

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2021 AND 2020**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Rincon del Diablo Municipal Water District  
Escondido, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Rincon del Diablo Municipal Water District (the District) as of and 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions 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. 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 auditors' 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 auditors consider internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Rincon del Diablo Municipal Water District as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matters**

As discussed in Note 10 to the financial statements, the net positions as of July 1, 2019, were restated. Our opinions are not modified with respect to these matters.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule – General Fund, Schedule of Contributions – Defined Benefit Pension Plans, Schedule of the Proportionate Share of the Net Pension Liability, Schedule of Contributions – OPEB, and Schedule of Changes in the Net OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Carlsbad, California  
February 10, 2022

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Rincon del Diablo Municipal Water District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section. Topics covered in this section include:

- Financial Statements Overview
- Financial Highlights
- Financial Analysis
- Investments
- Capital Asset Administration
- Debt Administration
- Economic Factors / Future Outlook
- Contacting the District's Financial Management

### **Financial Statements Overview**

This annual report consists of a series of financial statements which provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The financial statements include, but are not limited to, the following:

- The Statements of Net Position include all of the District's investments in resources (assets) and the obligations to creditors (liabilities). They also provide 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. These Statements are broken-down by Governmental and Business-Type Activities.
- The Statements of Activities reflect expenses and revenues, broken down by Governmental and Business-Type Activities. Revenues are further distinguished by program revenues and general revenues. These statements are useful in reporting income, expenses, and overall changes in net position for non-profit agencies.
- The Statements of Revenues, Expenses and Changes in Net Position accounts for all of the current year's revenues and expenses. The 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. The statements can also be used to evaluate credit worthiness and positive fiscal operations.
- The Statements of Cash Flows provides information about the District's cash receipts and cash payments during the reporting period. The statements 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.

- The Notes to the Financial Statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by Generally Accepted Accounting Principles (GAAP) that are not otherwise visible in the financial statements. The notes immediately follow the 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 34 through 73.

## **Financial Highlights**

Condensed highlights for the fiscal year ended June 30, 2021, broken down by Business-Type Activities (Water and Sewer) and Governmental Activities (Fire), are as follows:

### *Business-Type Activity – Water (Potable & Recycled)*

- Total net position for Water activities for the current fiscal year is \$76,431,908, an increase of \$6,881,710 or 10% compared to FY 2020 ending total net position
- Unrestricted net position for Water activities for the current fiscal year is \$42,838,912, an increase of \$6,726,219 or 19% compared to FY 2020 ending unrestricted net position
- Total assets for Water activities for the current fiscal year are \$90,705,940, an increase of \$5,321,118 or 6% compared to FY 2020 total assets
- Total liabilities for Water activities for the current fiscal year are \$18,235,336, an increase of \$475,200 or 3% compared to FY 2020 total liabilities
- Total revenue for Water activities for the current fiscal year are \$23,873,170, an increase of \$1,286,954 or 6% compared to FY 2020 total revenue
- Total expense for Water activities for the current fiscal year are \$16,991,462, an increase of \$1,023,629 or 6% compared to FY 2020 total expense

### *Business-Type Activity – Sewer*

- Total net position for Sewer activities for the current fiscal year is \$17,181,955, a decrease of \$920,493 or (5%) compared to FY 2020 ending total net position
- Unrestricted net position for Sewer activities for the current fiscal year is \$318,079, a decrease of \$137,610 or (30%) compared to FY 2020 ending unrestricted net position
- Total assets for Sewer activities for the current fiscal year are \$17,220,747, a decrease of \$954,738 or (5%) compared to FY 2020 total assets
- Total liabilities for Sewer activities for the current fiscal year are \$38,752, a decrease of \$34,245 or (47%) compared to FY 2020 total liabilities
- Total revenue for Sewer activities for the current fiscal year are \$648,735, a decrease of \$17,957,870 or (97%) compared to FY 2020 total revenue
- Total expense for Sewer activities for the current fiscal year are \$1,569,228, an increase of \$1,015,762 or 184% compared to FY 2020 total expense



Governmental Activity - Fire

- Total net position for Fire activities for the current fiscal year is \$1,479,688, a decrease of \$12,192 or (1%) compared to FY 2020 ending total net position
- Unrestricted net position for Fire activities for the current fiscal year is \$1,479,688, a decrease of \$12,192 or (1%) compared to FY 2020 ending unrestricted net position
- Total assets for Fire activities for the current fiscal year are \$1,606,773, an increase of \$4,007 or 0% compared to FY 2020 total assets
- Total liabilities for Fire activities for the current fiscal year are \$131,951, an increase of \$22,807 or 21% compared to FY 2020 total liabilities
- Total revenue for Fire activities for the current fiscal year are \$2,486,606, an increase of \$36,043 or 1% compared to FY 2020 total revenue
- Total expense for Fire activities for the current fiscal year are \$2,498,798, an increase of \$162,892 or 7% compared to FY 2020 total expense

**Financial Analysis**

The following statements contain a summary of financial information that was extracted from the basic financial statements to assist readers in evaluating the District's overall financial position and results of operations as described in this MD&A. Increases or decreases in these statements can be used as performance indicators to assess whether the District's overall financial position has improved or deteriorated. At the same time, external factors, such as changes in economic conditions, growth, environmental factors, and legislative mandates should also be considered as part of this assessment.

Statements of Net Position

Net Position is the difference between assets acquired, owned, and operated by the District and amounts owed (liabilities). In accordance with GAAP, capital assets acquired through purchase or construction by the District are recorded at historical cost. Capital assets contributed by developers are recorded at developers' construction cost. Net Position represents the District's net worth including, but not limited to, capital contributions received to date and all investment in capital assets since formation.

**Condensed Statement of Net Position – Business-Type Activity (Water)**

	2021	2020 (as restated)	2019 (as restated)	Change (\$) 2021 / 2020	Change (%) 2021 / 2020
<b>ASSETS:</b>					
Current assets	\$ 51,194,744	\$ 45,683,560	\$ 40,676,744	\$ 5,511,184	12%
Noncurrent assets	39,511,196	39,701,262	41,481,768	(190,066)	0%
Total assets	<u>90,705,940</u>	<u>85,384,822</u>	<u>82,158,512</u>	<u>5,321,118</u>	<u>6%</u>
DEFERRED OUTFLOWS OF RESOURCES:	<u>4,254,233</u>	<u>2,378,326</u>	<u>1,206,839</u>	<u>1,875,907</u>	<u>79%</u>
<b>LIABILITIES:</b>					
Current liabilities	3,539,359	2,813,359	4,831,258	726,000	26%
Noncurrent liabilities	14,695,977	14,946,777	13,956,728	(250,800)	-2%
Total liabilities	<u>18,235,336</u>	<u>17,760,136</u>	<u>18,787,986</u>	<u>475,200</u>	<u>3%</u>
DEFERRED INFLOWS OF RESOURCES:	<u>292,929</u>	<u>452,814</u>	<u>463,759</u>	<u>(159,885)</u>	<u>-35%</u>
<b>NET POSITION:</b>					
Net investment in capital assets	32,121,432	31,694,986	34,128,413	426,446	1%
Restricted for capital projects	1,471,564	1,742,519	1,735,044	(270,955)	-16%
Unrestricted	42,838,912	36,112,693	28,250,149	6,726,219	19%
Total Net Position	<u>\$ 76,431,908</u>	<u>\$ 69,550,198</u>	<u>\$ 64,113,606</u>	<u>\$ 6,881,710</u>	<u>10%</u>

Water assets exceeded liabilities by \$76,431,908 and \$69,550,198 as of June 30, 2021 and 2020, respectively. This reflects an increase of total net position of \$6,881,710 for the current fiscal year.

Total Water assets increased by 6% in FY 2021. Current assets primarily increased due to growth in cash and investments from positive net income in the current year. Noncurrent assets remained basically flat from the prior year to the current year.

Total Water liabilities increased by 3% in FY 2021. Current liabilities increased due to a rise in accounts payable and accrued liabilities in the current year. Noncurrent liabilities decreased primarily due to a reduction in the amount owed on the District's current debt issuance.

The adjustment of deferred outflows and inflows is linked to GASB related calculations for pension and OPEB. The increase in deferred outflows for FY 2021 is related contributions made in the current year towards to the net OPEB liability that will not be recognized until future years due to timing of valuations.

Net investment in Water capital assets (net of outstanding debt) comprises 42% of total net position (down from 46% last year). The Water activity uses capital assets to provide services to customers within the Water service area; consequently, these assets are not available for future spending. At the end of fiscal years 2021 and 2020, Water activities showed a positive balance in its unrestricted net position of \$42,838,912 and \$36,112,693, respectively, which may be utilized in future years. Overall, total net position for Water activities increased by 10%, with this increase primarily due to current year net income and growth in current assets from cash and investments, as well as an increase in deferred outflows from contributions towards the District's OPEB liabilities.

**Condensed Statement of Net Position – Business-Type Activity (Sewer)**

	2021	2020 (as restated)	2019 (as restated)	Change (\$) 2021 / 2020	Change (%) 2021 / 2020
<b>ASSETS:</b>					
Current assets	\$ 356,831	\$ 528,686	\$ -	\$ (171,855)	-33%
Noncurrent assets	16,863,916	17,646,799	-	(782,883)	-4%
Total assets	<u>17,220,747</u>	<u>18,175,485</u>	<u>-</u>	<u>(954,738)</u>	<u>-5%</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
	-	-	-	-	N/A
<b>LIABILITIES:</b>					
Current liabilities	38,752	72,997	-	(34,245)	-47%
Noncurrent liabilities	-	-	-	-	N/A
Total liabilities	<u>38,752</u>	<u>72,997</u>	<u>-</u>	<u>(34,245)</u>	<u>-47%</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
	-	-	-	-	N/A
<b>NET POSITION:</b>					
Net investment in capital assets	16,863,916	17,646,799	-	(782,883)	-4%
Restricted for capital projects	-	-	-	-	N/A
Unrestricted	318,079	455,689	-	(137,610)	-30%
Total Net Position	<u>\$ 17,181,995</u>	<u>\$ 18,102,488</u>	<u>\$ -</u>	<u>\$ (920,493)</u>	<u>-5%</u>

Sewer assets exceeded liabilities by \$17,181,995 and \$18,102,488 as of June 30, 2021 and 2020, respectively. This reflects a decrease of total net position of \$920,493 for the current fiscal year.

Total Sewer assets decreased by (5%) in FY 2021. Current assets decreased due to a reduction in available cash during the fiscal year. Noncurrent assets decreased due to depreciation of sewer-related infrastructure.

Total Sewer liabilities decreased by (47%) in FY 2021. Current liabilities decreased due to a reduction in accounts payable liability compared to the prior year. There are no noncurrent sewer liabilities.

Net investment in Sewer capital assets comprises 98% of total net position (effectively flat compared to FY 2020). The Sewer activity uses capital assets to provide services to customers within the Sewer service area; consequently, these assets are not available for future spending. At the end of fiscal years 2021 and 2020, the Sewer activity showed a positive balance in its unrestricted net position of \$318,079 and \$455,689 respectively, which may be utilized in future years. Overall, total net position for Sewer activities decreased by (5%), with this decrease primarily due to depreciation and a deficit of operating income during FY 2021.

**Condensed Statement of Net Position – Governmental Activities (Fire)**

	2021	2020	2019	Change (\$) 2021 / 2020	Change (%) 2021 / 2020
<b>ASSETS:</b>					
Current assets	\$ 1,606,773	\$ 1,602,766	\$ 1,489,613	\$ 4,007	0%
Noncurrent assets	-	-	-	-	N/A
Total assets	<u>1,606,773</u>	<u>1,602,766</u>	<u>1,489,613</u>	<u>4,007</u>	<u>0%</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	<u>57,446</u>	<u>66,345</u>	<u>65,034</u>	<u>(8,899)</u>	<u>-13%</u>
<b>LIABILITIES:</b>					
Current liabilities	-	-	14,853	-	N/A
Noncurrent liabilities	<u>131,951</u>	<u>109,144</u>	<u>85,264</u>	<u>22,807</u>	<u>21%</u>
Total liabilities	<u>131,951</u>	<u>109,144</u>	<u>100,117</u>	<u>22,807</u>	<u>21%</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	<u>52,580</u>	<u>68,087</u>	<u>77,307</u>	<u>(15,507)</u>	<u>-23%</u>
<b>NET POSITION:</b>					
Net investment in capital assets	-	-	-	-	N/A
Restricted for capital projects	-	-	-	-	N/A
Unrestricted	<u>1,479,688</u>	<u>1,491,880</u>	<u>1,377,223</u>	<u>(12,192)</u>	<u>-1%</u>
Total Net Position	<u>\$ 1,479,688</u>	<u>\$ 1,491,880</u>	<u>\$ 1,377,223</u>	<u>\$ (12,192)</u>	<u>-1%</u>

Fire assets exceeded liabilities by \$1,479,688 and \$1,491,880 as of June 30, 2021 and 2020, respectively. This reflects a decrease of total net position of \$12,192 for the current fiscal year.

Total Fire assets stayed primarily flat in FY 2021. Current assets also remained flat and there are no noncurrent Fire assets.

Total Fire liabilities increased by 21% in FY 2021. There are no current Fire liabilities, however, noncurrent liabilities increased due to a rise in safety-plan related net pension liability, compared to the prior year.

The adjustment of deferred outflows and inflows is linked to GASB related calculations for pension and OPEB.

The Fire activity has no net investment in capital assets as it contracts for services and does not provide any direct services. At the end of fiscal years 2021 and 2020, the Fire activity showed a positive balance in its unrestricted net position of \$1,479,688 and \$1,491,880, respectively, which may be utilized in future years. Overall, total net position for Fire activities decreased by (1%), with the decrease primarily due to pension-related activity.

