurement Dates: June 30, 2020 and June 30, 2019
- Measurement Periods: July 1, 2019 to June 30, 2020 and July 1, 2018 to June 30, 2019

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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

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

Deferred Inflows of Resources

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

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred inflow for the net changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan.

Pensions

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

Net Position

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

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

Property Taxes

Property taxes receivable at year-end are related to property taxes collected by the County of San Mateo, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	January 1
Levy date	July 1
Due dates	November 1 and February 1
Collection dates	December 10 and April 10

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued
Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

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.

Budgetary Policies

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

(2) Cash and Investments

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

	2021	2020
Cash and cash equivalents	\$ 11,083,431	9,194,271
Cash and cash equivalents – restricted	<u>32,081</u>	<u>120,599</u>
Total cash and investments	<u>\$ 11,115,512</u>	<u>9,314,870</u>

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

	2021	2020
Cash on hand	\$ 800	800
Deposits with financial institutions	5,828,720	4,047,097
Investments	<u>5,285,992</u>	<u>5,266,973</u>
Total cash and cash equivalents	<u>\$ 11,115,512</u>	<u>9,314,870</u>

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

	2021	2020
Deposits in Local Agency Investment Fund	291 days	191 days

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

The table on the following page 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.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(2) Cash and Investments, continued

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	5 years	None	None
Federal agency and bank obligations	5 years	None	None
Certificates-of-deposit (negotiable or placed)	5 years	30%	10%
Commercial paper (prime)	270 days	10%	10%
Money market mutual funds	N/A	20%	None
State and local bonds, notes and warrants	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

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

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

Custodial Credit Risk

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

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

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(2) Cash and Investments, continued

Custodial Credit Risk, continued

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and the Pool).

Interest Rate Risk

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

At June 30, 2021 and 2020, the District's investments held to maturity were categorized as twelve months or less, respectively.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings at June 30, 2021 consisted of the following:

Investment Types	Total	Minimum Legal Rating	Rating as of Year End	
			AAA	Not Rated
Local Agency Investment Fund (LAIF)	\$ 5,266,543	N/A	\$ -	5,266,543
Money Market Funds	<u>19,449</u>	AAA	<u>19,449</u>	-
Total	<u>\$ 5,285,992</u>		<u>\$ 19,449</u>	<u>5,266,543</u>

Credit ratings at June 30, 2020 consisted of the following:

Investment Types	Total	Minimum Legal Rating	Rating as of Year End	
			AAA	Not Rated
Local Agency Investment Fund (LAIF)	\$ 5,247,526	N/A	\$ -	5,247,526
Money Market Funds	<u>19,447</u>	AAA	<u>19,447</u>	-
Total	<u>\$ 5,266,973</u>		<u>\$ 19,447</u>	<u>5,247,526</u>

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(2) Cash and Investments, continued

Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for external investment pools) that represent 5% or more of total District's investments at June 30, 2021 and 2020, respectively.

Fair Value Measurements

Investments measured at fair value on a recurring and non-recurring basis at June 30, 2021 are as follows:

Investment Type	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 19,449	19,449	-	-
Total investments measured at fair value	19,449	19,449	-	-
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	5,266,543			
Total	\$ 5,285,992			

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

Investment Type	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 19,447	19,447	-	-
Total investments measured at fair value	19,447	19,447	-	-
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	5,247,526			
Total	\$ 5,266,973			

