Bella Vista Water District

Redding, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2021

HORTON MCNULTY & SAETEURN, LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bella Vista Water District
Redding, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Bella Vista Water District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's 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, as well as the accounting systems prescribed by the California State Controller's Office and state regulations governing special districts; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the California State Controller's *Minimum Audit Requirements for California Special Districts*; 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 auditor considers 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 opinion.

INDEPENDENT AUDITORS' REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the California State Controller's Office and the state regulations governing special districts.

Other Matters

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Horton McNulty & Saeteurn, LLP

October 12, 2021
Chico, California

FINANCIAL SECTION

Required Supplementary Information

As management of the Bella Vista Water District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for fiscal years ending June 30, 2021, 2020, and 2019. The management's discussion and analysis is designed to: 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the District's financial activity, and 3) identify changes in the District's financial position. Please read and review it in conjunction with the District's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

The net position of the District at the close of the fiscal years 2021 and 2020 totals $25,494,452 and $26,114,298, respectively. Of this amount, $(157,435) and $1,045,360, respectively (unrestricted net position) may be used or were used to meet the District's ongoing obligations. The decrease in net position is the result of the restricted assets and the WIIN Act contract.

Total operating revenues reached $8,000,085 in fiscal year 2021 and $6,980,624 in fiscal year 2020.

Total operating expenses were $9,682,552 in fiscal year 2021 and $7,159,992 in fiscal year 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's annual financial report is comprised of three components: 1) management's discussion and analysis (this section), 2) financial statements, and 3) notes to the financial statements.

The financial statements provide both long-term and short-term information about the District's overall financial status along with providing the readers with a broad overview in a manner similar to a private-sector business. The financial statements also include notes that are essential to fully understand the data provided in the financial statements. The notes to the financial statements can be found in this report and explain some of the information in the financial statements and provide more detailed data.

The District maintains an enterprise fund, which is used to account for its water funds. Various accounts are established within the fund. These accounts are utilized as the accounting device for allocations.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses, and Changes in Net Position. All assets and liabilities associated with the operation of the District are included in the Statement of Net Position.

The Statement of Net Position presents the financial position of the District on a full accrual historical cost basis and provides information about the nature and amount of resources and obligations at year-end.

Net Position

The net position decreased at June 30, 2021, in the amount of $619,846 or approximately 2% less than at June 30, 2020, as a result the WIIN Act contract. By far, the largest portion of the District's net position (85%) reflects the District's investment in capital assets (e.g., land, building, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

June 30	2021	2020	Percentage Change	2019	Percentage Change
ASSETS					
Current assets	$ 8,564,093	$ 8,718,461	-1.77%	$ 7,692,617	13.34%
Restricted assets	3,953,738	3,765,387	5.00%	3,363,408	11.95%
Capital assets	26,163,616	26,331,938	-0.64%	26,983,577	-2.41%
Other assets	82,755	118,134	-29.95%	123,012	-3.97%
TOTAL ASSETS	38,764,202	38,933,920	-0.44%	38,162,614	1.98%
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows from pension	515,905	496,486	3.91%	493,517	0.60%
Deferred outflows from OPEB	-	257	-100.00%	342	-24.85%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	515,905	496,743	3.86%	493,859	0.58%
Total Assets and Deferred Outflows of of Resources	$ 39,280,107	$ 39,430,663	-0.38%	$ 38,656,473	2.00%
LIABILITIES					
Current liabilities	$ 1,731,158	$ 1,352,744	27.97%	$ 1,369,766	-1.24%
Long-term debt	3,919,619	4,495,467	-12.81%	5,028,385	-10.60%
Net OPEB liability	5,275,116	4,925,374	7.10%	4,666,711	5.54%
Net pension liability	2,469,640	2,221,293	11.18%	1,975,259	12.46%
TOTAL LIABILITIES	13,395,533	12,994,878	3.08%	13,040,121	-0.35%
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows from pension	354,169	321,487	10.17%	243,486	32.04%
Deferred inflows from OPEB	35,953	-	N/A	-	N/A
TOTAL DEFERRED INFLOWS OF RESOURCES	390,122	321,487	21.35%	243,486	32.04%
NET POSITION					
Net investment in capital assets	21,698,149	21,303,551	1.85%	21,434,414	-0.61%
Restricted	3,953,738	3,765,387	5.00%	3,363,408	11.95%
Unrestricted	(157,435)	1,045,360	-115.06%	575,044	81.79%
TOTAL NET POSITION	25,494,452	26,114,298	-2.37%	25,372,866	2.92%
Total Liabilities, Deferred Inflows, and Net Position	$ 39,280,107	$ 39,430,663	-0.38%	$ 38,656,473	2.00%

Changes in Net Position

At the end of the current fiscal year, the District is able to report a positive balance in its net position. As stated previously, the net position decreased at June 30, 2021, in the amount of $619,846 or approximately 2% less than at June 30, 2020, as a result of the WIIN Act contract. Operating revenues increased at June 30, 2021, by $1,019,461 or 14.60% more than at June 30, 2020. The major factor attributable to the increase was an increase in water sales revenue.

June 30	2021	2020	Percentage Change	2019	Percentage Change
Operating revenues	$ 8,000,085	$ 6,980,624	14.60%	$ 7,191,822	-2.94%
Operating Costs and Expenses					
Operating expenses	8,645,501	6,096,170	41.82%	4,636,030	31.50%
Depreciation	1,037,051	1,063,822	-2.52%	887,646	19.85%
Total Operating Expenses	9,682,552	7,159,992	35.23%	5,523,676	29.62%
Operating Income (Loss)	(1,682,467)	(179,368)	838.00%	1,668,146	-110.75%
Net nonoperating revenue (expenses)	857,621	920,800	-6.86%	841,122	9.47%
Net capital contributions	205,000	-	N/A	336,511	-100.00%
Change in Net Position	(619,846)	741,432	-183.60%	2,845,779	-73.95%
Net Position - Beginning of Year	26,114,298	25,372,866	2.92%	22,527,087	12.63%
Net Position - End of Year	$ 25,494,452	$ 26,114,298	-2.37%	$ 25,372,866	2.92%

CAPITAL ASSET AND DEBT ADMINISTRATION

The major capital asset events that occurred during the current fiscal year were the addition of a pipeline, SCADA upgrades, and operating equipment. As of June 30, 2021, the District's investment in capital assets was $26,163,616 (net of accumulated depreciation). This amount represents a net decrease of $168,322 or 0.64% from June 30, 2020. More detailed information about the capital assets of the District is set forth in the notes to the financial statements.