Statements of Activities

While the Statements of Net Position focuses on the District's financial position at June 30 of each year, the Statements of Revenues, Expenses, and Changes in Net Position summarizes the District's operations during the year. Revenues are recorded when water or services are provided, and expenses are recorded when incurred.

**Condensed Statements of Activities - Business-Type Activity (Water)**

	2021	2020 (as restated)	2019 (as restated)	Change (\$) 2021 / 2020	Change (%) 2021 / 2020
<b>REVENUE:</b>					
Charges for services	\$ 21,610,214	\$ 18,689,315	\$ 17,310,234	\$ 2,920,899	16%
Operating grants and contributions	-	-	-	-	N/A
Capital grants and contributions	1,130,292	1,634,197	1,697,954	(503,905)	-31%
General revenues	1,132,664	2,262,704	2,084,730	(1,130,040)	-50%
Total Revenue	<u>23,873,170</u>	<u>22,586,216</u>	<u>21,092,918</u>	<u>1,286,954</u>	<u>6%</u>
<b>EXPENSE:</b>					
Potable water service	16,138,719	15,261,251	14,608,298	877,468	6%
Recycled water service	852,743	706,583	475,917	146,160	21%
Total Expense	<u>16,991,462</u>	<u>15,967,834</u>	<u>15,084,215</u>	<u>1,023,628</u>	<u>6%</u>
Change in Net Position	<u>6,881,710</u>	<u>6,618,382</u>	<u>6,008,703</u>	<u>263,328</u>	<u>4%</u>
Net position at beginning of year, as previously stated	<u>69,550,198</u>	<u>64,113,606</u>	<u>58,208,002</u>	<u>5,436,592</u>	<u>8%</u>
Prior Period Adjustment	-	(1,181,790)	(103,099)	1,181,790	N/A
Net position at beginning of year, as restated	<u>-</u>	<u>62,931,816</u>	<u>58,104,903</u>	<u>(62,931,816)</u>	<u>-100%</u>
Net position at end of year	<u>\$ 76,431,908</u>	<u>\$ 69,550,198</u>	<u>\$ 64,113,606</u>	<u>\$ 6,881,710</u>	<u>10%</u>

The Water activity's net position increased by \$6,881,710 for the fiscal year ended June 30, 2021, compared to numbers as of June 30, 2020.

Total Water revenue increased by 6% in FY 2021. Charges for services increased by \$2,920,899 or 16%, primarily due to increases in potable and recycled water sales volumes compared to the prior year. Revenue from capital grants and contributions decreased by \$503,905 or (31%) primarily due to the District fully recognizing the last remaining capacity fee revenue related to the Harmony Grove Village development in the prior year. General revenues decreased by \$1,130,040 or (50%), primarily due a reduction in interest earnings compared to the prior year and the marking down of investments due to market conditions during FY 2021.

Total Water expense increased by 6% in FY 2021. Potable water service expenses increased by \$877,469 or 6%, primarily due to increased potable water purchase volumes compared to the prior year. Recycled water service expenses increased by \$146,460 or 21%, primarily due to increased recycled water purchase costs and higher salary costs related to work on recycled-related development projects.

Water activity revenue exceeded expenses by \$6,881,710 in FY 2021. This net income is the result of higher than anticipated water demand in the current year, water rates and charges being set at levels that sufficiently support the water enterprise, continued strong capital and general revenues, and control of expenses where possible. This net income may be used to fund capital project work, payments towards the District's debt service and to sustain reserve levels.

A prior period adjustment related to the Water activity was recorded in FY 2020 to correct prior year expenses for work projects and studies that were erroneously capitalized as part of end-of-year transactions.

**Condensed Statements of Activities - Business-Type Activity (Sewer)**

	2021	2020 (as restated)	2019	Change (\$) 2021 / 2020	Change (%) 2021 / 2020
<b>REVENUE:</b>					
Charges for services	\$ 648,735	\$ 633,605	\$ -	\$ 15,130	2%
Operating grants and contributions	-	-	-	-	N/A
Capital grants and contributions	-	17,973,000	-	(17,973,000)	-100%
General revenues	-	-	-	-	N/A
Total Revenue	<u>648,735</u>	<u>18,606,605</u>	<u>-</u>	<u>(17,957,870)</u>	<u>-97%</u>
<b>EXPENSE:</b>					
Sewer service	1,569,228	553,465	-	1,015,763	184%
Total Expense	<u>1,569,228</u>	<u>553,465</u>	<u>-</u>	<u>1,015,763</u>	<u>184%</u>
Change in Net Position	<u>(920,493)</u>	<u>18,053,140</u>	<u>-</u>	<u>(18,973,633)</u>	<u>-105%</u>
Net position at beginning of year, as previously stated	<u>18,102,488</u>	<u>-</u>	<u>-</u>	<u>18,102,488</u>	<u>N/A</u>
Prior Period Adjustment	-	49,348	-	(49,348)	N/A
Net position at beginning of year, as restated	<u>-</u>	<u>49,348</u>	<u>-</u>	<u>(49,348)</u>	<u>N/A</u>
Net position at end of year	<u>\$ 17,181,995</u>	<u>\$ 18,102,488</u>	<u>\$ -</u>	<u>\$ (920,493)</u>	<u>-5%</u>

The Sewer activity's net position decreased by \$920,493 for the fiscal year ended June 30, 2021, compared to numbers as of June 30, 2020.

Total Sewer revenue decreased by (97%) in FY 2021. Charges for services increased by \$15,130 or 2%, primarily due to a small increase in sewer service charge collections compared to prior year. Revenue from capital grants and contributions decreased by \$17,973,000 or (100%) as the prior year reflected the acquisition of sewer related facilities for the District's new sewer enterprise.

Total Sewer expense increased by 184% in FY 2021. Sewer service expenses increased by \$1,015,763 or 184%, primarily due to operating expenses and depreciation reflecting a full year of transactions, after only reflecting a partial year of new operations in FY 2020.

Sewer activity revenue fell short of expenses by \$920,493 in FY 2021. The current year deficit before depreciation is \$137,610 and reflects a new enterprise that is refining its operating costs and revenue requirements. The remaining deficit is related to depreciation of sewer assets and infrastructure.

A prior period adjustment related to the Sewer activity was recorded in FY 2020 to correct prior year expenses for work projects and studies that were erroneously capitalized as part of the end-of-year transactions.

**Condensed Statements of Activities – Governmental Activities (Fire)**

	2021	2020	2019	Change (\$) 2021 / 2020	Change (%) 2021 / 2020
<b>REVENUE:</b>					
Charges for services	\$ 26,391	\$ 28,656	\$ 69,894	\$ (2,265)	-8%
Operating grants and contributions	-	-	-	-	N/A
Capital grants and contributions	-	-	-	-	N/A
General revenues	2,460,215	2,421,907	2,335,173	38,308	2%
Total Revenue	2,486,606	2,450,563	2,405,067	36,043	1%
<b>EXPENSE:</b>					
Public Safety - Fire services	2,498,798	2,335,906	2,291,946	162,892	7%
Total Expense	2,498,798	2,335,906	2,291,946	162,892	7%
Change in Net Position	(12,192)	114,657	113,121	(126,849)	-111%
Net position at beginning of year, as previously stated	1,491,880	1,377,223	1,264,102	114,657	8%
Prior Period Adjustment	-	-	-	-	N/A
Net position at beginning of year, as restated	1,491,880	1,377,223	1,264,102	114,657	8%
Net position at end of year	\$ 1,479,688	\$ 1,491,880	\$ 1,377,223	\$ (12,192)	-1%

The Fire activity's net position decreased by \$12,192 for the fiscal year ended June 30, 2021, compared to numbers as of June 30, 2020.

Total Fire revenue increased by 1% in FY 2021. Charges for services decreased by \$2,265 or (8%), primarily due to a small decrease in fire mitigation fee revenue in the current year. General revenues increased by \$38,308 or 2% primarily due to an increase in property tax and special tax revenue in the current year.

Total Fire expense increased by 7% in FY 2021. Fire service expenses increased by \$162,892 or 7%, primarily due to a rise in fire service contract costs compared to the prior year.

Fire activity revenue fell short of expenses by \$12,192 in FY 2021. This current year deficit is primarily due to safety-related pension expense, including the calculation of change in net pension liability, as well calculated amounts for deferred inflows and outflows for the year.

**Investments**

The District pools cash assets in a combination of short-term and long-term holdings in compliance with its Investment Policy and other governing statutes, to balance security, liquidity, and yield.

	2021	2020	2019	Change (\$) 2021 / 2020	Change (%) 2021 / 2020
Cash and Cash Equivalents	\$ 25,020,414	\$ 21,259,325	\$ 15,959,250	\$ 3,761,089	15%
Investments	22,994,659	21,529,365	20,474,916	1,465,294	6%
Restricted Cash and Cash Equivalents	1,471,564	1,742,519	2,990,657	(270,955)	-18%
Total Cash and Investments	\$ 49,486,637	\$ 44,531,209	\$ 39,424,823	\$ 4,955,428	10%

Balances in restricted and non-restricted cash and investment accounts at the fiscal year ended June 30, 2021 were \$49,486,637, an increase of \$4,955,428 or 10% from the prior fiscal year. The increase is primarily due to current year net income and growth in current assets. The District’s investment portfolio consists primarily of certificates of deposit and securities with maturities spread over and up to five years, helping to mitigate the effect of a decline in value or market risk. The District also invests with three pooled funds, the California Local Agency Investment Fund (LAIF), the California Asset Management Program (CAMP), and the San Diego County Treasurer’s Investment Fund. The pools provide a flexible, liquid source of funds for the District’s operating and capital expenses while providing a comparatively lower yield to investments in certificates of deposit and securities. Average yield on the overall portfolio as of June 30, 2021 was 1.07%, compared to 2.02% as of June 30, 2020. For comparison, the 6-month Treasury Yield was 0.01% on June 30, 2021 and 0.14% on June 30, 2020.

**Capital Asset Administration**

The District’s capital assets have been financed through a combination of current income, available reserves from capital funds, capacity and connection charges, and debt. Historically, the Capital Improvement Program (CIP) has been funded mainly using the pay-as-you-go method from cash collected from unrestricted funds such as service revenues, reserves, and restricted funds such as grants and developer fees. Recently, certain CIP projects have been funded through the proceeds of debt issued in November 2016. Future CIP projects may be funded through a combination of pay-as-you-go and debt. The District’s CIP is expected to fluctuate from year to year depending on the construction cost of infrastructure projects that are currently under construction or are in the planning stages. The District’s Water Master Plan was last updated in June 2014. The Water Master Plan is updated every five years and combines all facilities planning efforts within the District’s enterprise areas of potable and recycled water. The District began the process of updating its Master Plan in Fiscal Year 2019-20 and expects the work to be completed in Fiscal Year 2021-22.

Changes in capital asset amounts for FY 2021 were as follows:

	Balance 06/30/2020 <u>(as restated)</u>	Additions	Transfers/ Deletions	Balance 06/30/2021
<b>Capital Assets:</b>				
Non-Depreciable Assets	\$ 4,606,920	\$ 839,704	\$ (1,169,312)	\$ 4,277,312
Depreciable Assets	89,000,070	1,312,624	-	90,312,694
Accumulated Depreciation	<u>(36,258,929)</u>	<u>(1,955,965)</u>	-	<u>(38,214,894)</u>
Total Capital Assets, Net	<u>\$ 57,348,061</u>	<u>\$ 196,363</u>	<u>\$ (1,169,312)</u>	<u>\$ 56,375,112</u>

As of June 30, 2020 and June 30, 2021, the District’s investment in capital assets amounted to \$57,348,061 and \$56,375,112 (net of accumulated depreciation), respectively. This 1.7% net decrease in assets for FY 2021 is primarily due to an increase in accumulated depreciation during the current year and a reduction in non-depreciable assets. This District’s investment in capital assets includes land, transmission, distribution, and treatment systems, buildings, equipment, vehicles, and other large items which meet the District’s capitalization threshold. Additional information on the District’s capital assets can be found in Note 3 of the notes to the financial statements.



## **Debt Administration**

Based on recommendations from the 2015 Comprehensive Cost of Service and Rate Study to help finance capital improvements while mitigating large impacts to water rates, the District obtained \$10,068,250 in debt on November 16, 2016. The debt service is based upon a 15-year amortization through 2031 with an interest rate of 2.28%. Debt service payments, including principal and interest, average approximately \$795,000 annually. The debt covenants require and on-going minimum "debt coverage" ratio of 1.20, which the District has consistently achieved. As of September 2021, the entirety of the debt proceeds have been spent on a variety of potable water and recycled water infrastructure projects. Additional information on the District's long-term debt can be found in Note 4 of the notes to the financial statements.

## **Economic Factors / Future Outlook**

Water purchases and sales comprise a large portion of the District's Water activity expenses and revenues, respectively. As such, trends and changes in costs and volumes associated with purchases and sales can greatly affect the District's financial situation on an annual basis. The District purchases most of its treated potable water from the San Diego County Water Authority (SDCWA) who adjusts their wholesale commodity rates and fixed charges each January. Wholesale water purchase costs are the largest category of District expenses and typically increase annually. Customer demand and water-use restrictions also affect water sales. In recent years, due to State water-use restrictions, improved water conservations practices by customers and other factors, water sales have decreased, resulting in reduced or stagnating potable water sales revenues. However, FY 2021 saw a slight increase in water sales volume due to weather conditions, which resulted in a small uptick in water sales revenues and water purchase costs for the year. It is anticipated that future water sales volumes will remain close to the trends observed in recent years.

