

TRINITY COUNTY WATERWORKS DISTRICT #1

FINANCIAL STATEMENTS

JUNE 30, 2023

TRINITY COUNTY WATERWORKS DISTRICT #1
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JUNE 30, 2023

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Board of Directors

Trinity County Waterworks District #1

Hayfork, CA

Independent Auditor's Report

Opinions

I have audited the accompanying financial statements of the business-type activities Trinity County Waterworks District #1 as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Trinity County Waterworks District #1 basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Trinity County Waterworks District #1 as of June 30, 2023 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Trinity County Waterworks District #1 and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt Trinity County Waterworks District #1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with

generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Trinity County Waterworks District #1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trinity County Waterworks District #1's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

The District has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United State has determined is necessary to supplement, although not required to be part of the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinions on the basic financial statements are not affected by this missing information..



Michael A Celentano
Certified Public Accountant

September 12, 2024

TRINITY COUNTY WATERWORKS DISTRICT #1
STATEMENT OF NET POSITION
JUNE 30, 2023

<u>ASSETS</u>	<u>2023</u>
<u>Current Assets</u>	
Cash and investments - Note 2	\$ 1,256,067
Accounts receivable - net	45,541
Taxes receivable	15,099
Interest receivable	268
Grant receivable	40,754
Prepaid expenses	<u>16,693</u>
Total Current Assets	1,374,422
<u>Non Current Assets</u>	
Restricted	
Cash in county treasury - Note 3	<u>33,757</u>
Total Non Current Assets	33,757
<u>Capital Assets - Note 4</u>	<u>7,622,950</u>
Total Assets	<u>\$ 9,031,129</u>

TRINITY COUNTY WATERWORKS DISTRICT #1
STATEMENT OF NET POSITION
JUNE 30, 2023

<u>LIABILITIES</u>	<u>2023</u>
<u>Current Liabilities</u>	
Accounts payable	\$ 47,038
Accrued payroll and payroll liabilities	4,202
Accrued vacation	16,398
Customer deposits	37,424
Interest payable	8,228
Current portion of long term liabilities	<u>74,328</u>
 Total Current Liabilities	 187,618
 <u>Long Term Liabilities</u>	
Net Pension Liability - Note 8	993,074
Department of Water Resources - Note 6	146,391
USDA Rural Development - Note 7	426,566
Less current portion shown above	<u>(74,328)</u>
 Total Long Term Liabilities	 <u>1,491,703</u>
 Total Liabilities	 <u>\$ 1,679,321</u>
 <u>Net Position</u>	
Net investment in capital assets	7,049,993
Restricted for debt service	33,757
Unrestricted	<u>268,058</u>
 Total Net Position	 <u>\$ 7,351,808</u>

The accompanying notes are an integral part of these statements

TRINITY COUNTY WATERWORKS DISTRICT #1
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	<u>2023</u>
<u>Operating Revenues</u>	
Charges for services	
Water	\$ 505,004
Sewer	\$ 249,399
Other operating income	<u>3,790</u>
 Total Operating Revenue	 758,193
 <u>Operating Expenses</u>	
Salaries	87,598
Employee benefits	18,250
Contract services - plant	307,345
State fees	47,621
System repairs and maintenance	45,314
Telemetry and lab fees	34,396
Utilities, electric power and communications	41,690
Travel, meetings, dues and subscriptions	8,020
Legal and other professional services	42,040
Office expense	16,571
Insurance	12,250
Other administrative expenses	(2,167)
Depreciation	<u>361,777</u>
 Total Operating Expenses	 <u>1,020,705</u>
 Operating Income (Loss)	 (262,512)
 <u>Non-Operating Revenues (Expenses)</u>	
Interest income - bank and county treasury	23,573
Special assessments	57,778
Taxes	32,728
Grant income	471,455
Grant expense	(403,678)
Capitalized grant expenses	28,514
Interest expense	<u>(33,827)</u>
 Total Non-Operating Revenues (Expenses)	 <u>176,543</u>
 Net Income (Loss)	 (85,969)
 <u>Net Position, Beginning of Year</u>	 8,101,709
 Prior Period Adjustment -Note 9	 <u>(663,932)</u>
 <u>Net Position, Ending of Year</u>	 <u>\$ 7,351,808</u>