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(3) Capital Assets

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

	Balance 2020	Additions/ Transfers	Deletions/ Transfers	Balance 2021
Non-depreciable assets:				
Land	\$ 160,612	413,760	-	574,372
Construction-in-process	<u>2,551,642</u>	<u>2,631,180</u>	<u>(1,528,227)</u>	<u>3,654,595</u>
Total non-depreciable assets	<u>2,712,254</u>	<u>3,044,940</u>	<u>(1,528,227)</u>	<u>4,228,967</u>
Depreciable assets:				
Source of supply	401,040	-	-	401,040
Transmission and distribution	19,531,529	72,671	-	19,604,200
Pump station – Crystal Springs	26,172,476	-	-	26,172,476
Treatment plants	11,519,523	1,071,427	-	12,590,950
Well field and tanks	4,374,574	84,576	-	4,459,150
Pipelines and meters	22,821,216	210,020	(48,136)	22,983,100
Buildings and structures	1,217,129	41,753	-	1,258,882
Vehicles	984,745	-	-	984,745
Furniture and equipment	<u>2,544,783</u>	<u>34,409</u>	<u>-</u>	<u>2,579,192</u>
Total depreciable assets	<u>89,567,015</u>	<u>1,514,856</u>	<u>(48,136)</u>	<u>91,033,735</u>
Accumulated depreciation:				
Depreciable assets	<u>(35,361,656)</u>	<u>(2,420,621)</u>	<u>34,455</u>	<u>(37,747,822)</u>
Total accumulated depreciation	<u>(35,361,656)</u>	<u>(2,420,621)</u>	<u>34,455</u>	<u>(37,747,822)</u>
Total depreciable assets, net	<u>54,205,359</u>	<u>(905,765)</u>	<u>(13,681)</u>	<u>53,285,913</u>
Total capital assets, net	\$ 56,917,613	2,139,175	(1,541,908)	57,514,880

Major changes to capital assets in 2021 consisted primarily of additions of \$1,071,427 in upgrades to treatment plants, \$210,020 in additions to pipelines and meters, \$84,576 in upgrades to well field and tanks, \$72,671 in upgrades to transmission and distribution, \$41,753 in upgrades to buildings and structures, and \$34,409 in additions to furniture and equipment. Major deletions include \$1,528,227 in transfers from construction in progress to depreciable assets and \$48,136 in disposals of pipelines and meters.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(3) Capital Assets, continued

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

	Balance 2019	Category Reclass	Additions/ Transfers	Deletions/ Transfers	Balance 2020
Non-depreciable assets:					
Land	\$ 160,612	-	-	-	160,612
Construction-in-process	<u>1,561,601</u>	-	4,956,425	(3,966,384)	2,551,642
Total non-depreciable assets	<u>1,722,213</u>	-	4,956,425	(3,966,384)	2,712,254
Depreciable assets:					
Source of supply	401,040	-	-	-	401,040
Transmission and distribution	22,081,182	(2,746,690)	197,037	-	19,531,529
Pump station – Crystal Springs	26,027,604	-	212,860	(67,988)	26,172,476
Treatment plants	11,456,101	-	63,422	-	11,519,523
Well field and tanks	4,265,247	-	109,327	-	4,374,574
Pipelines and meters	17,013,013	2,746,690	3,061,513	-	22,821,216
Buildings and structures	1,019,964	-	197,165	-	1,217,129
Vehicles	785,317	-	254,598	(55,170)	984,745
Furniture and equipment	2,366,952	-	187,657	(9,826)	2,544,783
Total depreciable assets	<u>85,416,420</u>	-	4,283,579	(132,984)	89,567,015
Accumulated depreciation:					
Depreciable assets	(33,195,025)	-	(2,258,142)	91,511	(35,361,656)
Total accumulated depreciation	<u>(33,195,025)</u>	-	<u>(2,258,142)</u>	<u>91,511</u>	<u>(35,361,656)</u>
Total depreciable assets, net	<u>52,221,395</u>	-	<u>2,025,437</u>	<u>(41,473)</u>	<u>54,205,359</u>
Total capital assets, net	\$ 53,943,608	-	6,981,862	(4,007,857)	56,917,613

Major changes to capital assets in 2020 consisted primarily of additions of \$3,061,513 in upgrades to pipelines and meters, \$254,598 in additions to vehicles, \$212,860 in upgrades to pump station – Crystal Springs, \$197,165 in upgrades to buildings and structures, \$197,037 in upgrades to transmission and distribution, \$187,657 in additions to furniture and equipment, and \$109,327 in upgrades to well field and tanks. Major deletions included \$3,966,384 in transfers from construction in progress to depreciable assets.