June 30	2021	2020	Percentage Change	2019	Percentage Change
Land	$ 122,004	$ 122,004	0.00%	$ 122,004	0.00%
Land improvements	356,796	356,796	0.00%	356,796	0.00%
Buildings	4,692,501	4,692,501	0.00%	2,675,279	75.40%
Water system	41,182,061	40,964,403	0.53%	40,958,697	0.01%
General plant and equipment	2,532,677	2,020,880	25.33%	1,877,223	7.65%
Office furniture and equipment	164,540	164,540	0.00%	166,346	-1.09%
Lease improvements	483,003	483,003	0.00%	483,003	0.00%
Construction in progress	398,509	328,075	21.47%	2,148,659	-84.73%
Total Capital Assets	49,932,091	49,132,202	1.63%	48,788,007	0.71%
Accumulated depreciation	(23,768,475)	(22,800,264)	4.25%	(21,804,430)	4.57%
Total Capital Assets - Net	$ 26,163,616	$ 26,331,938	-0.64%	$ 26,983,577	-2.41%

Debt Administration

Long-term debt includes the repayment of the following obligations: United States Department of the Interior Repayment Contract, the 1915 Act Special Assessment Bonds (96-1 Assessment), and State of California Department of Water Resources SDWSRF loan repayment. More detailed information about the debt of the District is set forth in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The assessed valuation within the District increased $21,946,480 million or 4% in the 2020-21 fiscal year, from a total assessed valuation of $526,528,328 to $548,474,808. The District's assessed valuation has continued to show growth and the District has taken that into account along with the inflationary trends, the water sales, and the unemployment rate for the County of Shasta in preparing the District's current-year budget. The District continues to maintain and budget using a 20-year Extraordinary Operations Maintenance and Replacement (EOMR) schedule that assists in planning for long-term costs. The costs for these projects continue to be a benchmark and the District estimates for reserve placement for these costs annually by averaging the 20 year estimates from the EOMR schedule. The 2021-22 fiscal year operating budget includes a total of $7,888,937 in revenue which consists of water sales, county taxes, and other funds available for use. The operating budget includes expenses in the amount of $7,993,937, a decrease from the 2020-21 fiscal year budget ($9,252,937) of $1,259,000 or approximately 16%, mostly as a result of the District WIIN Act contract payoff. The District continues to budget for all Capital Improvements under the General Operating Budget at this time. The District's 2021-22 Debt Service Schedule was adopted in the amount of $639,755. The Water Treatment Improvement fees are collected on every active account in the amount of $14.00 bi-monthly which is used to repay the SDWSRF obligation created by the necessary and required Water Treatment Improvements. In addition, there is an additional funding in the Budget of $123,407 to maintain the required reserve. The Governor's Executive Order, N-42-20, precludes shut-off for non-payment, unless or until rescinded. As a result, the District will likely experience an increase in delinquencies and uncollectible accounts.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or questions for additional financial information should be addressed to:

Connie M. Wade, Office Manager
Bella Vista Water District
11368 E. Stillwater Way
Redding, California 96003
(530) 241-1085

Basic Financial Statements

Bella Vista Water District

STATEMENT OF NET POSITION

June 30, 2021

ASSETS		
Current Assets		
Cash and cash equivalents	$	7,424,124
Cash in Shasta County Treasury		133,345
Accounts receivable - net		882,006
1915 Act Special Assessment Bonds receivable - current		5,379
Inventories		65,658
Deposits and prepaid expenses		53,581
Total Current Assets		8,564,093
Restricted Assets		
Cash and cash equivalents:		
Department of Interior note reserve		81,183
Capital improvement funds		2,984,155
Water treatment plant improvement funds		680,261
Palo Cedro special projects		183,807
1996 Redemption Fund		24,332
Total Restricted Assets		3,953,738
Capital Assets		
Nondepreciated capital assets		520,513
Depreciable capital assets - net		25,643,103
Total Capital Assets		26,163,616
Other Assets		
1915 Act Special Assessment Bonds receivable - long-term portion		82,755
TOTAL ASSETS		38,764,202
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension		515,905

The accompanying notes are an integral part of these financial statements.

Bella Vista Water District
STATEMENT OF NET POSITION
(Continued)

June 30, 2021		
LIABILITIES		
Current Liabilities		
Accounts payable	$	522,832
Deposits held		207,684
Customer prepayments		55,486
Accrued wages		98,562
Accrued interest		53,184
Accrued benefits and compensated absences		220,622
Other accrued liabilities		26,940
Long-term debt, due within one year		545,848
Total Current Liabilities		1,731,158
Long-Term Liabilities		
Long-term debt, due in more than one year		3,919,619
Net OPEB liability		5,275,116
Net pension liability		2,469,640
Total Long-Term Liabilities		11,664,375
TOTAL LIABILITIES		13,395,533
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension		354,169
Deferred inflows from OPEB		35,953
TOTAL DEFERRED INFLOWS OF RESOURCES		390,122
NET POSITION		
Net investment in capital assets		21,698,149
Restricted		3,953,738
Unrestricted		(157,435)
TOTAL NET POSITION	$	25,494,452

The accompanying notes are an integral part of these financial statements.

Bella Vista Water District

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2021		
Operating Revenues		
Sale of water:		
Municipal and industrial	$	4,918,850
Agriculture		244,730
New meters		13,400
New services		9,065
Cross connections		26,431
Special assessment		1,908,452
Capital and water treatment improvement fees		766,500
Grant revenue		11,983
Other charges		100,674
Total Operating Revenues		8,000,085
Operating Expenses		
Wages and salaries		1,967,127
Depreciation		1,037,051
Payroll taxes and benefits		1,013,561
Water purchases and other water costs		2,994,405
Postemployment benefits		1,016,448
Repairs and maintenance		408,396
Utilities and communications		426,344
Legal and professional		192,432
General and administrative expenses		102,198
Chemicals and lab services		173,404
Insurance		77,768
Tools and supplies		90,636
Grant expenses		23,106
Transportation		49,172
Office supplies		39,734
Memberships and dues		26,986
Miscellaneous expenses		22,386
Education and training		6,943
Janitorial		7,955
Equipment rental		6,500
Total Operating Expenses		9,682,552
Loss From Operations	$	(1,682,467)

The accompanying notes are an integral part of these financial statements.

Bella Vista Water District

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(Continued)

Year Ended June 30, 2021		
Nonoperating Revenues (Expenses)		
County tax allocation	$	886,143
Interest income		67,553
Interest expense		(111,362)
Gain on disposal of capital assets		15,287
Total Nonoperating Revenues (Expenses)		857,621
Loss Before Capital Contributions		(824,846)
Capital contributions		205,000
Change in Net Position		(619,846)
Net Position - Beginning of Year		26,114,298
Net Position - End of Year	$	25,494,452

The accompanying notes are an integral part of these financial statements.

