REPORT TO THE BOARD OF DIRECTORS
BOARD MEETING OF JANUARY 11, 2022
AGENDA ITEM NO. 10.A.

GDPUD

AGENDA SECTION:	**NEW BUSINESS**
SUBJECT:	**FY 2020-21 AUDITED FINANCIAL STATEMENTS**
PREPARED BY:	Kristen West, Finance Consultant (Eide Bailly LLP)
APPROVED BY:	Adam Coyan, General Manager

BACKGROUND

Georgetown Divide Public Utility District ("District") prepares annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP). These principles provide guidance for financial reporting and state that financial information should be timely, complete, accurate, reliable, and presented fairly in all material respects. Pursuant to California Code of Regulations, tit. 2, section 1131, an independent audit of the financial statements is a requirement of the Comptroller of the United States of America in accordance with the Governmental Auditing Standards. Furthermore, according to California Government Code section 26909, an audit report should be filed within twelve (12) months of the fiscal year(s) end.

Historically, the District has conducted audits and reported financial statements annually. In order to maintain compliance with the District's financial reporting goals and the above-mentioned statutory requirements, the District has contracted with Lance, Soll & Lunghard CPAs ("LSL") to administer an annual audit and provide their opinion for fiscal years ending 2018, 2019, 2020, and 2021.

DISCUSSION

The District's financial goals for providing timely, complete, accurate, and reliable financial statements that are presented fairly in all material respects include an annual audit with issued financial statements no later than 180 days after the close of the fiscal year. This reporting goal is more restrictive than the statutory requirement of twelve (12) months and is in line with the Government Finance Officer Association's Certificate of Achievement for Excellence in Financial Reporting Program (CAFR Award Program), a program which the General Manager and Finance Department are actively working towards with direction from the Finance Consultant and with support of LSL.

For fiscal year ended June 30, 2021, LSL conducted their year-end audit fieldwork the week of October 11, 2021 and provided final financial statements as of December 20, 2021, effectively meeting the goals of the District. The auditors issued a clean opinion that the District's audited financial statements are presented fairly in all material respects.

The auditor's opinion, Management's Discussion & Analysis (MD&A), financial statements, and notes to the financial statements are bound as a single report (**Attachment 1**). Hard copies of the financial statements are to be distributed to the District Board of Directors and key personnel. An electronic copy is available for review. After the culmination of this meeting, a copy will be published on the District's website for public access, and copies will be distributed to applicable state, county, investing, and financing users of the financial statements.

Lance, Soll & Lunghard is in attendance to present the audited financial statements.

FISCAL IMPACT

None.

CEQA ASSESSMENT

This is not a CEQA Project.

RECOMMENDED ACTION

Upon verbal presentation from Lance, Soll & Lunghard, Staff recommends the Board of Directors receive and file the audited financial statements.

ATTACHMENTS

1. Exhibit A - Fiscal Year 2020-21 Audited Financial Statements

LSL

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

FOR THE YEAR ENDED JUNE 30, 2021

ANNUAL FINANCIAL REPORT

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GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

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GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Georgetown Divide Public Utility District
Georgetown, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of each major fund, and the aggregate remaining fund information of the Georgetown Divide Public Utility 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the Georgetown Divide Public Utility District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 about the District's ability to continue as a going concern for twelve months beyond the date of the financial statements.

To the Board of Directors
Georgetown Divide Public Utility District
Georgetown, California

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our opinion. 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 the GAAS and *Government 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 GAAS and *Government Auditing Standards*, we:

- 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 to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are 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.

Other Reporting Responsibilities

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of pension contributions and the schedule of changes in the total OPEB liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

To the Board of Directors
Georgetown Divide Public Utility District
Georgetown, California

Report on Summarized Comparative Information

We have previously audited the District's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Sacramento, California
December 20, 2021

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Management's Discussion and Analysis
June 30, 2021

As management of the Georgetown Divide Public Utility District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the audited financial statements and accompanying notes that follow this section.

Financial Highlights

Total revenue for the fiscal year ending June 30, 2021 was $7,345,634, an increase of $511,529 or 7.48% from the previous fiscal year. Total expenses were $6,162,669, an increase of $651,570 or 11.82% from the previous fiscal year. The increase in net position was $1,489,404 for the fiscal year.

Operating revenue totaled $3,930,455 for the fiscal year ended June 30, 2021, an increase of $521,084 or 15.28% from the previous fiscal year. Operating expenses totaled $5,999,348 an increase of $661,002 or 12.38% from the previous fiscal year.

Non-operating revenue was $3,415,179, a decrease of $9,555 or 0.28%. Non-operating expense was $163,321, a decrease of $9,432 or 5.46%. The remaining non-operating revenue supplements operating revenue to cover operating expenses and capital improvements.