(4) Compensated Absences

Changes to compensated absences for the year ended June 30, 2021 were as follows:

Balance 2020	Earned	Taken	Balance 2021	Current Portion	Long-term Portion
\$ 217,587	201,571	(168,543)	250,615	62,654	187,961

Changes to compensated absences for the year ended June 30, 2020 were as follows:

Balance 2019	Earned	Taken	Balance 2020	Current Portion	Long-term Portion
\$ 222,281	246,188	(250,882)	217,587	54,397	163,190

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(5) Long-term Debt

Changes in long-term debt amounts for the year ended June 30, 2021 were as follows:

Long-term debt:	Balance 2020	Additions	Payments	Balance 2021	Current Portion	Long-term Portion
Loans payable:						
CIEDB Installment Loan – 2011	\$ 5,459,785	-	(183,092)	5,276,693	188,201	5,088,492
CIEDB Installment Loan – 2016	5,267,386	-	(128,568)	5,138,818	132,991	5,005,827
JP Morgan Chase Bank NA	4,722,963	-	(303,284)	4,419,679	313,677	4,106,002
Long-term debt	\$ 15,450,134	-	(614,944)	14,835,190	634,869	14,200,321

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

Long-term debt:	Balance 2019	Additions	Payments	Balance 2020	Current Portion	Long-term Portion
Loans payable:						
CIEDB Installment Loan – 2011	5,637,908	-	(178,123)	5,459,785	183,092	5,276,693
CIEDB Installment Loan – 2016	5,391,678	-	(124,292)	5,267,386	128,568	5,138,818
JP Morgan Chase Bank NA	5,020,517	-	(297,554)	4,722,963	303,284	4,419,679
Total loans payable	16,050,103	-	(599,969)	15,450,134	614,944	14,835,190
Long-term debt	\$ 16,050,103	-	(599,969)	15,450,134	614,944	14,835,190

CEIDB Installment Loan – 2011

On October 10, 2011, the District entered into an installment loan in the amount \$6,765,500 from the California Infrastructure and Economic Development Bank (CIEDB) for the purpose of financing the construction of the Denniston Creek Water Treatment Plant improvement project. Terms of the loan included a 30-year term with semi-annual interest of 2.79% (plus an annual fee of 0.3%) which is payable on August 1 and February 1. Principal payments commenced on February 1, 2013, maturing in fiscal year 2042.

On March 1, 2015, the District and CEIDB into a replacement installment loan agreement for the outstanding balance of \$6,143,789 for the purpose of reducing the semi-annual interest to 2.54%.

Future remaining debt service payments are as follows:

Year	Principal	Interest	Total
2022	\$ 188,201	147,468	335,669
2023	193,452	142,056	335,508
2024	198,849	136,494	335,343
2025	204,397	116,687	321,084
2026	210,099	111,423	321,522
2027-2031	1,141,764	472,869	1,614,633
2032-2036	1,310,179	317,406	1,627,585
2037-2041	1,503,436	139,011	1,642,447
2042	326,316	4,144	330,460
Total	5,276,693	1,587,558	6,864,251
Current	(188,201)		
Long-term	\$ 5,088,492		

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(5) Long-term Debt, continued

CEIDB Installment Loan – 2016

On May 1, 2016, the District entered into an installment loan in the amount \$5,628,000 from the California Infrastructure and Economic Development Bank (CIEDB) for the purpose of financing the District's Facilities Improvements project. Terms of the loan included a 30-year term with semi-annual interest of 3.44% (plus an annual fee of 0.3%) which is payable on August 1 and February 1. Principal payments commenced on August 1, 2017, maturing in fiscal year 2046.