The accompanying notes are an integral part of these statements

TRINITY COUNTY WATERWORKS DISTRICT #1
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>2023</u>
<u>Cash Flows From Operating Activities</u>	
Cash received from customers	\$ 748,959
Payments to suppliers for goods and services	(228,742)
Payments to employees, contract services and related items	<u>(396,095)</u>
Net Cash Provided by Operating Activities	124,122
<u>Cash Flows From Capital and Related Financing Activities</u>	
Proceeds from special assessments	57,778
Acquisition of capital assets	(52,521)
(Increase) in restricted cash - County Treasury	(4,929)
Principal payments on the bonds	(31,257)
Interest paid	<u>(34,265)</u>
Net Cash Flows (Used) by Capital and Related Financing Activities	(65,194)
<u>Cash Flows From Investing Activities</u>	
Interest income	23,357
Taxes	28,096
Grant income (expense)	89,126
Payment of liability to former PERS participants	(24,099)
Cash from prior period adjustments	<u>(15,396)</u>
Net Cash Flows Provided by Investing Activities	<u>101,084</u>
Net Change in Cash and Cash Equivalents	<u>160,012</u>
Cash and Cash Equivalents, Beginning of Year	<u>1,096,055</u>
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$ 1,256,067</u>
<u>Supplemental Disclosures:</u>	
Interest Paid During the Year	<u>\$ 34,265</u>

TRINITY COUNTY WATERWORKS DISTRICT #1
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>2023</u>
<u>Reconciliation of Operating Income (Loss)</u> <u>to Net Cash Provided by Operating Activities</u>	
Operating income (loss)	\$ (262,512)
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	361,777
(Increase) decrease in current assets:	
Accounts receivable	(9,234)
Prepaid expenses	11,899
Increase (decrease) in current liabilities	
Accounts payable excluding grant expenses	1,644
Accrued payroll, vacation and payroll liabilities	17,098
Customer deposits	<u>3,450</u>
Net Cash Provided by Operating Activities	<u>\$ 124,122</u>

TRINITY COUNTY WATERWORKS DISTRICT #1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Trinity County Waterworks District #1 (District) is an entity which consists of the District as the primary government. Status as a primary government is determined by such criteria as financial interdependency, legal separation, and type of governing authority.

The Trinity County Waterworks District #1 was organized by resolution of the Board of Supervisors of Trinity County. The District is governed by five directors. The District is not included in any other governmental reporting entity.

The District was organized for the purpose of providing the water and sewer as well as irrigation water services to customers in Hayfork California.

Accounting Policies

The District's accounting and reporting policies conform to the generally accepted accounting principles accepted in the United States of America (GAAP) as applicable to proprietary funds of government agencies.

The following is a summary of the more significant policies:

Basis of Presentation

The Statement of Net Position and Statement of Activities display information about the reporting District as a whole.

The District is comprised of only one fund, the Enterprise Fund. Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flows. All assets and liabilities are included on the Statement of Net Position.

Basis of Accounting

The District's Statement of Net Position and Statement of Activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from an exchange are recognized when the exchange takes place.

When an expense is incurred for the purpose for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

Budget

The annual budget is prepared in accordance with the basis of accounting utilized by the District. The budget is amended from time-to-time as the need arises and is approved by the Board of Directors. The budget is not legally required and therefore budget to actual information has not been presented.

Deposits and Investments

For the purposes of the Statement of Cash Flows, the District considers both operating and restricted cash balances to be cash.

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments are stated at fair value, based on quoted market values.