Other significant financial activities were:

- Freezing the 2021 treated and raw water rates at the 2018 rate level
- Completed water transfer with Westlands Water District
- Began construction of Walton water treatment plant filter rebuild project
- Began stream gauging improvement project
- Implementation of new accounting and billing software
- Completion of District office parking lot and roof rehabilitation
- District office backup generator installation
- Community Disposal System Feasibility Study and Manhole coating

Overview of the Financial Statements

This annual report consists of four parts: Management's Discussion and Analysis, the Basic Financial Statements, and Required Supplementary Information.

The required financial statements are the Statement of Net Position at June 30, 2021; the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds for the fiscal year ended June 30, 2021; and the Statement of Cash Flows – Proprietary Funds for the fiscal year ended June 30, 2021 at the fund level. The final required financial statement is the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. The financial statements also include comprehensive notes which summarize the official accounting policies of the District.

The financial statements, except for the cash flow statement, are prepared using the accrual basis of accounting, which means that revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of cash receipts or payments. The cash flow statement is an exception because that statement shows the receipt and payment of cash for operating activities, non-capital financing activities, capital and related financing activities, and investing activities.

Required Financial Statements

The financial statements of the District report information about the District using accounting methods similar to those used by companies in the private sector. These statements offer short and long-term financial information about its activities. The *Statement of Net Position* includes all the District's assets and liabilities. The statement also provides information about the nature and amounts of investments in assets and obligations to District creditors as liabilities. The statement also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

All of the current fiscal year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Position.* This statement measures the District's operations over the past fiscal year and can be used to determine whether the District has successfully recovered all of its costs through its rates, fees, and other charges. The District's net position and credit worthiness can also be determined from this statement.

The primary purpose of the *Statement of Cash Flows* is to provide information about the District's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It explains where cash came from, cash usage, and the change in the cash balance during the reporting period.

Fiduciary funds are used to account for resources held for the benefit of parties outside and within the City. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government wide financial statements. *The Statement of Fiduciary Net Position* is found on pages 16-17.

Financial Analysis of the District

Has the financial condition of the District improved or deteriorated as a result of this year's operations? The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position attempts to answer this question. Net position may be a useful indicator over time as to the District's financial position. But there may be other non-economic factors that could cause a change in the District's financial situation.

Statement of Net Position

The Statement of Net Position is a snapshot in time that shows assets, liabilities, and net assets as of June 30, 2021. Net Position increased by $1,489,404 to $20,458,667 in fiscal year 2021. Total assets and deferred outflows decreased by $177,393 or 0.47%. This increase is attributable to decrease in capital assets, net of accumulated depreciation due to construction projects. Liabilities and deferred inflows decreased by $1,666,797 to $17,299,322. The majority of the decrease in liabilities is due to a reduction in current liabilities. A summary of the District's Statement of Net Position is presented in Table A-1.

Table A-1
Condensed Statement of Net Position

	Fiscal Year 2021	Fiscal Year 2020	Dollar Change	Percent Change
Current Assets	$ 8,907,928	$ 7,983,365	$ 924,563	11.58%
Restricted Assets	1,776,459	2,319,768	(543,309)	-23.42%
Capital Assets, Net of Accumulated Depreciation	25,692,403	25,982,579	(290,176)	-1.12%
Total Assets	36,376,790	36,285,712	91,078	0.25%
Deferred Outflows of Resources	1,381,199	1,649,670	(268,471)	-16.27%
Total Assets and Deferred Outflows of Resources	37,757,989	37,935,382	(177,393)	-0.47%
Current Liabilities	628,390	1,715,609	(1,087,219)	-63.37%
Long-term Liabilities	16,317,414	16,644,314	(326,900)	-1.96%
Total Liabilities	16,945,804	18,359,923	(1,414,119)	-7.70%
Deferred Inflows of Resources	353,518	606,196	(252,678)	-41.68%
Total Liabilities and Deferred Inflows of Resources	17,299,322	18,966,119	(1,666,797)	-8.79%
Net Investment in Capital Assets	16,371,015	16,177,796	193,219	1.19%
Restricted Net Position for Facilities	2,493,266	2,471,587	21,679	0.88%
Unrestricted Net Position	1,594,386	319,880	1,274,506	398.43%
Total Net Position	$ 20,458,667	$ 18,969,263	$ 1,489,404	7.85%

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position provides information on the nature and source of assets represented on the Statement of Net Position. It also shows that the revenues exceed expenses by $1,182,965. Ending net position totaled $20,458,667. Total revenues increased by $511,529 in 2021 totaling $7,345,634. This increase is attributable to an increase in operating revenues, namely Treated Water Sales. The Statement of Revenues, Expenses, and Changes in Net Position lists the operating revenues and the non-operating revenues together and compares them to the operating and non-operating expenses. Table A-2 depicts total revenues and total expenses and the resulting changes in net position.