The District performs cost of service and water rate studies to ensure that revenues are sufficient to meet the operating and capital needs of the District, reserves are sufficiently funded, and appropriate cashflow is maintained. The District last performed a water rate and cost of service study in 2015, which included planned increases in water rates through Fiscal Year 2019-20. As of June 30, 2021, the District is currently engaged in updating its cost of service and water rate study to develop a new long-term financial plan and to set water rates for the upcoming years. It is anticipated that a new water rate and charge plan for potable and recycled water service will be adopted and implemented in FY 2021-22. The Board's support for raising revenues through rates and charges, along with its revenue and debt management policy, contribute to the District's financial stability especially in mitigating revenue and expense volatility in current economic and water supply conditions. The District's solid financial position has made it possible to not adjust water rates and charges since September 2019, however, upcoming adjustments will be proposed to maintain financial stability into the future.

The District's three established reserves, General Working Capital (Operating), Rate Stabilization, and Infrastructure Planning (CIP), are consistently funded at their maximum target levels on an annual basis and reflect the District's commitment to proper financial planning and emergency preparedness.

The global COVID-19 pandemic has had a continued impact on the District and its customers during FY 2020-21. Realizing the financial hardships faced by many of our customers, the District enacted measures to try and help our customers during these challenging times. The District continued to not charge late fees or credit card fees to customers during 2021. Furthermore, due to a state Executive Order, the District continued to not shut-off water service due to non-payment during 2021. These relaxed billing and delinquency practices are not without risk to the District's finances. The number of delinquent accounts has increased during this time and billing receivables have increased in-kind. This District will be applying for and is anticipating to receive State of California arrearage program funds in late 2021 to assist customers who have accrued delinquent balances during the pandemic, which should also help reduce the District's billing receivables. District staff has been diligent in

working with customers during these challenging times and the District is anticipating the reinstatement of late fees and shut-off practices during 2022. The District is confident it can remain financially stable during this period due to its strong financial policies and solid reserves, until such time that billing and delinquency practices return to normal.

The District is committed to investing in its infrastructure to either replace aging infrastructure or to grow and enhance the system, as needed. As part of the recently adopted two-year budget, the District updated its 7-year Capital Improvement Program (CIP) funding plan and is also separately in the process of updating its Water Master Plan. The update to the Water Master Plan is expected to be completed in FY 2021-22 and will further evaluate the condition of infrastructure and recommended other future projects and funding needs.

FY 2021-22 reflected the first full fiscal year of Sewer activity operation for the District in the Harmony Grove Village sewer service area. The District collects revenue relating to wastewater collection and treatment for approximately 750 parcels via Fixed Charge Special Assessments on the property tax roll. Per a 2015 Sewer Charge Rate Study conducted by the County of San Diego and approved through the Prop 218 process for the Harmony Grove Village Sewer Service Area, each parcel is assigned an Equivalent Dwelling Unit (EDU) factor based upon relative sewer demand, with each EDU being billed at \$780/EDU annually. The District plans to operate the treatment and collections systems for several years to fully establish a baseline for its operating expenses and revenue and will conduct an update to the cost of service study at that time to further refine its service charges. The Sewer enterprise is maintained as a separate enterprise fund for budgeting purposes and is accounted for as a separate proprietary fund in the financial statement presentation.

Addressing Pension and OPEB obligations has been a priority for the District. The District maintains an irrevocable trust fund with CalPERS (CERBT) and contributes to the trust to offset its OPEB liabilities. At the August 2020 Board Meeting (and reaffirmed at the October 2020 Board meeting based upon updated valuations), the District Board voted to fully fund the District's OPEB Liability by the end of FY 2020-21. The District contributed approximately \$2.4 Million to CERBT in FY 2020-21 to effectively fully fund the OPEB liability based upon the most current valuation information available. Furthermore, based upon the interest earned on the funds deposited, the District was able to begin utilizing trust funds to pay for retiree healthcare costs in the current fiscal year, a year ahead of schedule. These contributed funds are being shown as deferred outflows in the financial statements, until they are fully recognized in future valuations.

The District aims to achieve the lowest cost of service possible for its customers through proper financial management, regular review of its expenses and revenues, and short- and long-term financial planning. The District also strives for continuous improvement and regularly seeks ways to improve business processes, increase efficiency, and enhance employee productivity through investment in technology and strategic planning.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Director of Administration and Finance at 1920 N. Iris Lane, Escondido, California, 92026, call (760) 745-5522, or send inquiries to our website at [www.rinconwater.org](http://www.rinconwater.org).

## **BASIC FINANCIAL STATEMENTS**

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,512,269	\$ 23,508,145	\$ 25,020,414
Investments	-	22,994,659	22,994,659
Accrued Interest Receivable	-	62,165	62,165
Accounts Receivable - Sales and Services	-	3,099,173	3,099,173
Property Taxes Receivable	89,298	34,915	124,213
Accounts Receivable - Other	5,206	354,324	359,530
Prepaid Expenses and Other Assets	-	26,630	26,630
Restricted Cash and Cash Equivalents	-	1,471,564	1,471,564
Total Current Assets	<u>1,606,773</u>	<u>51,551,575</u>	<u>53,158,348</u>
Noncurrent Assets:			
Capital Assets:			
Not Being Depreciated	-	4,277,312	4,277,312
Capital Assets, Net of Depreciation	-	52,097,800	52,097,800
Total Capital Assets	<u>-</u>	<u>56,375,112</u>	<u>56,375,112</u>
Total Noncurrent Assets	<u>-</u>	<u>56,375,112</u>	<u>56,375,112</u>
Total Assets	1,606,773	107,926,687	109,533,460
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amount from OPEB	-	3,251,950	3,251,950
Deferred Amount from Pension	57,446	1,002,283	1,059,729
Total Deferred Outflows of Resources	<u>57,446</u>	<u>4,254,233</u>	<u>4,311,679</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	-	2,172,239	2,172,239
Accrued Interest Payable	-	28,081	28,081
Installment Purchase Contract, Current Portion	-	630,649	630,649
Compensated Absences, Current Portion	-	172,288	172,288
Customer and Developer Deposits	-	574,854	574,854
Total Current Liabilities	<u>-</u>	<u>3,578,111</u>	<u>3,578,111</u>
Noncurrent Liabilities:			
Compensated Absences, Net of Current Portion	-	95,496	95,496
Installment Purchase Contract, Net of Current Portion	-	6,759,115	6,759,115
Net OPEB Liability	-	3,081,498	3,081,498
Net Pension Liability	131,951	4,759,868	4,891,819
Total Noncurrent Liabilities	<u>131,951</u>	<u>14,695,977</u>	<u>14,827,928</u>
Total Liabilities	131,951	18,274,088	18,406,039
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Amount from OPEB	-	39,790	39,790
Deferred Amount from Pension	52,580	253,139	305,719
Total Deferred Inflows of Resources	<u>52,580</u>	<u>292,929</u>	<u>345,509</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	-	48,985,348	48,985,348
Restricted for Capital Projects	-	1,471,564	1,471,564
Unrestricted	1,479,688	43,156,991	44,636,679
Total Net Position	<u>\$ 1,479,688</u>	<u>\$ 93,613,903</u>	<u>\$ 95,093,591</u>

See accompanying Notes to Basic Financial Statements.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,505,134	\$ 19,754,191	\$ 21,259,325
Investments	-	21,529,365	21,529,365
Accrued Interest Receivable	162	127,609	127,771
Accounts Receivable - Sales and Services	-	2,825,220	2,825,220
Property Taxes Receivable	94,971	35,787	130,758
Accounts Receivable - Other	2,499	160,109	162,608
Prepaid Expenses and Other Assets	-	37,446	37,446
Restricted Cash and Cash Equivalents	-	1,742,519	1,742,519
Total Current Assets	1,602,766	46,212,246	47,815,012
Noncurrent Assets:			
Capital Assets:			
Not Being Depreciated	-	4,606,918	4,606,918
Capital Assets, Net of Depreciation	-	52,741,143	52,741,143
Total Capital Assets	-	57,348,061	57,348,061
Total Noncurrent Assets	-	57,348,061	57,348,061
Total Assets	1,602,766	103,560,307	105,163,073
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amount from OPEB	-	1,371,966	1,371,966
Deferred Amount from Pension	66,345	1,006,360	1,072,705
Total Deferred Outflows of Resources	66,345	2,378,326	2,444,671
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	-	1,470,493	1,470,493
Accrued Interest Payable	-	30,424	30,424
Installment Purchase Contract, Current Portion	-	616,512	616,512
Compensated Absences, Current Portion	-	175,964	175,964
Customer and Developer Deposits	-	592,963	592,963
Total Current Liabilities	-	2,886,356	2,886,356
Noncurrent Liabilities:			
Compensated Absences, Net of Current Portion	-	58,654	58,654
Installment Purchase Contract, Net of Current Portion	-	7,389,764	7,389,764
Net OPEB Liability	-	3,099,179	3,099,179
Net Pension Liability	109,144	4,399,180	4,508,324
Total Noncurrent Liabilities	109,144	14,946,777	15,055,921
Total Liabilities	109,144	17,833,133	17,942,277
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Amount from OPEB	-	50,844	50,844
Deferred Amount from Pension	68,087	401,970	470,057
Total Deferred Inflows of Resources	68,087	452,814	520,901
<b>NET POSITION</b>			
Net Investment in Capital Assets	-	49,341,785	49,341,785
Restricted for Capital Projects	-	1,742,519	1,742,519
Unrestricted	1,491,880	36,568,382	38,060,262
Total Net Position	\$ 1,491,880	\$ 87,652,686	\$ 89,144,566

See accompanying Notes to Basic Financial Statements.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental Activities:				
Public Safety - Fire Services	\$ 2,498,798	\$ 26,391	\$ -	\$ -
Total Governmental Activities	<u>2,498,798</u>	<u>26,391</u>	<u>-</u>	<u>-</u>
Business-Type Activities:				
Recycled Water Service	852,743	1,068,617	-	152,745
Potable Water Service	16,138,719	20,541,597	-	977,547
Sewer Service	1,569,228	648,735	-	-
Total Business-Type Activities	<u>18,560,690</u>	<u>22,258,949</u>	<u>-</u>	<u>1,130,292</u>
Total Primary Government	<u>\$ 21,059,488</u>	<u>\$ 22,285,340</u>	<u>\$ -</u>	<u>\$ 1,130,292</u>

**GENERAL REVENUES**

Property Taxes - Ad Valorem  
Property Taxes - Voter-Approved  
Redevelopment Agency - Property Tax Increment  
Rental Income  
Investment Earnings  
Total General Revenues

**CHANGE IN NET POSITION**

Net Position - Beginning of Year

**NET POSITION - END OF YEAR**

See accompanying Notes to Basic Financial Statements.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED JUNE 30, 2021**

Net (Expense)/Revenue and Changes in Net Position Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (2,472,407)	\$ -	\$ (2,472,407)
(2,472,407)	-	(2,472,407)
-	368,619	368,619
-	5,171,079	5,171,079
-	(711,145)	(711,145)
-	4,828,553	4,828,553
(2,472,407)	4,828,553	2,356,146
2,146,063	938,943	3,085,006
312,031	-	312,031
-	42,041	42,041
-	161,664	161,664
2,121	(9,984)	(7,863)
2,460,215	1,132,664	3,592,879
(12,192)	5,961,217	5,949,025
1,491,880	87,652,686	89,144,566
\$ 1,479,688	\$ 93,613,903	\$ 95,093,591

See accompanying Notes to Basic Financial Statements.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental Activities:				
Public Safety - Fire Services	\$ 2,335,906	\$ 28,656	\$ -	\$ -
Total Governmental Activities	<u>2,335,906</u>	<u>28,656</u>	<u>-</u>	<u>-</u>
Business-Type Activities:				
Recycled Water Service	706,583	868,359	-	491,730
Potable Water Service	15,261,250	17,820,956	-	1,142,467
Sewer Service	553,466	633,605	-	17,973,000
Total Business-Type Activities	<u>16,521,299</u>	<u>19,322,920</u>	<u>-</u>	<u>19,607,197</u>
Total Primary Government	<u>\$ 18,857,205</u>	<u>\$ 19,351,576</u>	<u>\$ -</u>	<u>\$ 19,607,197</u>

**GENERAL REVENUES**

Property Taxes - Ad Valorem  
Property Taxes - Voter-Approved  
Redevelopment Agency - Property  
Tax Increment  
Rental Income  
Investment Earnings  
Total General Revenues

**CHANGE IN NET POSITION**

Net Position - Beginning of Year

Prior Period Adjustment

Net Position at Beginning of Year, as Restated

**NET POSITION - END OF YEAR**



**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED JUNE 30, 2020**

Net (Expense)/Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (2,307,250)	\$ -	\$ (2,307,250)
(2,307,250)	-	(2,307,250)
-	653,506	653,506
-	3,702,173	3,702,173
-	18,053,139	18,053,139
-	<u>22,408,818</u>	<u>22,408,818</u>
(2,307,250)	22,408,818	20,101,568
2,112,128	844,345	2,956,473
306,684	-	306,684
-	45,632	45,632
-	162,811	162,811
3,095	1,209,916	1,213,011
<u>2,421,907</u>	<u>2,262,704</u>	<u>4,684,611</u>
114,657	24,671,522	24,786,179
1,377,223	64,113,606	65,490,829
-	(1,132,442)	(1,132,442)
<u>1,377,223</u>	<u>62,981,164</u>	<u>64,358,387</u>
<u>\$ 1,491,880</u>	<u>\$ 87,652,686</u>	<u>\$ 89,144,566</u>