The District's cash and investments are pooled with the Treasurer of the County of Trinity. The fair value of the investments in the pool are determined quarterly and unrealized and realized gains and interest are allocated based on their value in the pool on a daily basis. The County's investment pool is an external pool.

It is the District's policy that all investments must conform to the requirements of California Government Code Sections 5921 and 53601. The Service Area's deposits and investments are categorized to give an indication of the level of risk assumed by the CSA as of June 30, 2023. The categories are described as follows:

- Category 1 Insured, registered or collateralized, with securities held by the entity or its agent in the entity's name.
- Category 2 Uninsured and unregistered or collateralized, with securities held by the counter party's trust department or agent in the entity's name.
- Category 3 Uninsured and unregistered, or uncollateralized, with securities held by the counter party, or its trust department or agent but not held in the entity's name.

Deposits and investments as of June 30, 2023, consisted of Category 1 type only.

Investment Policy

It is the policy of the District to invest funds in a manner that will provide the highest return with maximum security while still meeting the daily cash flow demands of the District. All investments must conform to the requirements of California Government Code Sections 5921 and 53601. All investments are in the form of Inactive Public Deposits or Certificates of Deposit and the balances indicated on the balance sheet

as investments, restricted and unrestricted, approximate market value.

Investments

Surplus funds are invested by the District in a pooled money investment account held with the State of California in the Local Agency Investment Fund (LAIF). The funds held at LAIF are invested in accordance with Government Code Section 16430 and 16480. The LAIF account is internally allocated between restricted funds and funds reserved by the District for special purposes and general operations.

Receivables

Bad debts associated with accounts receivable for services are provided for by use of the direct write off method. Other receivables, if any, are shown at the anticipated recoverable amount, unless otherwise noted.

Estimates

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

Risk Management

The District is exposed to various risks of loss related to torts, theft to, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District carries insurance for all risks. Settled claims resulting from these risks have not exceeded insurance coverage in the past three years.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost or estimated cost if actual cost is not available. Donated assets are valued at their fair market value on the date donated. Assets with a value of \$5,000 or less are expensed in the year acquired.

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 fixed assets, as applicable

Depreciation of plant, property and equipment is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the estimated useful lives using the straight-line method of accounting. The range of estimated useful lives is as follows:

Structures and Improvements	10-45 years
General plant assets	3-10 years

Assessments

The County of Trinity and not the District is responsible for collection of the assessments. The District recognizes assessments when received from or collected by the county.

Property Taxes

The District receives property taxes from Trinity County. Property taxes become a lien on the first day of the year they are levied. They become delinquent on December 10 and April 1, respectively. Unsecured property taxes are levied on July 1, and become delinquent on August 31. The District elected to receive property taxes from the County under the "Teeter Bill Program", under this program, the District receives 100% of the levied taxes in periodic payments with the County assuming responsibility for delinquencies.

Compensated Absences

Vested or accumulated vacation that is expected to be liquidated with expendable available financial resources is reported as an expense and as a current liability.

Proprietary Fund Financial Statements

The District has a sole fund which is considered a proprietary fund.

Proprietary Fund Financial Statements include a Statement of Net Position, A Statement of Activities and Changes in Net Position, and a Statement of Cash Flows for each proprietary fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Activities and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Net Position

Net Position are classified into three components: 1) net invested in capital assets, 2) restricted for various activities, and 3) unrestricted. These classifications are defined as follows:

Invested in capital assets– This component of net position consists of capital assets, net of accumulated depreciation and reduced by outstanding debt related to financing the acquisition of capital assets.

Restricted for various activities –.This category represents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of net position that do not meet the definitions of "restricted for various activities" or "invested in capital assets."

Note 2 - Cash and Investments

As of June 30, 2023 cash consisted as follows:

	<u>2023</u>
Cash	
General operations	\$ 328,341
Investments	
County Pooled Treasury	4,670
Local Agency Investment Fund	<u>923,056</u>
Total Cash and Investments	<u>\$1,256,067</u>

All the above deposits are either insured or collateralized. The deposits approximate fair market value.