Future remaining debt service payments are as follows:

Year	Principal	Interest	Total
2022	\$ 132,991	174,488	307,479
2023	137,565	169,834	307,399
2024	142,298	165,021	307,319
2025	147,193	160,041	307,234
2026	152,256	154,891	307,147
2027-2031	843,543	690,778	1,534,321
2032-2036	998,963	532,684	1,531,647
2037-2041	1,183,020	345,461	1,528,481
2042-2046	1,400,989	123,743	1,524,732
Total	5,138,818	2,516,941	7,655,759
Current	(132,991)		
Long-term	\$ 5,005,827		

JP Morgan Chase Loan – 2018

On July 23, 2018, the District entered into an installment loan agreement with JP Morgan Chase Bank in the amount of \$5,311,319 for purpose of refinancing the District's 2006 Series B Water Revenue Bonds (through the California Statewide Communities Development Authority) originally used to finance certain capital improvements to the District's water system. Terms of the loan include semi-annual interest of 2.85% which is payable on October 1 and April 1. Principal payments commenced on October 1, 2018, maturing in fiscal year 2033.

Future remaining debt service payments are as follows:

Year	Principal	Interest	Total
2022	\$ 313,677	121,491	435,168
2023	323,617	112,410	436,027
2024	334,197	103,036	437,233
2025	339,384	93,437	432,821
2026	349,256	83,624	432,880
2027-2031	1,915,603	259,703	2,175,306
2032-2033	843,945	24,205	868,150
Total	4,419,679	797,906	5,217,585
Current	(313,677)		
Long-term	\$ 4,106,002		

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(6) Other Post-employment Benefits (OPEB) Plan

General Information about the OPEB Plan

Plan Description

The District's defined benefit Other Post-Employment Benefit (OPEB) Plan (Plan) provides OPEB for all vested full-time employees who satisfy the eligibility rules. 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.

Benefits Provided

To be eligible for retiree health benefits, an employee must retire from the District on or after age 55 with at least 15 years of continuous service. Dependents are also eligible to receive benefits. Retirees may enroll in any plan available through the District's ACWA-JPIA (Association of California Water Agencies Joint Powers Insurance Authority) Medical Program. The District provides coverage of single-party medical and vision premiums for life and dental benefits until age 65. Employees hired after November 14, 2006 and before November 1, 2008, will receive 50% of the benefits coverage offered. Employees hired after November 1, 2008, are not eligible for post-employment health benefits.

Employees Covered by Benefit Terms

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

	2021	2020
Active plan members	8	10
Retirees and beneficiaries receiving benefits	9	8
Total Plan membership	<u>17</u>	<u>18</u>

Contributions

The Plan and its contribution requirements for eligible retired employees of the District are established and may be amended by the Board of Directors. The District pays 100% of its share of the cost of health and vision insurance for retirees and dental insurance up to age 65 under any group plan offered by ACWA-JPIA, subject to certain restrictions as determined by the District. The annual contribution is based on the actuarially determined contribution.

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

	2021	2020
Contributions – employer	\$ <u>59,118</u>	<u>50,826</u>

As of June 30 2021 and 2020, employer OPEB contributions of \$59,118 and \$50,826 will be and were recognized as a reduction of total OPEB liability in the fiscal years ended June 30, 2022 and 2021, respectively.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(6) Other Post-employment Benefits (OPEB) Plan, continued

Total OPEB Liability

As of the fiscal year ended June 30, the District reported its total OPEB liability as follows:

	2021	2020
Total OPEB liability	\$ <u>2,568,827</u>	<u>2,318,227</u>

The District's total OPEB liability was measured as of June 30, 2021 and 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2020 and 2019, respectively. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Changes in the Total OPEB Liability

Changes in the total OPEB liability as of June 30, were as follows:

	June 30, 2021	June 30, 2020
Balance at beginning of year	\$ <u>2,318,227</u>	<u>2,374,273</u>
Changes for the year:		
Service cost	42,880	46,953
Interest	80,847	90,043
Employer contributions	(53,593)	(40,360)
Expected minus actual payments	(5,915)	(16,052)
Experience (gains)/losses	(60,712)	(234,153)
Assumption changes	<u>247,093</u>	<u>97,523</u>
Net changes	<u>250,600</u>	<u>(56,046)</u>
Balance at end of year	\$ <u>2,568,827</u>	<u>2,318,227</u>

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

For the fiscal years ended June 30, 2021 and 2020, the District recognized OPEB expense of \$113,341 and \$64,925, respectively.