See accompanying Notes to Basic Financial Statements.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
BALANCE SHEETS AND RECONCILIATION OF THE  
BALANCE SHEETS TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUND  
JUNE 30, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
Cash and Investments	\$ 1,512,269	\$ 1,505,134
Accrued Interest Receivable	-	162
Property Taxes Receivable	89,298	94,971
Prepaid Items	-	-
Accounts Receivable - Other	5,206	2,499
	\$ 1,606,773	\$ 1,602,766
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ -	\$ -
Total Liabilities	-	-
<b>FUND BALANCE</b>		
Nonspendable for Prepaid Items	-	-
Assigned for Public Safety	1,606,773	1,602,766
Total Fund Balance	1,606,773	1,602,766
Total Liabilities and Fund Balance	\$ 1,606,773	\$ 1,602,766
Amounts reported for governmental activities in the statement of net position are different because:		
Fund Balance of Governmental Fund	\$ 1,606,773	\$ 1,602,766
The net pension liability is not payable in the current period, and therefore, is not reported on the governmental fund balance sheet	(131,951)	(109,144)
Deferred outflows and inflows of resources present sources and uses of funds that are not available in the current period and therefore are not reported on the governmental fund balance sheet.		
Deferred Outflows of Resources	57,446	66,345
Deferred Inflows of Resources	(52,580)	(68,087)
Net Position of Governmental Activities	\$ 1,479,688	\$ 1,491,880

See accompanying Notes to Basic Financial Statements.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
 AND THE RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES,  
 AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
 GOVERNMENTAL FUND  
 YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
<b>REVENUES</b>		
Property Taxes - Ad Valorem	\$ 2,146,063	\$ 2,112,128
Voter-Approved Tax	312,031	306,684
Charges for Services	26,391	28,656
Investment Earnings	2,121	3,095
Total Revenues	2,486,606	2,450,563
<b>EXPENDITURES</b>		
Fire Services Operating Services Contract	2,361,197	2,241,079
General and Administrative	121,402	81,478
Total Expenditures	2,482,599	2,322,557
<b>NET CHANGE IN FUND BALANCE</b>	4,007	128,006
Fund Balance - Beginning of Year	1,602,766	1,474,760
<b>FUND BALANCE - END OF YEAR</b>	\$ 1,606,773	\$ 1,602,766

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balance of Governmental Fund	\$ 4,007	\$ 128,006
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There are no pension expenditures in the governmental funds since there are no annual required contributions for the current fiscal year. The statement of activities reflects a pension expense which includes the change in the net pension liability and related changes in pension amounts for deferred outflows of resources and deferred inflows of resources.

	(16,199)	(13,349)
Change in Net Position of Governmental Activities	\$ (12,192)	\$ 114,657

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
STATEMENTS OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2021 AND 2020**

	2021		
	Water	Sewer	Total
<b>ASSETS</b>			
Current Assets:			
Unrestricted Assets:			
Cash and Cash Equivalents	\$ 23,155,920	\$ 352,225	\$ 23,508,145
Investments	22,994,659	-	22,994,659
Accrued Interest Receivable	62,165	-	62,165
Accounts Receivable - Sales and Services	3,095,599	3,574	3,099,173
Property Taxes Receivable	34,915	-	34,915
Accounts Receivable - Other	353,292	1,032	354,324
Prepaid Expenses and Other Assets	26,630	-	26,630
Total Unrestricted Assets	<u>49,723,180</u>	<u>356,831</u>	<u>50,080,011</u>
Restricted Assets:			
Restricted Cash and Cash Equivalents	<u>1,471,564</u>	-	<u>1,471,564</u>
Total Restricted Assets	<u>1,471,564</u>	<u>-</u>	<u>1,471,564</u>
Total Current Assets	51,194,744	356,831	51,551,575
Noncurrent Assets:			
Capital Assets, not Being Depreciated	2,531,312	1,746,000	4,277,312
Capital Assets, Net of Depreciation	36,979,884	15,117,916	52,097,800
Total Noncurrent Assets	<u>39,511,196</u>	<u>16,863,916</u>	<u>56,375,112</u>
Total Assets	90,705,940	17,220,747	107,926,687
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amount from OPEB	3,251,950	-	3,251,950
Deferred Amount from Pension	1,002,283	-	1,002,283
Total Deferred Outflows of Resources	<u>4,254,233</u>	<u>-</u>	<u>4,254,233</u>

See accompanying Notes to Basic Financial Statements.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
STATEMENTS OF NET POSITION (CONTINUED)  
PROPRIETARY FUNDS  
JUNE 30, 2021 AND 2020**

		2020	
Water	Sewer	Total	
\$ 19,227,973	\$ 526,218	\$ 19,754,191	
21,529,365	-	21,529,365	
127,609	-	127,609	
		-	
2,822,889	2,331	2,825,220	
35,787	-	35,787	
160,109	-	160,109	
37,309	137	37,446	
<u>43,941,041</u>	<u>528,686</u>	<u>44,469,727</u>	
1,742,519	-	1,742,519	
<u>1,742,519</u>	<u>-</u>	<u>1,742,519</u>	
45,683,560	528,686	46,212,246	
2,860,918	1,746,000	4,606,918	
36,840,344	15,900,799	52,741,143	
<u>39,701,262</u>	<u>17,646,799</u>	<u>57,348,061</u>	
85,384,822	18,175,485	103,560,307	
1,371,966	-	1,371,966	
1,006,360	-	1,006,360	
<u>2,378,326</u>	<u>-</u>	<u>2,378,326</u>	

See accompanying Notes to Basic Financial Statements.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
STATEMENTS OF NET POSITION (CONTINUED)  
PROPRIETARY FUNDS  
JUNE 30, 2021 AND 2020**

	2021		
	Water	Sewer	Total
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 2,120,544	\$ 37,241	\$ 2,157,785
Accrued Salaries and Related Payables	13,937	517	14,454
Accrued Interest Payable	28,081	-	28,081
Customer and Developer Deposits	573,860	994	574,854
Compensated Absences, Current Portion	172,288	-	172,288
Installment Purchase Contract, Current Portion	630,649	-	630,649
Total Current Liabilities	<u>3,539,359</u>	<u>38,752</u>	<u>3,578,111</u>
Noncurrent Liabilities:			
Compensated Absences, Net of Current Portion	95,496	-	95,496
Installment Purchase Contract, Net of Current Portion	6,759,115	-	6,759,115
Net OPEB liability	3,081,498	-	3,081,498
Net Pension Liability	4,759,868	-	4,759,868
Total Noncurrent Liabilities	<u>14,695,977</u>	<u>-</u>	<u>14,695,977</u>
Total Liabilities	18,235,336	38,752	18,274,088
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Amount from OPEB	39,790	-	39,790
Deferred Amount from Pension	253,139	-	253,139
Total Deferred Inflows of Resources	<u>292,929</u>	<u>-</u>	<u>292,929</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	32,121,432	16,863,916	48,985,348
Restricted for Capital Projects	1,471,564	-	1,471,564
Unrestricted	42,838,912	318,079	43,156,991
Total Net Position	<u>\$ 76,431,908</u>	<u>\$ 17,181,995</u>	<u>\$ 93,613,903</u>

See accompanying Notes to Basic Financial Statements.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
STATEMENTS OF NET POSITION (CONTINUED)  
PROPRIETARY FUNDS  
JUNE 30, 2021 AND 2020**

		2020	
Water	Sewer	Total	
\$ 1,358,727	\$ 71,462	\$ 1,430,189	
40,304	-	40,304	
30,424	-	30,424	
591,428	1,535	592,963	
175,964	-	175,964	
616,512	-	616,512	
<u>2,813,359</u>	<u>72,997</u>	<u>2,886,356</u>	
58,654	-	58,654	
7,389,764	-	7,389,764	
3,099,179	-	3,099,179	
4,399,180	-	4,399,180	
<u>14,946,777</u>	<u>-</u>	<u>14,946,777</u>	
17,760,136	72,997	17,833,133	
50,844	-	50,844	
401,970	-	401,970	
<u>452,814</u>	<u>-</u>	<u>452,814</u>	
31,694,986	17,646,799	49,341,785	
1,742,519	-	1,742,519	
36,112,693	455,689	36,568,382	
<u>\$ 69,550,198</u>	<u>\$ 18,102,488</u>	<u>\$ 87,652,686</u>	

See accompanying Notes to Basic Financial Statements.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021		
	Water	Sewer	Total
<b>OPERATING REVENUES</b>			
Water Consumption Sales	\$ 14,923,496	\$ -	\$ 14,923,496
Water Service Charges	5,018,934	-	5,018,934
Sewer Revenues	-	648,735	648,735
Other Charges and Services	1,667,786	-	1,667,786
Total Operating Revenues	<u>21,610,216</u>	<u>648,735</u>	<u>22,258,951</u>
<b>OPERATING EXPENSES</b>			
Source of Supply	9,691,021	-	9,691,021
Pumping and Water Treatment	-	-	-
Transmission and Distribution	1,926,723	-	1,926,723
Customer Service	482,876	-	482,876
Sewer Expenses	-	786,345	786,345
General and Administrative	3,541,034	-	3,541,034
Total Operating Expenses Before Depreciation	<u>15,641,654</u>	<u>786,345</u>	<u>16,427,999</u>
Operating Income Before Depreciation	5,968,562	(137,610)	5,830,952
Depreciation	<u>(1,173,082)</u>	<u>(782,883)</u>	<u>(1,955,965)</u>
Operating Income	4,795,480	(920,493)	3,874,987
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Property Taxes - Ad Valorem	938,943	-	938,943
Redevelopment Agency-Property Tax Increment	42,041	-	42,041
Rental Income	161,664	-	161,664
Investment Earnings	(9,984)	-	(9,984)
Interest Expense	(176,726)	-	(176,726)
Total Nonoperating Revenues (Expenses)	<u>955,938</u>	<u>-</u>	<u>955,938</u>
Income Before Capital Contributions	5,751,418	(920,493)	4,830,925
Connection Fees	647,550	-	647,550
Capacity Charges	129,307	-	129,307
Capital Contributions	353,435	-	353,435
Total Capital Contributions	<u>1,130,292</u>	<u>-</u>	<u>1,130,292</u>
<b>CHANGE IN NET POSITION</b>	6,881,710	(920,493)	5,961,217
Net Position - Beginning of Year, as Previously Stated	69,550,198	18,102,488	87,652,686
Prior Period Adjustment	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net Position - Beginning of Year, as Restated	<u>69,550,198</u>	<u>18,102,488</u>	<u>87,652,686</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 76,431,908</u></u>	<u><u>\$ 17,181,995</u></u>	<u><u>\$ 93,613,903</u></u>

See accompanying Notes to Basic Financial Statements.



**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)  
PROPRIETARY FUNDS  
YEARS ENDED JUNE 30, 2021 AND 2020**

		2020	
Water	Sewer	Total	
\$ 13,113,922	\$ -	\$ 13,113,922	
4,876,840	-	4,876,840	
-	633,607	633,607	
698,551	-	698,551	
<u>18,689,313</u>	<u>633,607</u>	<u>19,322,920</u>	
8,714,753	-	8,714,753	
-	-	-	
1,955,471	-	1,955,471	
359,163	-	359,163	
-	227,265	227,265	
<u>3,470,265</u>	<u>-</u>	<u>3,470,265</u>	
<u>14,499,652</u>	<u>227,265</u>	<u>14,726,917</u>	
4,189,661	406,342	4,596,003	
<u>(1,277,582)</u>	<u>(326,202)</u>	<u>(1,603,784)</u>	
2,912,079	80,140	2,992,219	
844,345	-	844,345	
45,632	-	45,632	
162,811	-	162,811	
1,209,916	-	1,209,916	
(190,598)	-	(190,598)	
<u>2,072,106</u>	<u>-</u>	<u>2,072,106</u>	
4,984,185	80,140	5,064,325	
1,124,725	-	1,124,725	
129,307	-	129,307	
380,165	17,973,000	18,353,165	
<u>1,634,197</u>	<u>17,973,000</u>	<u>19,607,197</u>	
6,618,382	18,053,140	24,671,522	
64,113,606	-	64,113,606	
<u>(1,181,790)</u>	<u>49,348</u>	<u>(1,132,442)</u>	
<u>62,931,816</u>	<u>49,348</u>	<u>62,981,164</u>	
<u>\$ 69,550,198</u>	<u>\$ 18,102,488</u>	<u>\$ 87,652,686</u>	

See accompanying Notes to Basic Financial Statements.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
PROPRIETARY FUNDS  
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021		
	Water	Sewer	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Receipts from Customers	\$ 21,337,506	\$ 647,492	\$ 21,984,998
Rental Income Received	161,664	-	161,664
Cash Payments for Source of Supply	(9,691,021)	-	(9,691,021)
Cash Payments for Services and Supplies	(1,496,794)	(818,697)	(2,315,491)
Cash Payments for Wages, Benefits, and Related Costs	(5,560,512)	(2,788)	(5,563,300)
Net Cash Provided by Operating Activities	4,750,843	(173,993)	4,576,850
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Property Taxes - Ad Valorem Received	939,815	-	939,815
Redevelopment Agency - Property Tax Increment Received	42,041	-	42,041
Net Cash Provided by Financing Activities	981,856	-	981,856
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and Construction of Capital Assets	(983,016)	-	(983,016)
Proceeds from Capital Contributions	1,112,724	-	1,112,724
Principal Payments on Long-Term Debt	(616,512)	-	(616,512)
Interest Paid	(179,069)	-	(179,069)
Net Cash Used by Capital and Related Financing Activities	(665,873)	-	(665,873)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale and Maturities of Investments	15,649,314	-	15,649,314
Purchases of Investments	(17,537,418)	-	(17,537,418)
Investment Income Received	478,270	-	478,270
Net Cash Provided (Used) by Investing Activities	(1,409,834)	-	(1,409,834)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	3,656,992	(173,993)	3,482,999
Cash and Cash Equivalents - Beginning of Year	20,970,492	526,218	21,496,710
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 24,627,484</u>	<u>\$ 352,225</u>	<u>\$ 24,979,709</u>
<b>FINANCIAL STATEMENT PRESENTATION</b>			
Cash and Cash Equivalents	\$ 23,155,920	\$ 352,225	\$ 23,508,145
Restricted Cash and Cash Equivalents	1,471,564	-	1,471,564
Total Cash and Cash Equivalents	<u>\$ 24,627,484</u>	<u>\$ 352,225</u>	<u>\$ 24,979,709</u>