State law requires uninsured deposits of public agencies to be secured by certain state approved investment securities. The Districts' deposits are secured as part of an undivided collateral pool covering all public deposits with the financial institution. The market value of the pool must be equal to at least 110% of the total public deposits held by the financial institutions.

The District also holds some of its cash with the County of Trinity and thus pools their cash with the treasury department. The County's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer. The objectives of the policy are, in order of priority, preservation of capital, liquidity and yield. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio

which may be invested in certain instruments with longer terms to maturity. A copy of the Treasury Pool investment policy is available upon request from the Trinity County Treasurer office.

Note 3 - Cash – Restricted

As of June 30, 2023 cash of restricted assets consisted as follows:

2023

Cash in County Pooled Treasury Bond reserve fund	<u>\$ 33,757</u>
	<u>\$ 33,757</u>

All above deposits are either insured or collateralized and are considered for purposes of the Statement of Cash Flows as cash and cash equivalents, except for the cash and county treasury. The deposits approximate fair market value.

Note 4 - Property, Plant and Equipment

The following is a summary of the changes in property, plant and equipment for the fiscal year:

	<u>Balance 7/1/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/23</u>
Land	\$ 4,000	\$	\$	\$ 4,000
Structures and improvements	15,258,130	28,515		15,286,645
Irrigation system	910,490			910,490
Equipment and vehicles	212,508	24,006		236,514
Construction in progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Cost	16,385,128	52,521		16,437,649
Less accumulated depreciation	<u>(8,452,922)</u>	<u>(361,777)</u>	<u>0</u>	<u>(8,814,699)</u>
Net Book Value	<u>\$ 7,932,206</u>	<u>\$ (309,256)</u>	<u>\$ 0</u>	<u>\$ 7,622,950</u>

Depreciation expense of \$361,777 was recorded as operating expense for the year ended June 30, 2023.

Note 5 - Changes in Long Term Debt

The following is a summary of long term debt for the year ended June 30, 2023:

Type of Debt	Balance <u>07/01/22</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/23</u>	Due within <u>one year</u>
Special Assessment					
Bond USDA	\$ 159,148	\$ 0	\$ 12,757	\$ 146,391	\$ 13,054
Davis-Grunsky					
DWR	<u>445,066</u>	<u>0</u>	<u>18,500</u>	<u>426,566</u>	<u>61,274</u>
	<u>\$ 604,214</u>	<u>\$ 0</u>	<u>\$ 31,257</u>	<u>\$ 572,957</u>	<u>\$ 74,328</u>

Note 6 - Special Assessment Bond USDA

The Loan payable is from the Improvement Bond Act of 1915 funds which is a service of the USDA Rural Utility Service. The original loan was for \$1,200,000 and was reduced in August 2000 by a Community Block Service Grant of \$500,000. Interest at the rate of 4.5% per annum is payable each year on the first day of March and the first day of September. Principal is due on the first day of September.

The District must establish a separate debt service reserve in the amount at least equal to the average annual loan installment (\$99,890). This reserve will be accumulated at the rate of at least one-tenth of that average installment each year until the required level is reached. This reserve shall be maintained at least at the required level for life of the loan.

Future minimum principal and interest payments are as follows:

Year ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 61,274	\$ 17,533
2025	20,500	16,536
2026	21,500	15,493
2027	22,500	14,248
2028	26,000	12,951
2029-2033	128,000	47,586
2034-2038	<u>146,792</u>	<u>16,450</u>
	426,566	<u>\$ 140,797</u>
Less current portion	<u>61,274</u>	
	<u>\$365,292</u>	

Interest expense of \$26,288 was incurred and was recorded as a non-operating expense for the year ended June 30, 2023.

Note 7 - Davis-Grunsky DWR

The Loan payable is from the State of California Department of Water Resources funds. The original loan was for \$482,000. Interest at the rate of 2.5% per annum is payable each year on the first day of January. Principal is due on the first day of January.