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

Description	June 30, 2021		June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date at June 30	\$ 59,118	-	50,826	-
Net change in assumptions	154,656	-	4,452	-
Experience (gains)/losses	-	(131,612)	-	(169,493)
Total	<u>\$ 213,774</u>	<u>(131,612)</u>	<u>55,278</u>	<u>(169,493)</u>

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(6) Other Post-employment Benefits (OPEB) Plan, continued

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

As of June 30, 2021, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the total OPEB liability. OPEB related amounts will be recognized as OPEB expense as follows.

Fiscal Year Ending June 30,	Deferred Net Outflows / (Inflows) of Resources
2022	\$ (7,619)
2023	30,663

Actuarial Assumptions

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

Inflation	2.75 percent
Salary increases	2.75 percent
Discount rate	2021 - 2.20 percent 2020 - 3.50 percent
Healthcare cost trend rates	4.00 percent per year
Retirees' share of benefit-related costs	100 percent of projected health insurance premiums for retirees at age 55 with a minimum 15 years of service who were hired prior to November 15, 2006. 50 percent of projected health insurance premiums for retirees at age 55 with a minimum 15 years of service who were hired after November 14, 2006 and before November 1, 2008.

Discount Rate

As of the measurement dates June 30, 2020 and 2019, the discount rate used to measure the total OPEB liability was 2.20 percent and 3.50 percent, respectively. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(6) Other Post-employment Benefits (OPEB) Plan, continued

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 or 1-percentage-point higher than the current discount rate:

At June 30, 2021, the discount rate comparison was the following:

	Discount Rate	Current	Discount Rate
	- 1%	Discount Rate	+ 1%
	<u>(1.20%)</u>	<u>(2.20%)</u>	<u>(3.20%)</u>
District's total OPEB liability	\$ <u>2,960,956</u>	<u>2,568,827</u>	<u>2,249,883</u>

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

	Discount Rate	Current	Discount Rate
	- 1%	Discount Rate	+ 1%
	<u>(2.50%)</u>	<u>(3.50%)</u>	<u>(4.50%)</u>
District's total OPEB liability	\$ <u>2,695,535</u>	<u>2,318,227</u>	<u>2,016,555</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost 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 healthcare cost trend rates that are 1-percentage-point lower (3.00 percent decreasing to 2.00 percent) or 1-percentage-point higher (5.00 percent decreasing to 4.00 percent) than the current healthcare cost trend rates:

At June 30, 2021 the healthcare cost trend rate comparison was the following:

	Healthcare Cost Trend	
	1% Decrease	1% Increase
	(3.00%)	(5.00%)
	decreasing to	decreasing to
	<u>2.00%)</u>	<u>4.00%)</u>
District's total OPEB liability	\$ <u>2,200,735</u>	<u>2,568,827</u>
		<u>3,029,048</u>

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

	Healthcare Cost Trend	
	1% Decrease	1% Increase
	(3.00%)	(5.00%)
	decreasing to	decreasing to
	<u>2.00%)</u>	<u>4.00%)</u>
District's total OPEB liability	\$ <u>2,022,190</u>	<u>2,318,227</u>
		<u>2,676,359</u>

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(6) Other Post-employment Benefits (OPEB) Plan, continued

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

See page 45 for the Required Supplementary Information.

(7) Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

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

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 60 (New Classic) Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. Employees hired after January 1, 2013, and have not previously participated in a CalPERS plan are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA. New employees that have previously participated in the Classic Plan are eligible for the District's CalPERS 2.0% at 60 Retirement Plan.