See accompanying Notes to Basic Financial Statements.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
STATEMENTS OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
YEARS ENDED JUNE 30, 2021 AND 2020**

		2020	
Water	Sewer	Total	
\$ 18,199,783	\$ 631,275	\$ 18,831,058	
162,811	-	162,811	
(8,642,833)	-	(8,642,833)	
(2,561,109)	(154,405)	(2,715,514)	
<u>(3,104,910)</u>	<u>-</u>	<u>(3,104,910)</u>	
4,053,742	476,870	4,530,612	
830,446	-	830,446	
<u>45,632</u>	<u>-</u>	<u>45,632</u>	
876,078	-	876,078	
(1,574,457)	-	(1,574,457)	
656,321	49,348	705,669	
(602,692)	-	(602,692)	
<u>(192,889)</u>	<u>-</u>	<u>(192,889)</u>	
(1,713,717)	49,348	(1,664,369)	
10,579,835	-	10,579,835	
(11,324,822)	-	(11,324,822)	
<u>952,943</u>	<u>-</u>	<u>952,943</u>	
<u>207,956</u>	<u>-</u>	<u>207,956</u>	
3,424,059	526,218	3,950,277	
<u>17,546,433</u>	<u>-</u>	<u>17,546,433</u>	
<u>\$ 20,970,492</u>	<u>\$ 526,218</u>	<u>\$ 21,496,710</u>	
\$ 19,227,973	\$ 526,218	\$ 19,754,191	
1,742,519	-	1,742,519	
<u>\$ 20,970,492</u>	<u>\$ 526,218</u>	<u>\$ 21,496,710</u>	

See accompanying Notes to Basic Financial Statements.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
STATEMENTS OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021		
	Water	Sewer	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 4,795,480	\$ (920,493)	\$ 3,874,987
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Depreciation	1,173,082	782,883	1,955,965
Rental Income Received	161,664	-	161,664
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable - Sales and Services	(272,710)	(1,243)	(273,953)
(Increase) Decrease in Accounts Receivable - Other	(193,183)	(1,032)	(194,215)
(Increase) Decrease in Prepaid Expenses and Other Assets	10,679	137	10,816
(Increase) Decrease in Deferred Outflows from Pensions	4,077	-	4,077
(Increase) Decrease in Deferred Outflows from OPEB	(1,879,984)	-	(1,879,984)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	761,817	(34,221)	727,596
Increase (Decrease) in Accrued Salaries and Related Payables	(26,367)	517	(25,850)
Increase (Decrease) in Customer and Developer Deposits	-	(541)	(541)
Increase (Decrease) in Compensated Absences	33,166	-	33,166
Increase (Decrease) in Net Pension Liability	360,688	-	360,688
Increase (Decrease) in Net OPEB Liability	(17,681)	-	(17,681)
Increase (Decrease) in Deferred Inflows from Pensions	(148,831)	-	(148,831)
Increase (Decrease) in Deferred Inflows from OPEB	(11,054)	-	(11,054)
Total Adjustments	<u>(44,637)</u>	<u>746,500</u>	<u>701,863</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,750,843</u>	<u>\$ (173,993)</u>	<u>\$ 4,576,850</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>			
Unrealized Gain (Loss) on Investments	<u>\$ (422,810)</u>	<u>\$ -</u>	<u>\$ (422,810)</u>
Recognition of Previously Received Developer Deposits	<u>\$ 17,568</u>	<u>\$ -</u>	<u>\$ 17,568</u>
Donated Capital Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
STATEMENTS OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
YEARS ENDED JUNE 30, 2021 AND 2020**

	2020	
	Water	Sewer
\$ 2,912,079	\$ 80,140	\$ 2,992,219
1,277,582	326,202	1,603,784
162,811	-	162,811
(489,531)	(2,331)	(491,862)
(103,634)	-	(103,634)
26,270	(137)	26,133
21,533	-	21,533
(1,193,020)	-	(1,193,020)
(14,295)	72,996	58,701
(19,301)	-	(19,301)
(123,648)	-	(123,648)
1,706	-	1,706
370,183	-	370,183
1,235,952	-	1,235,952
6,903	-	6,903
(17,848)	-	(17,848)
<u>1,141,663</u>	<u>396,730</u>	<u>1,538,393</u>
<u>\$ 4,053,742</u>	<u>\$ 476,870</u>	<u>\$ 4,530,612</u>
<u>\$ 309,462</u>	<u>\$ -</u>	<u>\$ 309,462</u>
<u>\$ 977,874</u>	<u>\$ -</u>	<u>\$ 977,874</u>
<u>\$ -</u>	<u>\$ 17,973,000</u>	<u>\$ 17,973,000</u>

See accompanying Notes to Basic Financial Statements.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Operations of the Reporting Entity**

The Rincon del Diablo Municipal Water District (District) was organized in 1954, under provisions of the State of California Municipal Water District Act of 1911. The purpose of the District is to finance, construct, operate and maintain a water system to serve properties within the District's boundaries. The District services approximately 42 square miles located in northern San Diego County. The District is governed by a board of directors made up of five members elected by the voters within the District.

In July 2019, the District activated its latent wastewater power and formed a Sewer District through a Local Agency Formation Commission (LAFCO) reorganization. The Sewer District established a 425-acre area for the District to provide wastewater collection and treatment for residents within the newly constructed Harmony Grove Village community. The District operates the Harmony Grove Village Water Reclamation Plant and Sewer Lift Station and also owns the sewer collection system within the service area.

The District collects revenue relating to wastewater collection and treatment via Fixed Charge Special Assessments on the property tax roll. Per a 2015 Sewer Charge Rate Study for the Harmony Grove Village Sewer Service Area, each property is assigned an Equivalent Dwelling Unit (EDU) factor based upon relative sewer demand, with each EDU being billed at \$780/EDU.

In 1976, the Rincon del Diablo Fire Protection District (Fire District) was formed under the powers granted by the State of California Municipal Water District Act of 1911 and the State of California Fire Protection District Law of 1961. The Fire District, identified as Improvement District "E", was formed to provide a source of local fire protection for residents living outside the city limits of the City of Escondido (City). Concurrently, the City operated and maintained a fire department that provided fire protection, paramedic and rescue services within the City's boundaries. In an effort to eliminate duplication of services, and for the mutual benefit of both the City and the District, the City and the District entered into a Permanent Services Agreement (Agreement) on August 18, 1989, which provided for one fire department to be operated and managed by the City. Per the Agreement, possession, management, operation and control of all vehicles, machinery, tools, supplies, equipment and the fire station were transferred to the City in 1989, and actual ownership was transferred on July 1, 1999.

The Agreement further stipulated that the District would continue to collect revenues relating to the Fire District from various sources including, property taxes, charges for services and a \$72 voter-approved tax on each land parcel within Improvement District "E". Currently, these funds are assigned to the City (less applicable administrative costs) to cover the operational expenses of providing fire and rescue services.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Organization and Operations of the Reporting Entity (Continued)**

The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The District has two component units; the Fire District and the Rincon Public Facilities Corporation. Both entities are legally separate from the District, and are governed by substantially all the board members of the District. Therefore, both are presented as blended component units in the accompanying financial statements. The Rincon Public Facilities Corporation is inactive at this time.

**B. Basis of Accounting and Measurement Focus**

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-Wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting for both governmental and business-like activities. Accordingly, all of the District's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recorded when the liability is incurred.

The Statement of Activities demonstrates the degree to which the direct expenses for given functions or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Accounting and Measurement Focus (Continued)**

Fund Financial Statements

Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for the District's Special Revenue fund. An accompanying schedule is presented to reconcile and explain the differences in net position (i.e., fund balance) as presented in these statements to the net position presented in the government-wide financial statements.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are property tax, interest earnings, investment revenue, and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses, and changes in fund net position, and a statement of cash flows for each proprietary fund.

The accrual basis of accounting is followed by the proprietary funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, such as, unbilled but utilized utility services are recorded at year end.



**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Accounting and Measurement Focus (Continued)**

Fund Financial Statements (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. 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 purchases of water, 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, such as interest income and interest expense, are reported as nonoperating revenues and expenses.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

Funds are organized into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operation fund of the District or meets the following criteria:

- i) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- ii) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
- iii) The entity has determined that a fund is important to the financial statement user.

The funds of the financial reporting entity are described below:

Governmental Funds

Public Safety – The special revenue fund is used to account for the blended component unit which includes all public safety (fire protection) provisions within the District's service area and to account for the Agreement with the City of Escondido for fire services.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Accounting and Measurement Focus (Continued)**

Proprietary Funds

Water Service – This fund is used to account for potable and recycled water service operations of the District, including transmission, storage, and distribution.

Sewer Service – This fund is used to account for wastewater collection and treatment at the Harmony Grove Village service area.

**C. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The District has the following items that qualify for reporting in this category:

- Deferred outflows related to pensions and other post-employment benefits for employer contributions made after the measurement date of the net pension and other post-employment benefit liability
- Deferred outflows related to pensions and other post-employment benefits for differences between expected and actual experience. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pension and other post-employment benefits through the plans.
- Deferred outflows related to pensions and other post-employment benefit resulting from the difference in projected and actual earnings on plan investments of the pension and other post-employment benefit plans. These amounts are amortized over five years.
- Deferred outflows related to pensions and other post-employment benefits resulting from the difference in projected and actual earnings on plan investments of the other post-employment benefits plan. This amount is amortized over five years.
- Deferred outflow related to pensions and other post-employment benefits resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and other post-employment benefits through the plans.
- Deferred outflows related to pensions for the differences between employer contributions and proportionate share of contributions and changes in proportion. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred inflow from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflows related to pensions for the differences between employer contributions and proportionate share of contributions and changes in proportion. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflows related to other post-employment benefits for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with benefits through the Plans.

**D. 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 governmental and proprietary 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 certain governmental and business-type activities; accordingly, activities are reported in the District's governmental and proprietary funds.

**E. Assets, Liabilities, and Net Position**

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits with financial institutions, deposits in money market mutual funds (SEC registered), deposits in external investment pools, and marketable securities that mature within 90 days of purchase. Such marketable securities and deposits in money market funds are carried at fair value. Investment pool deposits are carried at the District's proportionate share of the fair value of each pool's underlying portfolio.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Assets, Liabilities, and Net Position (Continued)**

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.

Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. Management evaluates all accounts receivable and, if it is determined that they are uncollectible, they are written off as a bad debt expense.

Restricted Assets

Amounts shown as restricted assets have been restricted by debt agreements, by law or regulations, or by contractual obligations to be used for specified purposes, such as service of debt and construction of capital assets.

Prepaid Expenses and Other Assets

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 capital assets, donated works of art and similar assets, and capital assets received in a service concession arrangement are reported at acquisition value. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Transmission and Distribution System	30 to 75 Years
Recycled Water System	30 to 75 Years
Sewer Plant and Collection System	30 to 75 Years
Structures and Improvements	10 to 30 Years
Vehicles and Equipment	5 to 10 Years
Machinery and Equipment	5 to 10 Years
Intangible Assets	2 to 5 Years

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Assets, Liabilities, and Net Position (Continued)**

Compensated Absences

Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees.

Net Position / Fund Balance

The financial statements utilize a net position presentation. Net position is categorized as follows:

**Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or borrowing that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

**Restricted Net Position** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

Fund Balances are categorized:

**Nonspendable** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Assigned** – This classification includes amounts to be used by the District, authorized by the board of directors for specific purposes that do not meet the criteria of other fund balance categories.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Property Taxes and Assessments**

Property taxes in California are levied in accordance with Article XIII A of the State Constitution at 1% of countywide assessed valuations. This levy is allocated pursuant to state law to the appropriate units of local government. Additional levies require two-thirds approval by the voters and are allocated directly to the specific government. Taxes and assessments are recognized as revenue based on amounts reported to the District by the San Diego County Tax Collector's Offices. The San Diego County Tax Collector's Offices acts as a collection agent for the property taxes which are normally collected twice a year.

The property tax calendar is as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Dates:	First Installment – November 1 Second Installment – February 1
Delinquent Dates:	First Installment – December 10 Second Installment – April 10

**G. Water Sales and Services**

Water sales and services are billed on a monthly cyclical basis and recognize the respective revenues when they are earned.

**H. 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. In fiscal year ended June 30, 2020, the District accepted capital contributions related to its new sewer enterprise, including land, a wastewater treatment plant, a sewer lift station and force main as associated equipment. Capital contributions related to the new sewer enterprise total \$17,973,000 in fiscal year ended June 30, 2020.

**I. 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 additions to/deductions from the Plan's 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.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Postemployment Benefits Other than Pensions (OPEB)**

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the OPEB Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the District's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

**K. Budgetary Policies**

The District Board adopts a two-year budget for planning, control, and evaluation purposes. If necessary, revisions may be made to the second year of the two-year budget by separate Board action. 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.

**L. Use of Estimates**

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

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash, cash equivalents, and investments at June 30, 2021 and 2020 are classified in the accompanying financial statements as follows:

	2021	2020
Statement of Net Position:		
Current Assets:		
Cash and Cash Equivalents	\$ 25,020,414	\$ 21,259,325
Investments	22,994,659	21,529,365
Restricted Cash and Cash Equivalents	1,471,564	1,742,519
Total Cash and Investments	\$ 49,486,637	\$ 44,531,209

Cash and investments consist of the following:

Deposits with Financial Institutions	\$ 12,966,472	\$ 10,218,473
Investments	36,520,165	34,312,736
Total Cash and Investments	\$ 49,486,637	\$ 44,531,209

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

The District is legally empowered by statute and resolution to invest in United States government sponsored agency securities, the California State Investment Pool – Local Agency Investment Fund (LAIF), the County of San Diego Investment Pool, The California Asset Management Program (CAMP), money market mutual funds and time certificates-of-deposit issued by those financial institutions which are approved as depositories by the District's board of directors.