Bella Vista Water District

STATEMENT OF CASH FLOWS

Year Ended June 30, 2021		
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	5,926,768
Cash received from special assessment		1,943,331
Cash received from grantors		39,683
Cash paid to suppliers		(4,299,517)
Cash paid to/on behalf of employees		(3,331,306)
NET CASH PROVIDED BY OPERATING ACTIVITIES		278,959
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from county tax allocation		886,143
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets		(663,829)
Principal payments on long-term debt		(562,920)
Interest paid on long-term debt		(117,621)
Cash received from sale of capital assets		15,387
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES		(1,328,983)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received		67,553
Net Change in Cash and Cash Equivalents		(96,328)
Cash and Cash Equivalents - Beginning of Year		11,607,535
Cash and Cash Equivalents - End of Year	$	11,511,207
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	$	7,424,124
Cash in Shasta County Treasury		133,345
Restricted cash		3,953,738
Total Cash and Cash Equivalents	$	11,511,207
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Cost of capital assets acquired	$	868,829
Capital contributions of capital assets		(205,000)
Cash Used For Acquisition and Construction of Capital Assets	$	663,829

The accompanying notes are an integral part of these financial statements.

Bella Vista Water District

STATEMENT OF CASH FLOWS

(Continued)

Year Ended June 30, 2021		
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Loss from operations	$	(1,682,467)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation		1,037,051
Net amortization of deferred outflows (inflows) from pension		(308,851)
Net amortization of deferred outflows (inflows) from OPEB		(8,946)
Changes in:		
Accounts receivable		(224,017)
Due from state government		37,181
Grant receivable		27,700
1915 Act Special Assessment Bonds receivable		34,879
Inventories		(17,931)
Deposits and prepaid expenses		47,256
Deferred outflows from pension		79,042
Deferred outflows from OPEB		257
Accounts payable		319,523
Deposits held		28,507
Customer prepayments		5,447
Accrued wages		8,489
Accrued benefits and compensated absences		9,779
Net pension liability		248,347
Net OPEB liability		349,742
Deferred inflows from pension		243,072
Deferred inflows from OPEB		44,899
Total Adjustments		1,961,426
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	278,959

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bella Vista Water District (the District) was formed on June 17, 1957, and was organized as a water district under Division 13 of the *California Water Code*. The District's purposes are limited to "produce, store, and distribute water for irrigation, domestic, industrial, and municipal purposes and reclaim lands incidental thereto or connected therewith".

The District operates under an elected Board of Directors. The accounting methods and procedures adopted by the District conform to generally accepted accounting principles (GAAP) as applied to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP, and used by the District are discussed below.

Basis of Accounting The District's activities are accounted for as an enterprise fund (a business-type activity) and the accounting records are maintained on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

When both restricted and unrestricted resources are available for use, it is the District's policy to use unrestricted resources first, then restricted resources as they are needed.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents Cash and cash equivalents includes amounts in demand deposits as well as short-term investments with a maturity date of three months to one year from the date acquired by the District.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The District maintains some of its cash in the Shasta County Treasury (the County) as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and include accrued interest. The pool has deposits and investments with a weighted-average maturity of more than one year. As of June 30, 2021, the fair value of the County pool was 100.34% of the carrying value and is deemed to not represent a material difference. Information regarding the amount of dollars invested in derivatives with the County was not available. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code*, Section 27130. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

Accounts Receivable Receivables represent revenues earned but not collected. Receivables are uncollateralized and are valued at cost. Any losses on uncollectible receivables are recognized when such losses become known or indicated. All receivables are adjusted to net realizable value when they are determined to be delinquent based on historical experience.

The allowance for doubtful accounts totaled $5,000 at June 30, 2021. The allowance is estimated based on the analysis of specific customers, taking into consideration the amount of past due accounts.

Inventories Inventories are valued at cost, which approximates market, using the average cost method. The District's inventories of meters are valued under a pooled average basis.

Deposits and Prepaid Expenses Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid assets.

Restricted Assets Certain loan proceeds as well as certain resources set aside for their repayment are classified as restricted assets because their use is limited by applicable loan covenants. In addition, funds have been reserved for capital improvements, repairs, and maintenance.

Capital Assets The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related assets, as applicable.

Interest expense that relates to the cost of acquiring or constructing capital assets is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with FASB Statement No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants.* The District did not capitalize any interest expense during the fiscal year ended June 30, 2021.

All purchased capital assets with an initial cost of $10,000 or more and an estimated useful life in excess of one year are valued at cost based upon purchasing records, when available, and at an estimated historical cost where no historical records exist. Donated capital assets are valued at estimated fair market value on the date received.

Accumulated depreciation is reported on the accompanying statement of net position. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method.

Buildings	40 years
Land and improvements	10 years
Water system – constructed	50 years
Water system - contributed	50 years
Office furniture and equipment	10 years
Plant equipment	15 years

Compensated Absences Vested or accumulated sick leave, floater holiday pay, and vacation pay is recorded as an expense and liability as the benefits accrue to employees. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Deferred Outflows/Inflows of Resources In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period which will only be recognized as an outflow of resources (expense) in the future. District contributions subsequent to the measurement date related to the pension plan, are reported as deferred outflows of resources in the statement of net position. District contributions subsequent to the measurement date will be amortized during the next fiscal year.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and would only be recognized as an inflow of resources (revenue) at that time.

Changes in proportion and differences between the District's contributions and proportionate share of pension contributions, the District's proportionate share of the net difference between projected and actual earnings on pension plan investments, changes in assumptions, and the differences between the District's expected and actual experience, are reported as deferred inflows of resources or deferred outflows of resources in the statement of net position. These amounts are amortized over the estimated service lives of the pension plan participants.

Differences between projected and actual earnings on OPEB plan investments are reported as deferred inflows or deferred outflows of resources in the statement of net position. These amounts are amortized over a closed period of five years.

Net Pension Liability For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to the pension and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement system (CalPERS) plan 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.

Other Postemployment Benefits (OPEB) For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

Net Position Net position represents the difference between assets and liabilities. The District's net position is classified as follows:

Net Investment in Capital Assets: Net investment in capital assets represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position: Restricted net position represents resources which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.

Unrestricted Net Position: Unrestricted net position represents resources available for transactions relating to the general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

Operating Revenue and Expense The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses for the District include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Tax Revenues The County of Shasta (the County) assesses, bills, and collects property taxes for the District.