The District has established a separate debt service reserve account with the County of Trinity.

Future minimum principal and interest payments are as follows:

Year ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 13,054	\$ 3,660
2025	13,386	3,333
2026	13,718	2,999
2027	14,098	2,656
2028	14,430	2,303
2029-2033	<u>77,705</u>	<u>5,923</u>
	146,391	<u>\$ 20,874</u>
Less current portion	<u>13,054</u>	
	<u>\$133,337</u>	

Interest expense of \$7,977 was recorded as a non-operating expense for the year ended June 30, 2023.

Note 8 - Defined Benefit Pension Plan (unaudited)

General Information about the Pension Plan

Plan Description

The District provides pension benefits to a closed group of four retirees. The pension obligation was established due to the District leaving the CalPERS pension plan.

Benefits Provided

CalPERS is responsible for a portion of the benefit earned by four District retirees. The District is responsible for the remaining benefit due. Three retirees are in pay status and one retiree is terminated vested with benefits starting at a future date.

Employees Covered by Benefit Terms

Inactive employees or beneficiaries receiving benefits as of
June 30, 2023

inactive employees entitled to but not yet receiving benefits
as of June 30, 2023

Active employees as of June 30, 2023

Contributions

For the year ended June 30, 2023, the District made contributions of \$24,099.

Net Pension Liability

The District's net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.50 percent
Salary increases	2.80 percent
Discount rate	6.75 percent
Investment rate of return	6.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the most recent experience study for CalPERS members.

The actuarial assumptions used in the June 30, 2023 valuation were based on the Results of an actuarial experience study and a review of plan experience during the period June 30, 2021 to June 30, 2023.

Long-Term 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. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Rate of Return
Global ex-U.S. Equity	80%	5.9%
U.S. Fixed	20%	0.9%
Discount Rate		

GASB 68 requires the use of a discount rate that considers the availability of the pension plan's fiduciary net position associated with the pension of current active and inactive employees and the investment horizon of those resources.

Pension plans can utilize a discount rate equal to the long-term expected rate of return to the extent that the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the pension plan assets are expected to be invested using a strategy to achieve that return.

To determine if the pension plan assets are sufficient, a calculation of the projected fiduciary net position and the amount of projected benefit payments is compared in each period. When pension plan assets are determined to not be sufficient, a blended rate is calculated using a discount rate equal to the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The District's plan assets are expected to be sufficient. The discount rate used to measure the total pension liability is equal to the long-term expected rate of return.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2022	\$316,500	\$0	\$316,500
Changes for the year:			
Service cost	0		0
Interest	42,417		42,417
Changes of benefit terms	0		0
Adjustment*	658,256		658,256
Difference between expected and actual experience	0		0
Changes in assumptions or other inputs	0		0
Contributions – employer		24,099	(24,099)
Contributions - employee		0	0
Net investment income		0	0
Benefit payments	(24,099)	(24,099)	0
Administrative expenses		0	0
Net changes	676,574	0	676,574
Balances at June 30, 2023	\$993,074	\$0	\$993,074

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the District, calculated using a discount rate of 6.75 percent, as well as what the District's 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 discount rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	\$1,116,557	\$993,074	\$890,554

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

Annual Pension Expense

The annual pension expense is the sum of the change in net pension liability, the change in deferred outflows, and the change in deferred inflows, reduced by the employer contributions.