**Investments Authorized by Debt Agreements**

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

**Investment in State Investment Pool**

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



**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

**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. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2021, all of the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

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 contains 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).

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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 requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date at June 30, 2021:

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund (LAIF)	\$ 4,619,614	\$ 4,619,614	\$ -	\$ -
California Asset Management Program	2,052,138	2,052,138	-	-
San Diego County Pooled Investment Fund	6,853,754	6,853,754	-	-
Government Sponsored Agency Securities	15,186,141	-	-	15,186,141
Negotiable Certificates of Deposit	7,808,518	1,730,676	2,487,719	3,590,123
Total	<u>\$ 36,520,165</u>	<u>\$ 15,256,182</u>	<u>\$ 2,487,719</u>	<u>\$ 18,776,264</u>

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date at June 30, 2020:

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund (LAIF)	\$ 4,879,200	\$ 4,879,200	\$ -	\$ -
California Asset Management Program	2,048,970	2,048,970	-	-
San Diego County Pooled Investment Fund	5,855,201	5,855,201	-	-
Government Sponsored Agency Securities	12,475,977	5,208,422	2,015,835	5,251,720
Negotiable Certificates of Deposit	9,053,388	-	3,166,226	5,887,162
Total	<u>\$ 34,312,736</u>	<u>\$ 17,991,793</u>	<u>\$ 5,182,061</u>	<u>\$ 11,138,882</u>

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the S & P's rating for each investment type at June 30, 2021.

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End			
				AAA	AA	A	Not Rated
Local Agency Investment Fund (LAIF)	\$ 4,619,614	N/A	\$ -	\$ -	\$ -	\$ -	\$ 4,619,614
California Asset Management Program	2,052,138	AAA	-	2,052,138	-	-	-
San Diego County Pooled Investment Fund	6,853,754	N/A	-	6,853,754	-	-	-
Government Sponsored Agency Securities	15,186,141	AA+	-	15,186,141	-	-	-
Negotiable Certificates of Deposit	7,808,518	N/A	-	-	-	-	7,808,518
Total	<u>\$ 36,520,165</u>		<u>\$ -</u>	<u>\$ 24,092,033</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,428,132</u>

Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the Moody's rating for each investment type at June 30, 2020.

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End			
				AAA	AA	A	Not Rated
Local Agency Investment Fund (LAIF)	\$ 4,879,200	N/A	\$ -	\$ -	\$ -	\$ -	\$ 4,879,200
California Asset Management Program	2,048,970	AAA	-	2,048,970	-	-	-
San Diego County Pooled Investment Fund	5,855,201	N/A	-	5,855,201	-	-	-
Government Sponsored Agency Securities	12,475,977	AA+	-	12,475,977	-	-	-
Negotiable Certificates of Deposit	9,053,388	N/A	-	-	-	-	9,053,388
Total	<u>\$ 34,312,736</u>		<u>\$ -</u>	<u>\$ 20,380,148</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,932,588</u>

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk**

The investment policy of the District is in accordance with limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. Investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments at June 30, 2021 and 2020 are as follows:

Issuer	Investment Type	Reported Amount	
		2021	2020
Federal Home Loan Banks	U.S. Gov't Sponsored Entities	\$ 6,521,021	\$ 2,674,353
Federal Farm Credit Bank	U.S. Gov't Sponsored Entities	-	2,621,759
Federal National Mortgage Association	U.S. Gov't Sponsored Entities	5,100,790	2,506,961
Federal Home Loan Mortgage Corp	U.S. Gov't Sponsored Entities	-	1,752,015
Federal Farms CR BKS Cons BD	U.S. Gov't Sponsored Entities	-	2,015,835

**Fair Value Measurements**

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

*Level 2* – Inputs to the valuation methodology include:

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

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

**Fair Value Measurements (Continued)**

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

The asset's or liability's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of what constitutes observable requires judgment by the District's management. District management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment or liability within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to District management's perceived risk of that investment or liability.

The following is a description of the recurring valuation methods and assumptions used by the District to estimate the fair value of its investments. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. When quoted prices in active markets are not available, fair values are based on evaluated prices received by District management.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

**Fair Value Measurements (Continued)**

The District has no investments categorized in Level 3 at June 30, 2021 and 2020.

	<u>Quoted Prices Level 1</u>	<u>Observable Inputs Level 2</u>	<u>Unobservable Inputs Level 3</u>	<u>June 30, 2021</u>
<b>Investments by Fair Value Level:</b>				
U.S. Government Sponsored				
Entity Securities:				
FM	\$ -	\$ 776,856	\$ -	\$ 776,856
FHLB	-	6,521,021	-	6,521,021
FNMA	-	5,100,790	-	5,100,790
FHLMC	-	1,385,552	-	1,385,552
TVAPB	-	805,680	-	805,680
FAMCM	-	596,242	-	596,242
Negotiable Certificates of Deposit	-	7,808,518	-	7,808,518
Total Investments by Fair Value Level	<u>\$ -</u>	<u>\$ 22,994,659</u>	<u>\$ -</u>	22,994,659
<b>Investments Not Subject to Fair Value Hierarchy:</b>				
Local Agency Investment Fund				4,619,614
California Asset Management Program (CAMP)				2,052,138
San Diego County Pooled Investment Fund				6,853,754
Total Investments at Cost or Net Asset Value				<u>13,525,506</u>
Total Investments				<u>\$ 36,520,165</u>
	<u>Quoted Prices Level 1</u>	<u>Observable Inputs Level 2</u>	<u>Unobservable Inputs Level 3</u>	<u>June 30, 2020</u>
<b>Investments by Fair Value Level:</b>				
U.S. Government Sponsored				
Entity Securities:				
FHLB	\$ -	\$ 2,674,353	\$ -	\$ 2,674,353
FNMA	-	2,506,961	-	2,506,961
FFCB	-	2,621,759	-	2,621,759
FHLMC	-	1,752,015	-	1,752,015
TVAPB	-	905,054	-	905,054
FFCBCB	-	2,015,835	-	2,015,835
Negotiable Certificates of Deposit	-	9,053,388	-	9,053,388
Total Investments by Fair Value Level	<u>\$ -</u>	<u>\$ 21,529,365</u>	<u>\$ -</u>	21,529,365
<b>Investments Not Subject to Fair Value Hierarchy:</b>				
Local Agency Investment Fund				4,879,200
California Asset Management Program (CAMP)				2,048,970
San Diego County Pooled Investment Fund				5,855,201
Total Investments at Cost or Net Asset Value				<u>12,783,371</u>
Total Investments				<u>\$ 34,312,736</u>

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 3 CAPITAL ASSETS**

Major capital asset additions for the year ended June 30, 2021 include upgrades and extensions to the District's water transmission and distribution systems in the following schedule:

	Balance June 30, 2020	Additions	Disposals/ Transfers	Balance June 30, 2021
<b>Capital Assets, Nondepreciable:</b>				
Land	\$ 2,402,151	\$ -	\$ -	\$ 2,402,151
Construction in Progress	2,204,767	839,704	(1,169,312)	1,875,159
<b>Total Capital Assets,     Nondepreciable</b>	<b>4,606,918</b>	<b>839,704</b>	<b>(1,169,312)</b>	<b>4,277,310</b>
<b>Capital Assets, Depreciable:</b>				
Transmission and Distribution System	64,692,565	683	-	64,693,248
Recycled Water System	6,108,616	1,161,958	-	7,270,574
Structures and Improvements	17,114,387	6,680	-	17,121,067
Vehicles and Equipment	855,888	143,303	-	999,191
Machinery and Equipment	228,617	-	-	228,617
<b>Total Capital Assets,     Depreciable</b>	<b>89,000,073</b>	<b>1,312,624</b>	<b>-</b>	<b>90,312,697</b>
<b>Accumulated Depreciation:</b>				
Transmission and Distribution System	(32,011,118)	(950,170)	-	(32,961,288)
Recycled Water System	(1,481,010)	(142,800)	-	(1,623,810)
Structures and Improvements	(1,779,200)	(820,234)	-	(2,599,434)
Vehicles and Equipment	(764,812)	(41,576)	-	(806,388)
Machinery and Equipment	(222,790)	(1,185)	-	(223,975)
<b>Total Accumulated     Depreciation</b>	<b>(36,258,930)</b>	<b>(1,955,965)</b>	<b>-</b>	<b>(38,214,895)</b>
<b>Total Depreciable Assets, Net</b>	<b>52,741,143</b>	<b>(643,341)</b>	<b>-</b>	<b>52,097,802</b>
<b>Total Capital Assets</b>	<b>\$ 57,348,061</b>	<b>\$ 196,363</b>	<b>\$ (1,169,312)</b>	<b>\$ 56,375,112</b>

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 3 CAPITAL ASSETS (CONTINUED)**

Major capital asset additions for the year ended June 30, 2020 include upgrades and extensions to the District's water transmission and distribution systems in the following schedule:

	Balance June 30, 2019	Additions	Disposals/ Transfers	Balance June 30, 2020 (As Restated)
<b>Capital Assets, Nondepreciable:</b>				
Land	\$ 656,151	\$ 1,746,000	\$ -	\$ 2,402,151
Construction in Progress	4,676,478	727,610	(3,199,321)	2,204,767
Total Capital Assets, Nondepreciable	5,332,629	2,473,610	(2,066,879)	4,606,918
<b>Capital Assets, Depreciable:</b>				
Transmission and Distribution System	62,313,621	2,378,944	-	64,692,565
Recycled Water System	6,108,616	-	-	6,108,616
Structures and Improvements	1,352,387	15,762,000	-	17,114,387
Vehicles and Equipment	801,044	54,844	-	855,888
Machinery and Equipment	228,617	-	-	228,617
Total Capital Assets, Depreciable	70,804,285	18,195,788	-	89,000,073
<b>Accumulated Depreciation:</b>				
Transmission and Distribution System	(30,910,161)	(1,100,957)	-	(32,011,118)
Recycled Water System	(1,376,940)	(104,070)	-	(1,481,010)
Structures and Improvements	(1,409,367)	(369,833)	-	(1,779,200)
Vehicles and Equipment	(737,073)	(27,739)	-	(764,812)
Machinery and Equipment	(221,605)	(1,185)	-	(222,790)
Total Accumulated Depreciation	(34,655,146)	(1,603,784)	-	(36,258,930)
Total Depreciable Assets, Net	36,149,139	16,592,004	-	52,741,143
Total Capital Assets	<u>\$ 41,481,768</u>	<u>\$ 19,065,614</u>	<u>\$ (2,066,879)</u>	<u>\$ 57,348,061</u>



**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 3 CAPITAL ASSETS (CONTINUED)**

**Construction in Progress**

The District is involved in various construction projects throughout the year. Once completed, projects are capitalized and depreciated over the life of the asset.

<u>Project Description</u>	<u>2021</u>	<u>As Restated 2020</u>
Administration Facility Refurbishment	\$ -	\$ -
Waterline Projects	373,554	992,353
Automated Meter Infrastructure System	1,501,607	843,013
Groundwater Exploration	-	-
Reservoir Projects	-	369,401
Total Construction in Progress	<u>\$ 1,875,161</u>	<u>\$ 2,204,767</u>

**NOTE 4 LONG-TERM DEBT**

Changes in long-term debt for the years ended June 30, 2021 and 2020 were as follows:

	<u>Balance June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Direct Borrowings:					
2016 Installment					
Purchase Contract	\$ 8,006,276	\$ -	\$ (616,512)	\$ 7,389,764	\$ 630,649
Total	<u>\$ 8,006,276</u>	<u>\$ -</u>	<u>\$ (616,512)</u>	<u>\$ 7,389,764</u>	<u>\$ 630,649</u>
	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Direct Borrowings:					
2016 Installment					
Purchase Contract	\$ 8,608,968	\$ -	\$ (602,692)	\$ 8,006,276	\$ 616,512
Total	<u>\$ 8,608,968</u>	<u>\$ -</u>	<u>\$ (602,692)</u>	<u>\$ 8,006,276</u>	<u>\$ 616,512</u>

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 4 LONG-TERM DEBT (CONTINUED)**

**2016 Installment Purchase Contract**

On November 1, 2016, the District entered into an Installment Purchase Contract with Pinnacle Public Finance, Inc. in the amount of \$10,068,250 to finance the acquisition, construction and improvement of certain property for its water system. The rate of interest to be paid on the principal amount of the loan shall be 2.28% annually, with payments due semi-annually on May 1st and November 1st through November 1, 2031.

The District has pledged all of the Net System Revenues for the debt service payment of the Contract. The total principal and interest remaining to be paid on the contracts at June 30, 2021 is \$8,351,403. For the current year, principal and interest paid on the Contract was \$795,580. The Contract contains various covenants and restrictions, principally that the District fix, prescribe, and collect rates and charges for the Water Service, which are reasonably expected to be at least sufficient to yield, during each fiscal year, net revenues equal to one hundred and twenty percent (120%) of the debt service on all obligations for such fiscal year. The District was in compliance with this requirement at June 30, 2021.