The County property tax is levied each year on November 1 on the assessed valuation of land located in the County as of the preceding lien date (March 1). Taxes are receivable in two equal installments, which become delinquent the first working day after December 10 and April 10.

The County adopted the alternative method of tax apportionment ("Teeter Plan"). The District determined they would participate in this plan. Under the plan, the County remits all property taxes and special assessments due to the District without regard to their current or delinquent status.

Water System Special Assessment Section 37203 of the *California Code*, upon a vote of the affected property owners, allows a California Water District to compel the county in which it is located to levy and collect ad valorem assessments on all lands located within the District, sufficient to raise monies to provide for the operations and debt service of the District. The assessment was authorized by the voters in March 1964.

Budget The District's budget is adopted on a modified accrual basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The annual appropriations lapse at fiscal year-end.

2. CASH AND CASH EQUIVALENTS

Deposits

All of the District's deposits in financial institutions are entirely insured or collateralized. The *California Government Code* requires California banks and savings and loan associations to secure local agency deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a local agency's deposit:

June 30, 2021	
Carrying amount	$ 11,377,312
Deposits (1)	$ 11,371,744
Amount covered by federal depository insurance	(250,000)
Amount Covered by Collateral Held by Agents of Pledging Bank	$ 11,121,744

(1) ***Deposits*** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.

Collateral was not held in the District's name. (There is no government code requirement that collateral be held in the District's name.)

The District also keeps $550 of petty cash on hand.

Equity in Pooled Cash and Investments

The District maintains cash equivalents in pools managed by others. The District's pooled cash and investments were as follows:

June 30, 2021			
Cash in Shasta County Treasury (2)	20.5 months average	$	133,345

(2) ***Investments That Are Not Securities*** A "security" is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2021:

- County treasurer's investment pool of $133,345 is valued using quoted prices for similar instruments in active markets and quoted prices for identical or similar instruments in markets that are not active (level 2 inputs).

Credit Risk - Investments

The District has a formal investment policy on managing credit risk; the District's policy and the *California Government Code* authorize the District to invest in obligations, participations, or other investments of the U.S. Government or its agencies, state and municipal bonds, commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by Standard & Poor's Corporation or Moody's Investment Service, Inc., bankers' acceptances, repurchase agreements, and the State Treasurer's Investment Pool (LAIF). The District's investment in the County investment pool is unrated.

Concentration of Credit Risk

California Government Code, Section 53635, places the following concentration limits on the County investment pool:

> No more than 40% may be invested in eligible commercial paper; no more than 10% may be invested in the outstanding commercial paper of any single issuer; and no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

California Government Code, Section 53601, places the following concentration limits on the District's investments:

> No more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in bankers' acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

The District's policy limits the amount that may be invested in any one permissible investment type.

3. CAPITAL ASSETS

Capital assets consisted of the following:

Year Ended June 30, 2021	Beginning Balance	Additions	Deductions	Ending Balance
Nondepreciated Capital Assets				
Land	$ 122,004	$ -	$ -	$ 122,004
Construction in progress	328,075	314,290	243,856	398,509
Total Nondepreciated Capital Assets	450,079	314,290	243,856	520,513
Depreciated Capital Assets				
Buildings	4,692,501	-	-	4,692,501
Land improvements	356,796	-	-	356,796
Water system	40,964,403	217,658	-	41,182,061
Equipment	2,020,880	580,737	68,940	2,532,677
Office furniture and equipment	164,540	-	-	164,540
Filter plant improvements	483,003	-	-	483,003
Total Depreciated Capital Assets	48,682,123	798,395	68,940	49,411,578
Totals at Historical Cost	49,132,202	1,112,685	312,796	49,932,091
Less: Accumulated depreciation				
Buildings	405,785	77,174	-	482,959
Land improvements	285,709	21,695	-	307,404
Water system	20,361,067	842,341	-	21,203,408
Equipment	1,177,009	87,302	68,840	1,195,471
Office furniture and equipment	87,691	8,539	-	96,230
Filter plant improvements	483,003	-	-	483,003
Total Accumulated Depreciation	22,800,264	1,037,051	68,840	23,768,475
Total Depreciated Capital Assets - Net	25,881,859	(238,656)	100	25,643,103
Capital Assets - Net	$ 26,331,938	$ 75,634	$ 243,956	$ 26,163,616

4. ACCRUED BENEFITS AND COMPENSATED ABSENCES

Accrued benefits and compensated absences consist of the following:

June 30, 2021		
Vacation	$	111,428
Sick leave		81,030
Comp time and floater holidays		28,164
Total Accrued Benefits and Compensated Absences	$	220,622

5. CHANGES IN LONG-TERM DEBT

Year Ended June 30, 2021	**Beginning Balance**	**Additions**	**Deductions**	**Ending Balance**
1915 Act Special Assessment Bonds	$ 123,012	$ -	$ (34,879)	$ 88,133
Direct borrowing: State of California Department of Water Resources	4,905,375	-	(528,041)	4,377,334
Total Long-term Debt	$ 5,028,387	$ -	$ (562,920)	4,465,467
Amounts due within one year				(545,848)
Amounts Due in More Than One Year				$ 3,919,619

1915 Act Special Assessment Bonds

The District issued Limited Obligation Improvement Bonds (1915 Act), Series A, for $201,470 on August 7, 1997, in order to provide the matching funding required to complete the Logan Road Water Project. The bonds call for semi-annual interest payments at 5% on March 2 and September 2 of each year. Principal payments are due on September 2 of each year through the year 2033, and the principal payment amount ranges from $3,600 to $8,900. The bonds are secured by special assessment taxes to be collected by the County of Shasta.

Direct Borrowing: State of California Department of Water Resources

On September 16, 2004, the District entered into a funding agreement with the State of California Department of Water Resources for a construction loan under the Safe Drinking Water State Revolving Fund Law of 1997 (SDWSRF) to upgrade the District's water treatment plant. The amount of the loan was not to exceed $10,399,538. Interest is charged at a rate of 2.34% annually. Interest during the construction period was due semi-annually. Principal payments commenced one year from the project completion date. The project was completed in August 2008 and the first semi-annual principal payment for this loan was due July 1, 2009. The entire amount of the loan plus interest is due and payable within 20 years from the date of the first payment. The loan is collateralized by the revenues from the water treatment plant improvement fees. The District adopted a five year rate study plan on March 1, 2018, in order to maintain the required level of reserve pursuant to the terms of the lending agreement.