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

	Miscellaneous Plan			
	Classic	New Classic	PEPRA	
Hire date		On or after August 14, 2010, and Prior to August 14, 2010	prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 60	2.0% @ 62	
Benefit vesting schedule	5 years of service monthly for life	5 years of service monthly for life	5 years of service monthly for life	
Benefit payments				
Retirement age	55 - 60	55 - 60	52 - 67	
Monthly benefits, as a % of eligible compensation 2021:	2.0% to 2.5%	1.5% to 2.4%	1.0% to 2.5%	
Required employee contribution rates	7.953%	6.918%	7.250%	
Required employer contribution rates 2020:	13.146%	9.442%	7.874%	
Required employee contribution rates	7.951%	6.915%	7.250%	
Required employer contribution rates	12.142%	8.668%	7.072%	

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(7) Defined Benefit Pension Plan, continued

Contributions

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

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

Miscellaneous Plan		
	2021	2020
Contributions – employer	\$ <u>480,383</u>	<u>440,335</u>

Net Pension Liability

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

Proportionate Share of Net Pension Liability		
	2021	2020
Miscellaneous Plan	\$ <u>3,955,422</u>	<u>3,838,142</u>

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020 and 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and 2018, rolled forward to June 30, 2020 and 2019, using standard update procedures, respectively.

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

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

Miscellaneous Plan		
	2020	2019
Proportion – beginning of year	0.03848%	0.03951%
Proportion – end of year	0.03746%	0.03848%
Change – Increase (Decrease)	<u>-0.00102%</u>	<u>-0.00103%</u>

Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2021 and 2020, the District recognized pension expense of \$693,541 and \$872,364, respectively.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(7) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources, continued

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

Description	June 30, 2021		June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 480,383	-	440,335	-
Net difference between actual and expected experience	203,834	-	245,922	-
Net change in assumptions	-	(28,212)	118,142	-
Net difference between projected and actual earnings on plan investments	117,502	-	-	(67,103)
Net difference between actual contribution and proportionate share of contribution	112,933	-	239,735	-
Net adjustment due to differences in proportions of net pension liability	-	(150,943)	-	(145,656)
Total	\$ <u>914,652</u>	<u>(179,155)</u>	<u>1,044,134</u>	<u>(212,759)</u>

As of June 30 2021 and 2020, employer pension contributions of \$480,383 and \$440,335, reported as deferred outflows of resources related to contributions subsequent to the measurement date will be and was recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022 and 2021, respectively.

As of June 30, 2021, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense as follows.

Fiscal Year Ending June 30,	Deferred Net Outflows / (Inflows) of Resources
2022	\$ 1,360
2023	116,442
2024	72,759
2025	64,553

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(7) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liability in the June 30, 2020 and 2019, actuarial valuation report was determined using the following actuarial assumptions:

Valuation Date	June 30, 2019 and 2018
Measurement Date	June 30, 2020 and 2019
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of pension plan investment and administrative expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Period upon which actuarial Experience Survey assumptions were based	2020 and 2019 – 1997–2015
Post Retirement Benefit	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

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

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

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

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(7) Defined Benefit Pension Plan, continued

Discount Rate, continued

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

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

As of June 30, 2020 the target allocation and the long-term expected real rate of return by asset class were as follows:

Asset Class	Strategic Allocation	Real Return Years 1–10*	Real Return Year 11+**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	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%
Total	<u>100%</u>		

* An expected inflation of 2.00% used for this period

** An expected inflation of 2.92% used for this period

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

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

At June 30, 2021 the discount rate comparison was the following:

	Discount Rate – 1% <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	Discount Rate + 1% <u>(8.15%)</u>
District's Net pension liability	\$ <u>5,818,882</u>	<u>3,955,422</u>	<u>2,415,704</u>

Coastsid County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(7) Defined Benefit Pension Plan, continued

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

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

	Discount Rate – 1% <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	Discount Rate + 1% <u>(8.15%)</u>
District's Net pension liability	\$ <u>5,741,112</u>	<u>3,838,142</u>	<u>2,267,374</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See pages 46 and 47 for the Required Supplementary Information.

Payable to the Pension Plan

At June 30, 2021 and 2020, the District reported no payables for the outstanding amount of contribution to the pension plan, respectively.