Future debt service requirements for the above bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 630,649	\$ 164,933	\$ 795,582
2023	645,110	150,472	795,582
2024	659,903	135,680	795,583
2025	675,035	120,549	795,584
2026	690,514	105,071	795,585
2027 - 2031	3,697,470	280,476	3,977,946
2032	391,083	4,458	395,541
Total	<u>\$ 7,389,764</u>	<u>\$ 961,639</u>	<u>\$ 8,351,403</u>

**Compensated Absence**

Changes to compensated absences for fiscal years ended June 30, 2021 and 2020, respectively, were as follows:

<u>Balance 2020</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2021</u>	<u>Due Within One Year</u>
<u>\$ 234,618</u>	<u>\$ 182,651</u>	<u>\$ (149,485)</u>	<u>\$ 267,784</u>	<u>\$ 172,288</u>
<u>Balance 2019</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2020</u>	<u>Due Within One Year</u>
<u>\$ 232,911</u>	<u>\$ 171,837</u>	<u>\$ (170,130)</u>	<u>\$ 234,618</u>	<u>\$ 175,964</u>

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 5 OTHER POST-EMPLOYMENT BENEFITS**

**Plan Description**

The plan is an agent multiple-employer defined benefit healthcare plan that offers post-employment medical and dental coverage benefits to retired employees who satisfy the eligibility rules. Employees hired prior to July 11, 2017 require 5 years of service and need to be 50 years of age to be eligible. Employees hired after July 11, 2017, require 5 years of service with the District, and become 50% vested after 10 years of service, and fully vested after 20 years of service. Dependents are also eligible to receive benefits. Retirees may enroll in any plan available through the District's CalPERS medical program and ACWA dental coverage program.

**Employees Covered**

As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

	Number of Participants	
	2020	2019
Inactive Employees Currently Receiving Benefits	19	19
Participating Active Employees	22	16
Total	41	35

**Contributions**

The District's plan and its contribution requirements are established by District policy and may be amended by the board of directors. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2021, the District's cash contributions were \$2,419,865 in payments to the trust and \$46,000 in implied subsidy benefit payments, resulting in total contributions of \$2,465,754. For the fiscal year ended June 30, 2020, the District's cash contributions were \$150,000 in payments to the trust, \$194,469 in cash benefit payments, and \$36,000 in implied subsidy benefit payments, resulting in total contributions of \$380,964.

**Net OPEB Liability**

The District's net OPEB liability at June 30, 2021 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020 using standard update procedures. The District's net OPEB liability at June 30, 2020 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2021 AND 2020**

**NOTE 5 OTHER POST-EMPLOYMENT BENEFITS**

**Actuarial Methods and Assumptions**

The total OPEB liability as of June 30, 2020 measurement period was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.75%
Inflation	2.75% annually
Projected Salary Increase	aggregate - 3% annually
Expected Long-Term Investment Rate of Return	6.75%
Healthcare Cost Trend Rates	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4% in 2076; Medicare: Kaiser: 6.3% for 2021, 5% for 2022 decreasing to an ultimate rate of 4% in 2076; Non-Kaiser: 6.3% for 2021, decreasing to an ultimate rate of 4% in 2076.
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2019

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 5 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Long-Term Expected Rate of Return**

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2020 and 2019 are summarized in the following table:

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	59.00%	4.82%
Fixed Income	25.00%	1.47%
Treasury Inflation Protected Securities	5.00%	1.29%
Commodities	3.00%	0.84%
REITS	8.00%	3.76%
Total	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.75% for June 30, 2020 and June 30, 2019. The projection of cash flows used to determine the discount rate assumed that District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the District's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 5 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Changes in the Net OPEB Liability**

The changes in the net OPEB liability during the measurement period June 30, 2020 are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2019	\$ 4,178,108	\$ 1,078,929	\$ 3,099,179
Changes in the Year:			
Service Cost	112,267	-	112,267
Interest on the Total OPEB Liability	281,822	-	281,822
Differences Between Actual and Expected Experience	-	-	-
Changes in Assumptions	-	-	-
Changes in Benefit Terms	-	-	-
Contribution - Employer	-	380,964	(380,964)
Net Investment Income	-	31,859	(31,859)
Administrative Expenses	-	(1,053)	1,053
Benefit Payments	(230,469)	(230,469)	-
Net Changes	<u>163,620</u>	<u>181,301</u>	<u>(17,681)</u>
Balance at June 30, 2020	<u>\$ 4,341,728</u>	<u>\$ 1,260,230</u>	<u>\$ 3,081,498</u>

The changes in the net OPEB liability during the measurement period June 30, 2019 are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2018	\$ 2,879,647	\$ 1,016,420	\$ 1,863,227
Changes in the Year:			
Service Cost	53,640	-	53,640
Interest on the Total OPEB Liability	198,865	-	198,865
Differences Between Actual and Expected Experience	175,609	-	175,609
Changes in Assumptions	1,055,063	-	1,055,063
Changes in Benefit Terms	-	-	-
Contribution - Employer	-	184,716	(184,716)
Net Investment Income	-	62,727	(62,727)
Administrative Expenses	-	(218)	218
Benefit Payments	(184,716)	(184,716)	-
Net Changes	<u>1,298,461</u>	<u>62,509</u>	<u>1,235,952</u>
Balance at June 30, 2019	<u>\$ 4,178,108</u>	<u>\$ 1,078,929</u>	<u>\$ 3,099,179</u>

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 5 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Change of Assumptions**

There were no changes of assumptions between June 30, 2020 and June 30, 2019 measurement dates. Between the June 30, 2018 and June 30, 2019 measurement dates, there were the following changes of assumptions.

- Discount rate was updated to 6.75% based on study of investment advisor 10-year 2017 capital market assumptions adjusted in some cases to reflect anticipated long-term trends
- The implied subsidy is included as required by actuarial standards and GASBS 75
- Health Trend was updated based on consultation with Axene Health Partners' healthcare actuaries for short-term trend. Long-term healthcare trend developed using Society of Actuaries' Getzen Model of Long-Run Medical Cost Trends
- Mortality, withdrawal, disability, retirement and merit payroll increases rates were updated to CalPERS 1997-2015 Experience Study
- Dental and spouse participation at retirement rates were updated
- Mortality improvement scale was updated to Scale MP-2019

**Change of Benefit Terms**

There were no changes of benefit terms in either period.

**Subsequent Events**

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

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

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

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability - 2020	\$ 3,640,781	\$ 3,081,498	\$ 2,620,360
Net OPEB Liability - 2019	\$ 3,639,562	\$ 3,099,179	\$ 2,653,860

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 5 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Sensitivity of the Total OPEB Liability to Changes in Health-Care 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 or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease (Non-Medicare - 6.25% for 2021, decreasing to an ultimate rate of 3% in 2076; Medicare: Kaiser: 5.3% for 2021, 4% for 2022 decreasing to an ultimate rate of 3% in 2076; Non-Kaiser: 5.3% for 2021, decreasing to an ultimate rate of 3% in 2076.)	Current Healthcare Cost Trend Rates (Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4% in 2076; Medicare: Kaiser: 6.3% for 2021, 5% for 2022 decreasing to an ultimate rate of 4% in 2076; Non-Kaiser: 6.3% for 2021, decreasing to an ultimate rate of 4% in 2076.)	1% Increase (Non-Medicare - 8.25% for 2021, decreasing to an ultimate rate of 5% in 2076; Medicare: Kaiser: 7.3% for 2021, 6% for 2022 decreasing to an ultimate rate of 5% in 2076; Non-Kaiser: 7.3% for 2021, decreasing to an ultimate rate of 5% in 2076.)
Net OPEB Liability - 2020	\$ 2,546,804	\$ 3,081,498	\$ 3,738,403
	1% Decrease (3.0%)	Current Healthcare Cost Trend Rates (4.0%)	1% Increase (5.0%)
Net OPEB Liability - 2019	\$ 2,618,308	\$ 3,099,179	\$ 3,687,857

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

For the year ended June 30, 2021 and 2020, the District recognized OPEB expense of \$557,035 and \$411,820, respectively.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	\$ 2,465,754	\$ -
Differences Between Actual and Expected Experience	106,743	39,790
Changes in Assumptions	641,313	-
Differences Between Projected and Actual Earnings	38,140	-
Total	<u>\$ 3,251,950</u>	<u>\$ 39,790</u>



**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 5 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB  
(Continued)**

The \$2,465,754 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 239,360
2023	239,364
2024	241,058
2025	26,624
2026	-
Thereafter	-

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB Contributions Subsequent to Measurement Date	\$ 380,964	\$ -
Differences Between Actual and Expected Experience	141,176	50,844
Changes in Assumptions	848,188	-
Differences Between Projected and Actual Earnings	1,638	-
Total	<u>\$ 1,371,966</u>	<u>\$ 50,844</u>

The \$380,964 reported as deferred outflows of resources related to contributions subsequent to the measurement date was recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 230,238
2022	230,238
2023	230,242
2024	231,936
2025	17,504
Thereafter	-

**Payable to the OPEB Plan**

The District had no outstanding amount of contributions to the OPEB plan required for the years ended June 30, 2021 or 2020.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLANS**

**A. General Information about the Pension Plans**

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the District's 2.0% at 55 (Miscellaneous Plan), and 2.0% at 62 (PEPRA Miscellaneous Plan) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

The District has an inactive Safety Employees Plan with CalPERS due to the transfer of the District's fire operations to the City of Escondido on July 1, 1999.

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. Classic 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.

The Plans' provisions and benefits in effect at the measurement date June 30, 2020, are summarized as follows:

	Classic Miscellaneous Plan	PEPRA Miscellaneous Plan	Safety Plan
Hire Date	Prior to January 1, 2013	On or After January 1, 2013	Prior to January 1, 2013
Benefit Formula	2.0% at 55	2.0% at 62	2.0% at 55
Benefit Vesting Schedule	5 years of service	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life	monthly for life
Retirement Age	50 - 63	52 - 67	50 - 55
Monthly Benefits, as a % of Eligible Compensation	1.4% to 2.4%	1.0% to 2.5%	2.0% to 2.7%
Required Employee Contribution Rates	7%	6.75%	7%
Required Employer Contribution Rates	12.063%	7.686%	0%

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**A. General Information about the Pension Plans (Continued)**

The Plans' provisions and benefits in effect at the measurement date June 30, 2019, are summarized as follows:

	Classic Miscellaneous Plan	PEPRA Miscellaneous Plan	Safety Plan
Hire Date	Prior to January 1, 2013	On or After January 1, 2013	Prior to January 1, 2013
Benefit Formula	2.0% at 55	2.0% at 62	2.0% at 55
Benefit Vesting Schedule	5 years of service	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life	monthly for life
Retirement Age	50 - 63	52 - 67	50 - 55
Monthly Benefits, as a % of Eligible Compensation	1.4% to 2.4%	1.0% to 2.5%	2.0% to 2.7%
Required Employee Contribution Rates	7%	6.75%	7%
Required Employer Contribution Rates	11.163%	7.863%	0%

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. For fiscal year ended June 30, 2021, the District's contribution to the Miscellaneous and Safety Plans were \$485,182 and \$13,337, respectively. For fiscal year ended June 30, 2020, the District's contribution to the Miscellaneous and Safety Plans were \$414,516 and \$9,452, respectively.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

As of June 30, 2021 and 2020, the District reported net pension liabilities for its proportionate shares of the net pension liabilities as follows:

	<u>2021</u>	<u>2020</u>
Governmental Activities:		
Safety Plan	\$ 131,951	\$ 109,144
Business-Type Activities:		
Classic and PEPRA Miscellaneous Plan	<u>4,759,868</u>	<u>4,399,180</u>
Total Net Pension Liability	<u>\$ 4,891,819</u>	<u>\$ 4,508,324</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans at June 30, 2021 and June 30, 2020 were measured as of June 30, 2020 and June 30, 2019, respectively. The total pension liability at June 30, 2020 for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020 using standard update procedure. The total pension liability at June 30, 2019 for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019 using standard update procedure. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2019 and 2020 was as follows:

	<u>Class and PEPRA Miscellaneous Plan</u>	<u>Safety Plan</u>
Proportion - June 30, 2019	0.10986%	0.00175%
Proportion - June 30, 2020	0.11284%	0.00198%
Change - Increase (Decrease)	0.00298%	0.00023%

	<u>Class and PEPRA Miscellaneous Plan</u>	<u>Safety Plan</u>
Proportion - June 30, 2018	0.10691%	0.00145%
Proportion - June 30, 2019	0.10986%	0.00175%
Change - Increase (Decrease)	0.00295%	0.00030%

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

For the years ended June 30, 2021 and 2020, the District recognized pension expense of \$29,536 and \$32,625, respectively, related to its Governmental Activities and pension expense of \$701,087 and \$813,135 related to its business-type activities.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Governmental Activities (Safety Plan)</b>		
Pension Contributions Subsequent to Measurement Date	\$ 13,337	\$ -
Differences Between Actual and Expected Experience	10,233	-
Change in Assumptions	-	(440)
Change in Employer's Proportion and Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	31,008	(52,140)
Net Differences Between Projected and Actual Earnings on Plan Investments	2,868	-
Total	\$ 57,446	\$ (52,580)
	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Business-Type Activities (Miscellaneous Plan)</b>		
Pension Contributions Subsequent to Measurement Date	\$ 485,152	\$ -
Differences Between Actual and Expected Experience	245,291	-
Change in Assumptions	-	(33,949)
Change in Employer's Proportion and Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	130,441	(219,190)
Net Differences Between Projected and Actual Earnings on Plan Investments	141,399	-
Total	\$ 1,002,283	\$ (253,139)

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Governmental Activities (Safety Plan)</b>		
Pension Contributions Subsequent to Measurement Date	\$ 9,452	\$ -
Differences Between Actual and Expected Experience	7,126	-
Change in Assumptions	4,474	(873)
Change in Employer's Proportion and Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	45,293	(65,713)
Net Differences Between Projected and Actual Earnings on Plan Investments	-	(1,501)
Total	\$ 66,345	\$ (68,087)
	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Business-Type Activities (Miscellaneous Plan)</b>		
Pension Contributions Subsequent to Measurement Date	\$ 414,516	\$ -
Differences Between Actual and Expected Experience	305,541	(23,673)
Change in Assumptions	209,773	(74,363)
Change in Employer's Proportion and Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	76,530	(227,023)
Net Differences Between Projected and Actual Earnings on Plan Investments	-	(76,911)
Total	\$ 1,006,360	\$ (401,970)

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

The \$13,337 reported as 2021 deferred outflows of resources related to contributions subsequent to the measurement date for the Governmental Activities and the \$485,152 reported as 2021 deferred outflows of resources related to contributions subsequent to the measurement date for the Business-Type Activities will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities Amount</u>	<u>Business-Type Activities Amount</u>
2022	\$ (3,031)	\$ (2,403)
2023	(5,773)	104,960
2024	(1,104)	93,613
2025	1,437	67,822
2026	-	-
Thereafter	-	-

The \$9,452 reported as 2020 deferred outflows of resources related to contributions subsequent to the measurement date for the Governmental Activities and the \$414,516 reported as 2020 deferred outflows of resources related to contributions subsequent to the measurement date for the Business-Type Activities was recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities Amount</u>	<u>Business-Type Activities Amount</u>
2021	\$ (9,125)	\$ 234,295
2022	(3,499)	(78,895)
2023	1,138	18,933
2024	292	15,541
2025	-	-
Thereafter	-	-

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement period was determined as of June 30, 2019. The total pension liability was based on the following:

	Classic and PEPRA Miscellaneous Plan	Safety Plan
Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2020	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Projected Salary Increase	(1)	(1)
Mortality	(2)	(2)
Post Retirement Benefit Increase	(3)	(3)

(1) Varies by entry age and service

(2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

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

The total pension liability for the June 30, 2019 measurement period used the same assumptions as listed above.