Net pension liability at beginning of measurement period (a)	\$316,500
Net pension liability at end of measurement period (b)	\$993,074
Change in net pension liability (b)-(a)	676,574
Change in deferred outflows	0
Change in deferred inflows	0
Employer contributions	24,099
Net pension expense from June 30, 2022 to June 30, 2023	\$700,673

For the reporting year ending June 30, 2023, the District recognized deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

Reporting Fiscal Year Ending June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
2024	0	0	0
2025	0	0	0
2026	0	0	0
2027	0	0	0
2028	0	0	0
2029	0	0	0
2030	0	0	0

Note 9 - Prior Period Adjustment

The District restated the opening balance of the June 30, 2022 audit report. The restatement was mainly to correct the Net pension Liability but numerous other accounts were restated due to minor difference or omission. The following Are a summary of the differences:

Net Pension Liability	\$ (700,673)
Cash with County of Trinity	19,816
Prepaid Expenses	28,592
Taxes Receivable	10,467
Miscellaneous Accounts	(13,057)
	<u><u>\$ (663,932)</u></u>

Note 10 - Contract and Professional Fees

During the year the District outsourced its operations and maintenance to a private contractor. The contract calls for the contractor to provide all operations And maintenance services that were previously provided by the District staff as well as any additional services the Board may deem Necessary during the terms of the contract. The contractor is payable in monthly installments of \$26,730. The contract was terminated as of June of 2023.

Note 11 - Joint Power Agreement

The District participates in a joint venture under a joint powers agreement (JPA) with the Special District Risk Management Authority (SDRMA) for insurances purposes. The SDRMA is a joint powers agency formed pursuant to Section 6500 et. seq., California Government Code, is comprised of California special districts, and agencies including such districts. The relationship between the District and JPA is such that the JPA is not a component unit of the District for financial reporting purposes. The SDRMA's purpose is to jointly fund and develop programs to provide stable, efficient and long term risk financing for special districts. These programs are provided through collective self-insurance; the purchase of insurance coverage's; or a combination thereof.

Note 12 - Subsequent Events

Subsequent events are those events or transactions that occur subsequent to the effective date of the financial statements, but prior to the issuance of the final reports, which may have a material effect on the financial statement or disclosures therein.

There are no subsequent events that have occurred through September 12, 2024 that meet the above definition.

SUPPLEMENTARY INFORMATION

TRINITY COUNTY WATERWORKS DISTRICT #1
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

Schedule of Changes in the District's Net Pension Liability and Related Ratios

Reporting fiscal year ending	<u>2023</u>
Discount rate	6.75%
Total pension liability	
Service cost	0
Interest	42,417
Changes of benefit terms	0
Adjustment	658,256
Differences between expected and actual experience	0
Change of assumptions	0
Benefit payments	<u>(24,099)</u>
Net change in total pension liability	676,574
Total pension liability – beginning	<u>316,500</u>
Total pension liability – ending (a)	<u>\$993,074</u>
Plan fiduciary net position	
Contributions - employer	24,099
Contributions - employee	0
Net investment income	0
Benefit payments	(24,099)
Administrative expense	<u>0</u>
Net change in plan fiduciary net position	0
Plan fiduciary net position - beginning	<u>0</u>
Plan fiduciary net position – ending (b)	<u>\$0</u>
District's net pension liability – ending (a)–(b)	<u>\$993,074</u>
Plan fiduciary net position as a percentage of the total pension liability	0.00%
Covered-employee payroll	\$0
District's net pension liability as a percentage of covered-employee payroll	N/A

Schedule of District Contributions

Reporting fiscal year ending	<u>2023</u>
Actuarially determined contribution	\$24,099
Contributions in relation to the actuarially determined contribution	24,099
Contribution deficiency (excess)	<u>\$0</u>

Covered-employee payroll	\$0
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Contributions as a percentage of covered-employee payroll	N/A
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Notes to Schedule

Valuation date	June 30, 2023
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Reporting period	July 1, 2022 to June 30, 2023
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Measurement period	July 1, 2022 to June 30, 2023
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Actuarial cost method	Entry age
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Amortization method	Level percentage of payroll, closed
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Amortization period	30 years
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Asset valuation method	Market value
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Inflation	2.50 percent
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Salary increases	2.80 percent
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Investment rate of return	6.75 percent, net of pension plan investment expense
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Retirement age	N/A
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Mortality	Based on the most recent experience study for CalPERS members
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