(8) Net Investment in Capital Assets

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

	2021	2020
Capital assets:		
Capital assets – not being depreciated	\$ 4,228,967	2,712,254
Capital assets, net – being depreciated	53,285,913	54,205,359
Current:		
Loans payable	(634,869)	(614,944)
Non-current:		
Loans payable	<u>(14,200,321)</u>	<u>(14,835,190)</u>
Total net investment in capital assets	<u>\$ 42,679,690</u>	<u>41,467,479</u>

(9) Restricted Net Position

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

	2021	2020
Restricted – cash and cash equivalents	\$ 32,081	120,599
Restricted – rate stabilization	<u>250,000</u>	<u>250,000</u>
Total restricted net position	<u>\$ 282,081</u>	<u>370,599</u>

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(10) Unrestricted Net Position

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

	2021	2020
Non-spendable net position:		
Materials and supplies inventory	\$ 177,096	163,719
Water-in-storage inventory	44,774	22,655
Prepaid expenses and other deposits	<u>178,998</u>	<u>114,165</u>
Total non-spendable net position	<u>400,868</u>	<u>300,539</u>
Spendable net position are designated as follows:		
Unrestricted	<u>5,704,503</u>	<u>4,157,057</u>
Total spendable net position	<u>5,704,503</u>	<u>4,157,057</u>
Total unrestricted net position	<u>\$ 6,105,371</u>	<u>4,457,596</u>

(11) Deferred Compensation Savings Plan

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

Federal law requires deferred compensation assets to be held in trust with The Variable Annuity Life Insurance Company (VALIC) and Mass Mutual 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 total market value of all plan assets held in trust at June 30, 2021 and 2020, was \$2,139,945 and \$1,871,125, respectively.

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

(12) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2021, the District participates in the ACWA/JPIA pooled programs for liability, property, and workers' compensation programs as follows:

- General and auto liability, public officials and employees' errors and omissions: The ACWA/JPIAs total risk financing self-insurance limits of \$5,000,000 per occurrence. The ACWA/JPIA purchased additional excess coverage layers: \$50 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(12) Risk Management, continued

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

- Crime coverage up to \$100,000 per loss includes public employee dishonesty, depositor's forgery or alteration, theft, computer and funds transfer fraud coverage's, subject to \$1,000 deductible per loss.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$500 million per loss, subject to a \$2,500 deductible per loss. Mobile equipment and vehicles, on file, are paid on actual cost value basis at time of loss and subject to \$1,000 deductible per loss.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to various deductibles depending on the type of equipment, on file.
- Cyber liability: including cyber-security up to \$5,000,000 aggregate limit. Cyber liability deductible varies from \$10,000 to \$50,000 depending on District total scheduled values.
- Employee dishonesty/crime supplement: insured up to \$100,000 per occurrence with a \$1,000 deductible for employee dishonesty, forgery or alteration and computer fraud. The Program covers all employees, the Board of Directors.
- Workers' compensation coverage up to California statutory limits for all work related injuries/illnesses covered by California law; a pooled self-insured limit of \$2,000,000. The ACWA/JPIA purchased additional excess coverage layer: \$2,000,000 employer's liability.

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, respectively.

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2021 that have effective dates that may impact future financial presentations.

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

Governmental Accounting Standards Board Statement No. 87

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

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

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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

Governmental Accounting Standards Board Statement No. 89

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

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

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

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

Governmental Accounting Standards Board Statement No. 91

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

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

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

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

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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

Governmental Accounting Standards Board Statement No. 92

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

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

Governmental Accounting Standards Board Statement No. 93

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

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

Coastsid County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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

Governmental Accounting Standards Board Statement No. 94

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

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

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

Governmental Accounting Standards Board Statement No. 96

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

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

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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

Governmental Accounting Standards Board Statement No. 97

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

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

(14) Commitments and Contingencies

Construction Contracts

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

Litigation

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

Coastsid County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(15) Subsequent Events

Events occurring after June 30, 2021, have been evaluated for possible adjustment to the financial statements or disclosure as of January 11, 2022, which is the date the financial statements were available to be issued.