During the year ended June 30, 2021, the District made an unscheduled principal payment on 96-1 Logan Road, which amended the future debt service requirements. The annual debt service requirements to amortize all long-term debt, including interest are as follows:

Year Ending June 30	1915 Act Special Assessment Bond (96-1 Logan Road)	Loan Fund (SDWSTR)	Total
2022	$ 9,595	$ 639,755	$ 649,350
2023	9,382	639,755	649,137
2024	9,600	639,755	649,355
2025	9,794	639,755	649,549
2026	9,475	639,755	649,230
2027-2031	48,016	1,595,689	1,643,705
2032-2034	22,173	-	22,173
Total	118,035	4,794,464	4,912,499
Less: Interest	29,902	417,130	447,032
Net Principal	$ 88,133	$ 4,377,334	$ 4,465,467

6. NET PENSION LIABILITY

Qualified employees are covered under a cost-sharing multiple-employer defined benefit pension plan maintained by the California Public Employees' Retirement System (CalPERS).

Summary

Net pension liability, deferred outflows or resources, deferred inflows of resources, and pension expense are reported as follows:

June 30, 2021	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalPERS Public Agency Pool	$ 2,469,640	$ 515,905	$ 354,169	$ 414,511

Plan Description All full-time employees participate in CalPERS, a cost-sharing, multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The District is part of a "cost-sharing" pool within CalPERS.

Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a publicly available financial report that can be obtained at www.calpers.ca.gov.

Benefits Provided Employees are eligible for retirement as early as age 50 with five years of service. The California Public Employees' Pension Reform Act (PEPRA) took effect January 1, 2013 and changed the way CalPERS retirement and health benefits are applied and placed limits on member compensation. Employees under PEPRA are eligible for retirement as early as age 52 with five years of service. For employees hired before PEPRA, at age 60, the employee is entitled to a monthly benefit of 2.0% of the highest three years of compensation for each year of service. For employees hired after PEPRA, at age 62, the employee is entitled to a monthly benefit of 2.0% of the highest three years of compensation for each year of service.

Retirement after age 60 will increase the percentage rate to a maximum of 2.418% at age 63 for employees hired before PEPRA and to a maximum rate of 2.500% at age 67 for employees hired after PEPRA. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from CalPERS, members' accumulated contributions are refundable with interest credited through the date of separation.

Contributions For employees hired before PEPRA, active plan members are required to contribute 7.0% of their salary (7.0% of monthly salary over $133.33 if the member participates in Social Security). For employees hired after PEPRA, active plan members are required to contribute 6.25% of their salary (6.25% of monthly salary over $133.33 if the member participates in Social Security). Also, the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. For employees hired before PEPRA, the required employer contribution rate for the fiscal year ended June 30, 2021, was 8.794% of annual payroll. For employees hired after PEPRA, the required employer contribution rate for the fiscal year ended June 30, 2021, was 7.732% of annual payroll. The District's contributions to CalPERS for the fiscal year ended June 30, 2021 were $152,901, and equaled 100% of the required contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension At June 30, 2021, the District reported a net pension liability of $2,469,640 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating districts and the State, actuarially determined. At June 30, 2021, the District's proportion was 0.0586%.

For the year ended June 30, 2021, the District recognized pension expense of $414,511. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 17,614
Difference between expected and actual experience	127,268	-
Net difference between projected and actual earnings on pension plan investments	73,365	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	336,555
Change in the District's proportion	162,371	-
District contributions subsequent to the measurement date	152,901	-
Total	$ 515,905	$ 354,169

The $152,901 reported as deferred outflows of resources related to the pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ending June 30		
2022	$	(50,361)
2023		2,719
2024		21,289
2025		35,188
Total	$	8,835

Actuarial Assumptions The total pension liability in the June 30, 2019, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.15%

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 90% of Scale MP-2016 published by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2015.

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

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

	Assumed Asset Allocation	Real Rate of Return Years 1 - 10	Real Rate of Return Years 11+
Asset Class			
Global equity	50%	4.80%	5.98%
Fixed income	28%	1.00%	2.62%
Inflation assets	0%	0.77%	1.81%
Private equity	8%	6.30%	7.23%
Real estate	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
Total	100%		

Discount Rate The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made a 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 District's 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 calculated using the discount rate of 7.15%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

June 30, 2021	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$ 3,998,225	$ 2,469,640	$ 1,206,617

Pension Plan Fiduciary Net Position Detailed information about the pension plan's fiduciary net position is available in CalPERS' separately issued CAFR.

7. DEFERRED COMPENSATION

The District also offers its employees a deferred compensation plan created in accordance with *Internal Revenue Code*, Section 457. The plan, available to all District employees, permits them to defer a portion of their salary up to the legal limit until future years. Participation in the plan is optional. The District currently has two options employees can voluntarily defer to: VALIC or CalPERS. They can defer to both, one, or none. The deferred compensation balance is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are held in trust for the "exclusive benefit of governmental plan participants." Consistent with this, the District has no rights to these monies and, therefore, plan assets and liabilities are not reported on the District's financial statements.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The District has established a Retiree Healthcare Plan (HC Plan) under the CalPERS Public Employees' Medical and Hospital Care Act (PEMHCA), and participates in an agent multiple-employer defined benefit retiree healthcare plan. The HC Plan provides lifetimes healthcare insurance for eligible employees and their eligible family members through the District's group health insurance plan, which covers both active and retired members.

The District has fewer than 100 employees (active and inactive) who are eligible for OPEB through the HC Plan. Therefore, in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, the District uses the Alternative Measurement Method (AMM) as a modified approach to calculate the District's OPEB liability. The AMM permits some simplified methods for setting the assumptions to be used in the calculation, however, the AMM includes the same broad steps as an actuarial valuation, including projecting benefit payments, discounting those payments to present value, and attributing the present value of projected benefit payments to time periods using an actuarial cost method.

Benefits Provided

The HC Plan provides employees who retire directly from the District, at a minimum age of 55, with a minimum of ten years of service with certain qualifying state of California agencies (at least five of which must be with the District), payments for CalPERS medical insurance premiums for employee plus spouse, starting at 50% of the employer contribution and increasing 5% per year, up to 100% in the 20th year of service. Payments coordinate when retiree or spouse is eligible for Medicare. Surviving spouses are also eligible for this benefit.

Employees who retire directly from the District at a minimum age of 55, with a minimum of ten years of service with certain qualifying state of California agencies (at least five of which must be with the District), are eligible to continue medical coverage as a participant with active employees at a blended premium rate. When eligible for Medicare at age 65, the HC Plan becomes a secondary plan at a reduced rate. A separate financial report is not prepared for the HC Plan.