Table A-2
Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Fiscal Year 2021	Fiscal Year 2020	Dollar Change	Percent Change
Operating Revenues	$ 3,930,455	$ 3,409,371	$ 521,084	15.28%
Non-operating Revenues and Contributions	3,415,179	3,424,734	(9,555)	-0.28%
Total Revenues	7,345,634	6,834,105	511,529	7.48%
Operating Expenses	5,999,348	5,338,346	661,002	12.38%
Non-operating Expenses	163,321	172,753	(9,432)	-5.46%
Total Expenses	6,162,669	5,511,099	651,570	11.82%
Net Income (Loss)	1,182,965	1,323,006	(140,041)	-10.59%
Beginning Net Position	18,969,263	17,646,257	1,323,006	7.50%
Restatements	306,439			
Ending Net Position	$ 20,458,667	$ 18,969,263	$ 1,182,965	6.24%

Operating Revenues

In a purely business environment, operating revenues are meant to cover operating expenses. The District's operating revenues are significantly less than operating expenses. Therefore, the District operates on an operating loss and requires non-operating revenue to operate. The District is unique in that it receives a significant amount of non-operating revenue in the form of property taxes. This non-operating revenue is used to offset this operating loss. Operating revenues increased by 15.28% in 2021. Operating revenues are depicted in Table A-3.

Table A-3
Condensed Operating Revenues

	Fiscal Year 2020	Fiscal Year 2020	Dollar Change	Percent Change
Water Sales - Residential (Treated Water)	$3,139,700	$2,439,724	$699,976	28.69%
Water Sales - Commercial	-	306,099	(306,099)	-100.00%
Water Sales - Irrigation	395,020	407,856	(12,836)	-3.15%
Water Disposal Fees and Charges	226,129	169,244	56,885	33.61%
Penalties	159,909	82,276	77,633	94.36%
Connections	9,697	4,172	5,525	132.43%
Total Operating Revenues	$3,930,455	$3,409,371	$521,084	15.28%

Operating Expenses by Department

Total operating expenses increased $661,002 or 12.38% to $5,999,348. The hydroelectric activities and claims expenses are combined with the administrative activities as they are not material enough to present separately. Operating expenses are depicted in Table A-4.

Table A-4
Operating Expenses by Department

	Fiscal Year 2021	Fiscal Year 2020	Dollar Change	Percent Change
Source of Supply	$ 332,810	$ 299,154	$ 33,656	11.25%
Transmission and Distribution – Raw Water	761,268	735,658	25,610	3.48%
Water Treatment	800,000	799,087	913	0.11%
Transmission and Distribution – Treated Water	959,039	775,740	183,299	23.63%
Customer Service	259,308	179,778	79,530	44.24%
Administrative, Claims Expense, and Hydroelectric	1,667,210	1,720,075	(52,865)	-3.07%
Depreciation and Amortization	927,189	634,425	292,764	46.15%
On-site Wastewater Disposal Zone	292,524	194,429	98,095	50.45%
Total Operating Expenses	$ 5,999,348	$ 5,338,346	$ 661,002	12.38%

Operating Revenues vs. Operating Expenses

The District's operating loss increased by $139,918 or 7.25% from the prior year. Table A-5 compares operating revenues to operating expenses and depicts the District's reliance on other revenue for operations.

Table A-5
Operating Revenues vs Operating Expenses

	Fiscal Year 2021	Fiscal Year 2020	Dollar Change	Percent Change
Operating Revenues	$ 3,930,455	$ 3,409,371	$ 521,084	15.28%
Operating Expenses	5,999,348	5,338,346	661,002	12.38%
Operating Loss	$ (2,068,893)	$ (1,928,975)	$ (139,918)	7.25%

Non-operating Revenues and Expenses

The District's non-operating income is vital to covering operations. Interest income decreased this year due to fluctuations in market results. Property tax revenue increased modestly, while Lease Revenue and Capital Facility Payments saw great increases. Lastly, there were no capital contributions related to grant reimbursements as in prior years; however, Other Revenue increased greatly due to the one-time transfer of water to Westlands Water District. Interest payments to the State Water Resources Control Board loan for the Auburn Lake Trails Water Treatment Plant are listed as "Other" non-operating expense. Table A-6 compares non-operating revenues and expenses.