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Required Supplementary Information

Coastside County Water District
Schedules of Changes in the District's Total OPEB Liability and Related Ratios
As of June 30, 2021
Last Ten Years*

Fiscal year	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB liability				
Service cost	\$ 42,880	46,953	45,696	44,473
Interest	80,847	90,043	91,126	81,573
Employer contributions	(53,593)	(40,360)	(61,033)	(58,686)
Expected minus actual payments	-	(16,052)	-	-
Assumption changes	247,093	97,523	(107,249)	-
Experience (gains)/losses	(66,627)	(234,153)	-	-
Net change in total OPEB liability	250,600	(56,046)	(31,460)	67,360
Total OPEB liability – beginning	<u>2,318,227</u>	<u>2,374,273</u>	<u>2,405,733</u>	<u>2,338,373</u>
Total OPEB liability – ending	<u>\$ 2,568,827</u>	<u>2,318,227</u>	<u>2,374,273</u>	<u>2,405,733</u>
Covered employee payroll	<u>\$ 2,177,776</u>	<u>2,330,675</u>	<u>1,990,577</u>	<u>1,939,509</u>
Total OPEB liability as a percentage of covered payroll	<u>84.78%</u>	<u>100.54%</u>	<u>83.84%</u>	<u>80.62%</u>
Valuation Date	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2017</u>	<u>June 30, 2017</u>

Methods and Assumptions Used to Determine Contribution Rates:

	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)
Single and Agent Employers				
Amortization Method				
Inflation	2.75%	2.75%	2.75%	2.75%
Salary Increases	2.75%	2.75%	2.75%	2.75%
Investment Rate of Return	2.20%	3.50%	3.80%	3.50%
Mortality, Retirement, Turnover	(2)	(2)	(2)	(2)

(1) Level percentage of payroll, closed

(2) 2017 CalPERS OPEB Assumption Model (2021)

2014 CalPERS OPEB Assumption Model (2020 – 2018)

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

Coastside County Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2021
Last Ten Years*

Description	Measurement Date						
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.03635%	0.03746%	0.03848%	0.03951%	0.04102%	0.04484%	0.04212%
District's proportionate share of the net pension liability	\$ 3,955,422	3,838,142	3,708,081	3,917,927	3,838,142	3,077,582	2,620,900
District's covered payroll	\$ 2,177,776	2,330,675	1,990,577	1,939,509	1,885,311	1,689,259	1,562,529
District's proportionate share of the net pension liability as a percentage of its covered payroll	181.63%	164.68%	186.28%	202.01%	203.58%	182.19%	167.73%
District's fiduciary net position as a percentage of the district's total pension liability	71.75%	72.87%	71.99%	69.62%	69.14%	71.67%	76.34%

Notes To Schedule:

There were no changes in benefits.

Changes in Assumptions:

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

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

The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

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

There were no changes in assumptions.

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

The discount rate was reduced from 7.65% to 7.15%

From fiscal year June 30, 2018 to June 30, 2019:

The inflation rate was reduced from 2.75% to 2.50%

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

There were no changes in assumptions.

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

There were no changes in assumptions.

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

Coastside County Water District
Schedules of Pension Plan Contributions
As of June 30, 2021
Last Ten Years*

	Fiscal Year						
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution contribution's in relation to the actuarially determined contribution	\$ 498,892	446,799	591,439	537,586	489,709	451,848	389,014
	(498,892)	(446,799)	(591,439)	(537,586)	(489,709)	(451,848)	(389,014)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-
Covered payroll	\$ 2,177,776	2,330,675	1,990,577	1,939,509	1,885,311	1,689,259	1,562,529
Contribution's as a percentage of covered payroll	22.91%	19.17%	29.71%	27.72%	25.97%	26.75%	24.90%

Notes To Schedule:

Valuation date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Methods and assumptions used to determine contribution rates:							
Actuarial cost method	Entry Age (1)						
Amortization method	Market Value						
Asset valuation method							15 Year Smoothed Market Method
Inflation	2.50%	2.63%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

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

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

(4) 50 for all plans with exception of 52 for Miscellaneous 2% @ 62

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

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

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Report on Internal Controls and Compliance



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

Board of Directors
Coastside County Water District
Half Moon Bay, 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 Coastside County Water District (District) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated January 11, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Fedak & Brown LLP

Fedak & Brown LLP

Cypress, California

January 11, 2022