Employees Covered

As of the June 30, 2020, valuation, the employees covered by the benefit terms of the HC Plan consisted of:

June 30, 2020	
Inactive HC Plan members or beneficiaries currently receiving benefit payments	14
Active HC Plan members	23
Total	37

Contributions

Benefits provisions are established and may be amended by the District's Board of Directors as authorized by bylaws. The HC Plan provides for the District to contribute 100% of the cost of health insurance premiums for retirees and their eligible family members. For the fiscal year ended June 30, 2021, the District contributed $204,833 representing premium payments on behalf of retired employees. In addition, the District made a prefunding contribution of $215,717 to the CalPERS Employee Retirement Benefit Trust (CERBT).

Net OPEB Liability

The District's net OPEB liability for the HC Plan is measured as the total OPEB liability, less the HC Plan's fiduciary net position. The net OPEB liability of the HC Plan is measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined using the Alternative Measurement Method (AMM) dated June 30, 2020. The June 30, 2021, total OPEB liability was based on the actuarial methods and assumptions as shown below.

Actuarial Assumptions

The District's net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined using the Alternative Measurement Method (AMM) dated June 30, 2020, based on the following actuarial methods and assumptions:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	3.229%
Salary increases	1.25%
Healthcare cost trend rate - medical	4.90% (1)
Healthcare cost trend rate - pharmacy	5.90% (2)
Healthcare cost trend rate - dental	3.50% (3)
Healthcare cost trend rate - vision	3.00%

(1) Decreasing 0.5% to an ultimate rate of 3.0% in year three.

(2) Decreasing 1.6% to an ultimate rate of 4.3% in year eight.

(3) Decreasing 0.6% to an ultimate rate of 4.3% in year eight.

Mortality is based on PR 2000 Mortality Table for Males and Females Projected 18 years. Turnover assumptions are derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System.

Long-Term Expected Rate of Return

As of the measurement date of June 30, 2021, the District has OPEB plan assets of $1,002,001 in CERBT for the purpose of prefunding obligations for past service. The target allocation and best estimate of arithmetic real rates of return are summarized as follows:

CERBT Asset Allocation Strategy	Target Allocation	Long-Term Expected Real Rate of Return
CERBT Strategy 3	100.00%	6.22%
CERBT Strategy 3 Asset Class Allocation		
Global equity	22.00%	
Fixed income	49.00%	
Treasury inflation-protected securitie:	16.00%	
Real estate investment trusts (REITs)	8.00%	
Commodities	5.00%	
Cash	0.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 3.229%. The discount rate is based on a yield or index for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or better. The District does not expect that contributions to CERBT will be sufficient to cover all benefit payments in future years.

Changes in the Net OPEB Liability

The changes in the net OPEB liability for the HC Plan are as follows:

Year Ended June 30, 2021		
Total OPEB Liability		
Service cost	$	135,769
Interest		182,481
Effect of economic/demographic gains or losses		546,558
Benefit payments - including refunds of employee contributions		(204,833)
Net Change in Total OPEB Liability		659,975
Total OPEB Liability - Beginning of Year		5,617,142
Total OPEB Liability - End of Year (a)		6,277,117
Plan Fiduciary Net Position		
Contributions - employer		420,550
Net investment income		94,881
Benefit payments - including refunds of employee contributions		(204,833)
Administrative expense		(365)
Net Change in Plan Fiduciary Net Position		310,233
Plan Fiduciary Net Position - Beginning of Year		691,768
Plan Fiduciary Net Position - End of Year (b)		1,002,001
Net OPEB Liability - End of Year ((a) - (b))	$	5,275,116
Plan fiduciary net position as a percentage of the total OPEB liability		15.96%
Covered-employee payroll	$	1,777,661
District's net OPEB liability as a percentage of covered-employee payroll		296.74%

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

The following presents the District's net OPEB liability calculated using the discount rate of 3.229%, as well as the District's net OPEB liability if it was calculated using a discount rate that is one percentage point lower (2.229%) or one percentage point higher (4.229%) than the current rate:

June 30, 2021	1% Decrease (2.229%)	Current Discount Rate (3.229%)	1% Increase (4.229%)
Net OPEB liability	$ 6,072,480	$ 5,275,116	$ 4,610,245

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

The following presents the District's net OPEB liability calculated using the various healthcare cost trend rates, as well as the District's net OPEB liability if it was calculated using a healthcare trend rate that is one percentage point lower than the current rates:

June 30, 2021	1% Decrease	Healthcare Cost Trend Rates (Various)	1% Increase
Net OPEB liability	$ 5,126,588	$ 5,275,116	$ 5,425,785

Plan Fiduciary Net Position

Detailed information about the HC Plan's fiduciary net position is available from CalPERS which issues a publicly available financial report on CERBT that can be obtained at www.calpers.ca.gov.

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

For the fiscal year ended June 30, 2021, the District recognized OPEB expense of $601,937. 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
Net difference between projected and actual earnings on HC Plan investments	$ -	$ 35,953

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

Year Ending June 30		
2022	$	(8,946)
2023		(8,944)
2024		(9,031)
2025		(9,032)
Total	$	(35,953)

9. SPECIAL ASSESSMENT BONDS

Special assessment bonds are used for the provision and financing of public improvements, which primarily benefit the particular taxpayers against whose properties special assessments are levied. Property owners are given the option of paying their special assessments in a lump sum or in interest-bearing annual installments over a number of years. Special assessment bonds issued to finance initial construction costs are secured by liens on the property of those taxpayers electing to pay their assessments in annual installments.

The GASB issued Statement No. 6, *Accounting and Financial Reporting for Special Assessments*, in January 1989. Reporting requirements for governments vary under this statement, dependent on whether or not the government is obligated in some manner for special assessment debt.

In accordance with legal requirements pertaining to the sale of 1915 Act Special Assessment Bonds, a reserve fund was established out of the proceeds of the bond sale and is utilized to cover delinquencies by property owners.

Delinquencies, if any, at June 30, 2021, are immaterial and are covered by the Teeter Plan.

The liability for the payment of the outstanding 1915 Act Special Assessment Bonds is reported and disclosed in note 5.

10. RISK MANAGEMENT

The District has obtained general liability, auto liability, public officials' liability, workers' compensation, property coverage, and fidelity coverage through the Association of California Water Agencies - Joint Powers Insurance Authority (JPIA), a joint powers authority of the California public water agencies.

June 30, 2021		JPIA Pooled Amount		Commercial Insurance Additional Coverage	
General, auto, and public officials' liability	$	5,000,000	$	55,000,000	
Cyber	$	-	$	5,000,000	*
Workers' compensation	$	2,000,000	$	4,000,000	
Property coverage	$	100,000	$	500,000,000	
Fidelity	$	-	$	1,000,000	

**$5,000,000/occurrence, $5,000,000 aggregate*

Each member's share of pooled insurance costs depends on the losses of all members. In addition, the cost to a member district will also depend on the loss experience of that district. Districts with a consistent record of costly claims will pay more than districts with a consistent record of less serious claims activity. Settled claims resulting from the risks identified above have not exceeded insurance coverage in the past three years. No significant reductions in insurance coverage from the prior year have been made.