**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

Long-Term Expected Rate of Return

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

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

The expected real rates of return by asset class for measurement dates June 30, 2020 and 2019 are as follows:

<u>Asset Class (a)</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 (b)</u>	<u>Real Return Years 11+ (c)</u>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

- (a) In the CalPERS CAFr, Fixed Income is included Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities
- (b) An expected inflation of 2.00% used for this period
- (c) An expected inflation of 2.92% used for this period

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

Discount Rate

The discount rate used to measure the total pension liability at measurement dates June 30, 2020 and 2019 was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

2020			
	Classic and PEPRA Miscellaneous Plan	Safety Plan	
1% Decrease	6.15%	6.15%	
Net Pension (Asset) Liability	\$ 7,081,577	\$ 260,852	
Current Discount Rate	7.15%	7.15%	
Net Pension (Asset) Liability	\$ 4,759,868	\$ 131,951	
1% Increase	8.15%	8.15%	
Net Pension (Asset) Liability	\$ 2,841,514	\$ 26,176	
2019			
	Classic and PEPRA Miscellaneous Plan	Safety Plan	
1% Decrease	6.15%	6.15%	
Net Pension (Asset) Liability	\$ 6,642,736	\$ 276,842	
Current Discount Rate	7.15%	7.15%	
Net Pension (Asset) Liability	\$ 4,399,180	\$ 109,144	
1% Increase	8.15%	8.15%	
Net Pension (Asset) Liability	\$ 2,547,283	\$ (28,342)	

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

Pension Plan Fiduciary Net Position

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

**C. Payable to the Pension Plan**

At June 30, 2021 and 2020, the District had no outstanding amount of contributions to the pension plan required for the years ended June 30, 2021 and 2020.

**NOTE 7 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 for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statements of net position.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 8 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 and 2020, the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$5,000,000. The JPIA purchases additional excess coverage layers: \$55,000,000 per occurrence, except for Terrorism \$5,000,000, Subsidence \$30,000,000, Lead \$30,000,000 and mold \$35,000,000.

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

- Employee dishonesty coverage up to \$100,000 per occurrence for loss caused by dishonest acts of District's employees; loss caused by forgery or alteration of orders to pay drawn on District's accounts and loss caused by use of a computer to transfer covered property from the District's premise or bank to another person or place. \$1,000 deductible.
- Property Program – Property loss for real and personal property is paid at replacement cost. Boiler and machinery coverage is included and provides coverage for mechanical, electrical and pressure equipment. Licensed vehicles, mobile equipment and watercraft are repaired or replaced on an actual cash value basis. JPIA pools for the first \$100,000, and purchases excess coverage up to \$500,000,000 per occurrence, except for Boiler and Machinery \$100,000,000 per occurrence, Earthquake \$2,500,000 program aggregate and Flood \$25,000,000. Deductible are \$2,500 real and personal property; \$2,500 mobile equipment and licensed vehicles/trailers; \$25,000 boiler and machinery, except \$50,000 if turbine or power generated equipment; earthquake 5% of total insurance values and \$100,000 flood.
- Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law. The ACWA/JPIA is self-insured up to \$2,000,000 million and excess insurance coverage with a \$4,000,000 program aggregate limit has been purchased.
- Cyber liability coverage which includes cyber security and risks related to electronic data with coverage limits up to \$3,000,000 per occurrence and \$5,000,000 aggregate.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 8 RISK MANAGEMENT (CONTINUED)**

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 ended June 30, 2021 and 2020. 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 and 2020.

**NOTE 9 COMMITMENTS AND CONTINGENCIES**

**Economic Dependency**

The District purchases virtually all of its water (source of supply) from the San Diego County Water Authority.

**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. The District did not have unfulfilled commitments under open contracts as of June 30, 2021 and \$19,366 as of June 30, 2020. The District had significantly less CIP activity in fiscal year 2020-2021, resulting in the lower amount, compared to 2020.

**Litigation**

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

**NOTE 10 PRIOR PERIOD ADJUSTMENTS AND RESTATEMENTS OF PRIOR YEARS**

The net positions of the Water and Sewer Funds at July 1, 2019 were reduced by \$1,181,790 and \$49,348, respectively, to adjust construction in progress balance for costs that are not capital in nature.

**REQUIRED SUPPLEMENTARY INFORMATION**

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>FUND BALANCE - BEGINNING OF YEAR</b>	\$ 1,602,766	\$ 1,602,766	\$ 1,602,766	\$ -
<b>RESOURCES (INFLOWS)</b>				
Property Taxes - Ad Valorem	1,856,000	1,856,000	2,146,063	290,063
Voter-Approved Tax	306,000	306,000	312,031	6,031
Charges for Services	33,000	33,000	26,391	(6,609)
Investment Earnings	-	-	2,121	2,121
Amount Available for Appropriations	<u>2,195,000</u>	<u>2,195,000</u>	<u>2,486,606</u>	<u>291,606</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>				
Fire Services Operating Services Contract	2,100,150	2,100,150	2,361,197	(261,047)
General and Administrative	94,850	94,850	121,402	(26,552)
Total Charges to Appropriations	<u>2,195,000</u>	<u>2,195,000</u>	<u>2,482,599</u>	<u>(287,599)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>4,007</u>	<u>4,007</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,602,766</u>	<u>\$ 1,602,766</u>	<u>\$ 1,606,773</u>	<u>\$ 4,007</u>

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>FUND BALANCE - BEGINNING OF YEAR</b>	\$ 1,474,760	\$ 1,474,760	\$ 1,474,760	\$ -
<b>RESOURCES (INFLOWS)</b>				
Property Taxes - Ad Valorem	1,821,000	1,821,000	2,112,128	291,128
Voter-Approved Tax	306,000	306,000	306,684	684
Charges for Services	33,000	33,000	28,656	(4,344)
Investment Earnings	-	-	3,095	3,095
Amount Available for Appropriations	<u>2,160,000</u>	<u>2,160,000</u>	<u>2,450,563</u>	<u>290,563</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>				
Fire Services Operating Services Contract	2,071,612	2,071,612	2,241,079	(169,467)
General and Administrative	88,388	88,388	81,478	6,910
Total Charges to Appropriations	<u>2,160,000</u>	<u>2,160,000</u>	<u>2,322,557</u>	<u>(162,557)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>128,006</u>	<u>128,006</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,474,760</u>	<u>\$ 1,474,760</u>	<u>\$ 1,602,766</u>	<u>\$ 128,006</u>





**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST TEN MEASUREMENT PERIODS\***

	2021	2020	2019	2018	2017	2016	2015
<b>Classic and PEPRA Miscellaneous Plan</b>							
Plan's Proportion of the Net Pension Liability	0.11284%	0.04293%	0.04270%	0.04109%	0.04048%	0.03836%	0.00393%
Plan's Proportionate Share of the Net Pension Liability	\$ 4,759,868	\$ 4,399,180	\$ 4,028,997	\$ 4,074,666	\$ 3,502,487	\$ 2,633,232	\$ 2,444,645
Plan's Covered Payroll	\$ 1,604,237	\$ 1,603,225	\$ 1,584,350	\$ 1,698,321	\$ 1,484,877	\$ 1,327,622	\$ 1,171,322
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	296.71%	274.40%	254.30%	239.92%	235.88%	198.34%	208.71%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	77.71%	77.73%	77.69%	75.39%	75.87%	80.89%	83.03%
<b>Safety Plan</b>							
Plan's Proportion of the Net Pension Liability (Asset)	0.00198%	0.00107%	0.00088%	0.00086%	0.00065%	(0.0004)%	(0.00107)%
Plan's Proportionate Share of the Net Pension Liability (Asset)	\$ 131,951	\$ 109,144	\$ 85,264	\$ 85,135	\$ 56,540	\$ (24,044)	\$ (66,430)
Plan's Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	73.12%	73.37%	73.40%	71.74%	72.69%	101.92%	105.27%

**Notes to Schedule:**

**Benefit Changes:**

There were no changes in benefits.

**Changes in Assumptions:**

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

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

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

There were no changes in assumptions.

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

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

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

There were no significant changes in assumptions.

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.

\* Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
SCHEDULE OF THE CONTRIBUTIONS – OPEB  
LAST TEN FISCAL YEARS\***

	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Actuarially Determined Contribution	\$ 407,310	\$ 230,469	\$ 178,946	\$ 190,483
Contributions in Relation to the Actuarially Determined Contributions	<u>(2,465,754)</u>	<u>(380,964)</u>	<u>(178,946)</u>	<u>(190,483)</u>
Contribution Deficiency (Excess)	<u>\$ (2,058,444)</u>	<u>\$ (150,495)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 1,981,816	\$ 1,604,237	\$ 1,603,225	\$ 1,584,350
Contributions as a Percentage of Covered-Employee Payroll	124.42%	23.75%	11.16%	12.02%

Notes to Schedule:

Valuation Date	6/30/2019	6/30/2019	6/30/2018	6/30/2017
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Methods and Assumptions Used to Determine Contribution Rates:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.75%
Inflation	2.75% annually
Projected Salary Increase	Aggregate - 3% annually
Expected long-term investment rate of return	6.75%
	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4% in 2076; Medicare: Kaiser: 6.3% for 2021, 5% for 2022 decreasing to an ultimate rate of 4% in 2076; Non-Kaiser: 6.3% for 2021, decreasing to an ultimate rate of 4% in 2076.

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

Entry age is based on the age at hire for eligible employees. The attribution period is determined as the difference between the expected retirement age and the age at hire. The actuarial present value of projected benefits and present value of future service costs are determined on an employee by employee basis and then aggregated. To the extent that different benefit formulas apply to different employees of the same class, the service cost is based on the benefit plan applicable to the most recently hired employees (including future hires if a new benefit formula has been agreed to and communicated to employees).

**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT  
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS  
LAST TEN MEASUREMENT PERIODS\***

Fiscal Year End	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Measurement Date	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>Total OPEB Liability:</b>				
Service Cost	\$ 112,267	\$ 53,640	\$ 60,403	\$ 57,213
Interest on Total OPEB Liability	281,822	198,865	196,587	193,030
Assumption Changes	-	1,055,063	-	-
Difference Between Expected and Actual Experience	-	175,609	(72,952)	-
Benefit Payments	(230,469)	(184,716)	(165,154)	(238,454)
Net Change In Total OPEB Liability	<u>163,620</u>	<u>1,298,461</u>	<u>18,884</u>	<u>11,789</u>
Total OPEB Liability - Beginning of Year	<u>4,178,108</u>	<u>2,879,647</u>	<u>2,860,763</u>	<u>2,848,974</u>
Total OPEB Liability - End of Year (a)	<u>4,341,728</u>	<u>4,178,108</u>	<u>2,879,647</u>	<u>2,860,763</u>
<b>Plan Fiduciary Net Position:</b>				
Contributions - Employer	380,964	184,716	178,972	294,400
Net Investment Income	31,859	62,727	74,035	87,734
Administrative Expenses	(1,053)	(218)	(1,727)	(450)
Benefit Payments	(230,469)	(184,716)	(165,154)	(238,454)
Net Change In Plan Fiduciary Net Position	<u>181,301</u>	<u>62,509</u>	<u>86,126</u>	<u>143,230</u>
Plan Fiduciary Net Position - Beginning of Year	<u>1,078,929</u>	<u>1,016,420</u>	<u>930,294</u>	<u>787,064</u>
Plan Fiduciary Net Position - End of Year (b)	<u>1,260,230</u>	<u>1,078,929</u>	<u>1,016,420</u>	<u>930,294</u>
Net OPEB Liability - Ending (a)-(b)	<u>\$ 3,081,498</u>	<u>\$ 3,099,179</u>	<u>\$ 1,863,227</u>	<u>\$ 1,930,469</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	29.03%	25.82%	35.30%	32.52%
Covered-Employee Payroll	\$ 1,604,237	\$ 1,603,225	\$ 1,584,350	\$ 1,698,321
Net OPEB Liability as Percentage of Covered - Employee Payroll	192.08%	193.31%	117.60%	113.67%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There were no changes in assumptions.

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



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