A representative of each member district, appointed by the board of directors of that district, serves on the board of directors of the JPIA. The board of directors is responsible for deciding the risks the JPIA will underwrite, monitoring the costs of claims, and arranging financial programs. Each member of the board of directors has an equal vote in matters concerning the JPIA.

The District's share of year-end assets, liabilities, and fund equity is not calculated by the JPIA. Separately issued financial statements can be requested from the JPIA.

11. RESTRICTED NET POSITION

Restricted net position consists of the following:

Year Ended June 30, 2021		
Department of Interior Note Reserve - The purpose of these funds is to ensure that the District maintains adequate financial capability to meet unusual and unforeseen extraordinary operation and maintenance costs as per the Bureau contracts.	$	81,183
Capital Improvement Fund - This fund was established to deposit capital improvement fees charged for use towards the construction and improvement of District facilities and to maintain adequate facilities as growth in the District occurs.		2,984,155
Water Treatment Plant Improvements - This fund was established to deposit fees charged for the water treatment plant improvements required by the California State Water Resources Control Board, Division of Drinking Water, and to service the debt established.		680,261
Palo Cedro Special Projects - Pursuant to Resolution 87-38, the purpose of this reservation was to reduce the initial construction cost of the Palo Cedro South Project. Agreement by the property owners was made whereby a capital facilities charge would be levied upon property owners at such times as they choose to connect to the system. The funds are specifically allocated to the construction of improvements at such time as it becomes necessary.		183,807
1996 Redemption Fund - This fund was established to deposit the revenues collected by the County of Shasta for the 96-1 Assessments and repay the obligation with the USDA.		24,332
Total	$	3,953,738

12. DESIGNATED UNRESTRICTED NET POSITION

Designated unrestricted net position consists of the following:

Year Ended June 30, 2021		
Contingency Fund - This fund was established as an appropriation and interfund transfer account, as needed, for cash flow purposes.	$	2,272,011
Municipal and Industrial Reserve - This fund was established to fund current year M&I operating deficit charged by the U.S. Bureau of Reclamation, Department of the Interior.		675,292
Extraordinary Operations Maintenance Replacement - This fund was established to assist the District in long-term planning and budgeting for extraordinary major maintenance and replacement costs the District is going to be faced with for its aging facilities and infrastructure. In addition, a separate allocation under this fund was created to assist the District in the purchase of vehicles and large equipment items. It is the goal of the District to smooth the impact of these significant costs over many years rather than significant impact to any one year.		2,603,690
Total	$	5,550,993

In addition, the District holds an Irrigation Reserve to fund the Irrigation Operating Deficit charged by the U.S. Bureau of Reclamation, Department of the Interior. This reserve did not hold a balance at June 30, 2021, as a result of paying the monthly reserved amount toward the outstanding irrigation deficit.

The above amount of designated unrestricted net position exceeds the unrestricted net position balance in the statement of net position due to a difference in accounting method between the two statements. The District designates net position using the modified accrual accounting method which is the accounting method used for internal budgeting purposes. This accounting method does not take into account the net investment in capital assets as a component of net position. Therefore, it results in the District designating more unrestricted net position than is reported in the statement of net position. The full amounts of designated net position have been included in the table above to reflect the actual amounts approved by the District's Board of Directors as designated, however, no amount is actually available to be designated.

13. COMMITMENTS AND CONTINGENCIES

Proposition 218

Proposition 218, which was approved by the voters in November 1996, and amended Article 13 of the State Constitution, regulates the District's ability to impose, increase, and extend taxes, assessments, and fees. New, increased, or extended taxes, assessments, and fees are subject to the provisions of Proposition 218. This decision was upheld and broadly interpreted to include water rates and charges in the court decision of *Bighorn-Desert View Water Agency vs. Verjil* which states "an agency may not adopt a rate increase if written protests against the proposed fee or charge are presented by a majority" of the affected property owners. In addition, Proposition 218 states that these rates will be fair, equitable, and cost based. Therefore, the District's ability to finance the services for which the taxes, assessments, and fees are imposed in the future may be impaired. However, management believes it will be able to maintain the current level of revenue it now receives. Subsequent legislation (AB1260 CABALLERO) clarifies the process required to revise fees and rates.

WIIN Act

On August 24, 2020, the District's Board of Directors authorized a contract amendment, authorized by the WIIN Act. The WIIN Act is a comprehensive legislation relating to water infrastructure. Section 4011 of Subtitle J outlines the authority and direction for the Secretary of the Interior to negotiate contracts for repayment terms, which may include prepayments, lump sum, or accelerated payments, on existing water service contracts. The contract amendment results in a perpetual repayment contract providing for Project Water Service and Facilities Repayment with the United States Bureau of Reclamation. While the amendment guarantees a perpetual contract, it does not guarantee a water allocation. Under the amendment, the District remitted accelerated repayment on facilities during fiscal year 2020-21, in the net amount of $1,638,430, which included a payment of $1,845,004, and a refund back to the District of $206,574.

A coalition of California environmental interest groups is challenging the validity of the perpetual contracts of nearly one hundred water purveyors throughout California, including the District. The outcome is uncertain and could adversely impact the District's available water supply.

Project Commitments

Project commitments are as follows:

June 30, 2021		Remaining Project Commitment
Pipeline replacement project	$	248,428
Federal water management plan		21,593
Total	$	270,021

COVID-19

The novel coronavirus, COVID-19, was declared a worldwide pandemic by the World Health Organization on March 11, 2020. The ongoing pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly-evolving situation. The impact of the pandemic on the District's operations and financial performance will depend on future developments, including government mandates and duration of the pandemic, all of which are uncertain and difficult to predict. As a result, it is not currently possible to assess the overall impact of COVID-19 on the District's future. However, if the pandemic continues, the disease could have a material adverse effect on the District's results of operations, financial condition, and cash flows. Management is monitoring the situation on a daily basis in order to mitigate the potential impact of COVID-19 on the District's operations and financial performance. The Governor's Executive Order, N-42-20, precludes shut-off for non-payment, unless or until rescinded. As a result, the District will likely experience an increase in delinquencies and uncollectible accounts.

14. WATER PURCHASE AGREEMENT

Effective November 25, 2008, the District executed a contract to purchase water. The contract requires the District to annually pay for 1,536 acre feet of water, subject to shortage provisions, whether actually taken or not, at rates that are adjusted annually. The District is also required to pay an administrative fee per acre-foot which is adjusted by 3% annually. The contract is effective through February 28, 2045. On January 1, 2021, the District entered into an amendment for an additional 264 acre feet. The District expects to utilize the full allocation of 1,800 acre feet, subject to shortage provisions, each year.

15. SUBSEQUENT EVENTS

During August 2021, the District entered into an agreement to purchase 700 acre feet of water at a total cost of $263,859. Although water purchases are routine operations, this transaction is of note due to the high cost and limited availability of water during the current period of drought.

During July 2021, the District purchased a generator at a cost of $143,026.

16. FUTURE GASB IMPLEMENTATION

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Incurred before the End of a Construction Period*. This statement improves financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. Under this statement, interest cost incurred before the end of the construction period will be recognized as an expense in the period in which the cost is incurred. As a result, the interest cost incurred before the end of the construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The District's management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2021, will have on the District's financial statements, if any.

Required Supplementary Information

Bella Vista Water District

SCHEDULE OF CHANGES IN DISTRICT’S NET OPEB LIABILITY AND RELATED RATIOS

Years Ended June 30	2021	2020	2019	2018
Total OPEB Liability				
Service cost	$ 135,769	$ 130,586	$ 187,794	$ 200,300
Interest	182,481	166,384	381,188	266,983
Effect of economic/demographic gains or losses	546,558	390,615	(1,846,791)	233,533
Changes of assumptions	-	-	899,249	-
Benefit payments - including refunds of employee contributions	(204,833)	(183,805)	(151,534)	(131,686)
Net Change In Total OPEB Liability	659,975	503,780	(530,094)	569,130
Total OPEB Liability - Beginning of Year	5,617,142	5,113,362	5,643,456	5,074,326
Total OPEB Liability - End of Year (a)	6,277,117	5,617,142	5,113,362	5,643,456
Plan Fiduciary Net Position				
Contributions - employer	420,550	399,624	583,504	131,686
Net investment income	94,881	29,525	15,681	-
Benefit payments	(204,833)	(183,805)	(151,534)	(131,686)
Administrative expense	(365)	(227)	(1,000)	-
Net Change in Plan Fiduciary Net Position	310,233	245,117	446,651	-
Plan Fiduciary Net Position - Beginning of Year	691,768	446,651	-	-
Plan Fiduciary Net Position - End of Year (b)	1,002,001	691,768	446,651	-
Net OPEB Liability - End of Year ((a) - (b))	$ 5,275,116	$ 4,925,374	$ 4,666,711	$ 5,643,456
Plan fiduciary net position as a percentage of total OPEB liability	15.96%	12.32%	8.73%	0.00%
Covered-employee payroll	$ 1,777,661	$ 1,775,053	$ 1,780,304	$ 1,729,420
District's net OPEB liability as a percentage of covered-employee payroll	296.74%	277.48%	262.13%	326.32%

See the accompanying notes to the required supplementary information.

Bella Vista Water District

SCHEDULE OF DISTRICT'S CONTRIBUTIONS - OPEB

Years Ended June 30	2021	2020	2019	2018
Contractually required contribution	$ 204,833	$ 183,805	$ 151,534	$ 131,686
Contributions in relation to the contractually required contribution	(420,550)	(399,624)	(583,504)	(131,686)
Contribution Deficiency (Excess)	$ (215,717)	$ (215,819)	$ (431,970)	$ -
Covered-employee payroll	$ 1,777,661	$ 1,775,053	$ 1,780,304	$ 1,729,420
Contributions as a percentage of covered-employee payroll	23.66%	22.51%	32.78%	7.61%

See the accompanying notes to the required supplementary information.

Bella Vista Water District

SCHEDULE OF INVESTMENT RETURNS - OPEB

Years Ended June 30	**2021**	**2020**	**2019**	**2018**
Annual money-weighted rate of return - net of investment expense	18.87%	8.47%	6.57%	0.00%

See the accompanying notes to the required supplementary information.

Bella Vista Water District

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Years Ended June 30	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0586%	0.0555%	0.0524%	0.0511%	0.0480%	0.0415%	0.0214%
District's proportionate share of the net pension liability (asset)	$ 2,469,640	$ 2,221,293	$ 1,975,259	$ 2,012,650	$ 1,666,007	$ 1,140,607	$ 1,330,145
District's covered-employee payroll	$ 1,777,661	$ 1,775,053	$ 1,780,304	$ 1,729,420	$ 1,757,845	$ 1,650,845	$ 1,483,341
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	138.93%	125.14%	110.95%	116.38%	94.78%	69.09%	89.67%
Plan fiduciary net position as a percentage of the total pension liability	75.10%	75.26%	71.90%	73.90%	80.70%	86.56%	83.03%

See the accompanying notes to the required supplementary information.

Bella Vista Water District

SCHEDULE OF DISTRICT'S CONTRIBUTIONS – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Years Ended June 30	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 152,901	$ 138,582	$ 132,983	$ 122,431	$ 124,469	$ 110,373	$ 125,721
Contributions in relation to the contractually required contribution	(152,901)	(138,582)	(132,983)	(122,431)	(124,469)	(110,373)	(125,721)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 1,777,661	$ 1,775,053	$ 1,780,304	$ 1,729,420	$ 1,757,845	$ 1,650,845	$ 1,483,341
Contributions as a percentage of covered-employee payroll	8.60%	7.81%	7.47%	7.08%	7.08%	6.69%	8.48%

See the accompanying notes to the required supplementary information.

1. SCHEDULE OF CHANGES IN DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS

Changes in Benefit Terms

There were no significant changes in benefit terms during the measurement period ended June 30, 2021.

Changes in Assumptions

During the measurement period ended June 30, 2021, the healthcare cost trend rate for medical increased 0.30% to 4.90%, the healthcare cost trend rate for pharmacy decreased 1.70% to 5.90%, and the healthcare cost trend rate for dental decreased 0.5% to 3.50%.

2. CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Changes in Benefit Terms

There were no significant changes of benefit terms during the measurement period ended June 30, 2020.

Changes in Assumptions

There were no changes in major assumptions during the measurement period ended June 30, 2020.

OTHER REPORT SECTION

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

To the Board of Directors
Bella Vista Water District
Redding, California

We have audited, 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 of America, the financial statements of the business-type activities of Bella Vista Water District (the District) as of and for the year ended June 30, 2021; and the related notes to the financial statements, which collectively comprise the District's basic financial statements; and have issued our report thereon dated October 12, 2021.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Horton McNulty & Saeteurn, LLP

October 12, 2021
Chico, California