Table A-6
Non-Operating Revenues and Expenses

	Fiscal Year 2021	Fiscal Year 2020	Dollar Change	Percent Change
Property Taxes – General	$ 1,769,095	$ 1,710,211	$ 58,884	3.44%
Surcharge	662,210	660,026	2,184	0
Interest Income	7,211	197,437	(190,226)	(1)
Lease Revenue	394,809	151,215	243,594	2
SMUD Payment	116,443	114,339	2,104	0
Hydroelectric Royalty Payments	36,619	57,714	(21,095)	(0)
Capital Facility Payments	20,700	2,300	18,400	8
Gain on sale of asset	3,500	-	3,500	1
Other	404,592	-	404,592	1
Total Non-Operating Revenues	3,415,179	2,893,242	521,937	0
Capital contributions	-	531,492	(531,492)	(1)
Total Non-operating Expenses	(163,321)	(172,753)	9,432	(0)
Non-operating Income less Non-operating Expense	$ 3,251,858	$ 2,720,489	$ 531,369	19.53%

Capital Assets

The District's investment in capital assets for the fiscal year was $730,551, which includes $548,010 of capital improvements. The most significant investments in capital assets are:

- Tyler Technologies software implementation in the amount of $84,154
- Reservoir & stream gauging in the amount of $80,630
- Walton WTP filter rebuild in the amount of $63,741
- Parking lot rehab project in the amount of $181,413
- Main office roof replacement in the amount of $81,511

Additional information about District capital assets can be obtained in Note 4 of the notes to the financial statements.

Long-term Debt and Debt Administration

At June 30, 2021, the District had $16,823,721 in long-term debt, including compensated absences, net pension liability and other postemployment benefits obligations, and loan and capital leases, which is $326,900 less than the prior fiscal year. The District continues to perform debt administration functions previously performed by the County on the District's behalf for certain 1915 Act bonds. Additional information about District long-term debt can be obtained in Note 5 of the notes to the financial statements.

CalPERS Pension Plan

Assembly Bill 340 was recently passed by the California Legislature in an effort to reduce CalPERS pension costs in the long run. The District has participated in a CalPERS Pension Plan since February of 1972. There have been amendments to the contract with CalPERS over the years. CalPERS requires the District to be part of a small employer pool and the 2006 contract change which require payments to reduce a side fund. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS. The *Governmental Accounting Standards Board Statement No. 68 – Accounting and Financial Reporting by Employers for Pensions* established new accounting rules for reporting pension obligations effective years ending after June 15, 2013. Prior to this pension obligations were not accounted for on the balance sheet. Actuarial valuations are provided by CalPERS that support the calculation of the Net Pension Liability and related Deferred Outflows and Inflows of Resources. Net Pension liability is determined by accounting for the proportionate share of the actuarially determined total pension liability less the proportionate share of the actuarially determined fiduciary net position of the cost-sharing plan. Year over year changes to the actuarial assumptions are amortized over a fixed period and accounted for in Deferred Outflows and Inflows of Resources in order to smooth the otherwise large swings in changes. The net of all annual changes to Net Pension Liability and Deferred Inflows and Outflows of Resources are recognized in Pension Expense. At June 30, 2021, the District reported $6,000,118 in Net Pension liability, an increase of $122,396 from the prior year balance of $5,877,722. Deferred Outflows of Resources were $1,381,199, down $268,471 from the prior year balance of $1,649,670. Deferred Inflows of Resources were $353,518, down $252,678 from the prior year balance of $606,196. Pension expense was $756,364, an increase of $214,310 from the prior year amount of $970,674. Additional information about Pensions can be obtained in Note 12 of the notes to the financial statements.

Postemployment Benefits Other Than Pensions

The District has been endeavoring to fund these benefit commitments for many years. On April 11, 2006, the District adopted Ordinance 2006-01 regarding retiree health benefits implementing caps on the amount the District would pay towards these types of benefits. In Fiscal Year 2009-10 the District implemented *Governmental Accounting Standards Board Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* which required the calculation and reporting of the current obligation. Effective fiscal years ending after June 15, 2017 *Government Accounting Standards Board Statement No. 75 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* require municipalities to report a Net OPEB Liability similar to that of Net Pension Liability. A calculation of the future liability for these benefits has been prepared utilizing the alternative measurement method allowed by the statement for small employers with less than 100 participants. The estimated actuarial liability at June 30, 2021 is $1,440,554, an increase of $46,558 from the prior year balance of $1,393,996. The District has set aside $417,314 for this obligation. As the District administers this plan without a trust, the designated assets set aside for these benefits are not recognized in the notes to the financial statements. Additional information about postemployment benefits other than pensions can be obtained in Note 14 of the notes to the financial statements.

Economic Factors and Rates

The District's customer base continues to grow at a slow rate. The District completed a Water Financial Analysis in October 2017. The last water rate study performed by the District was in 2008, and the last water rate increase was in 2011. The purpose of the Analysis was to ensure the financial strength of the District, expose the need to set reserves aside for future replacement of failing components, allocate shared costs between treated water and irrigation water customers, and identify any other financial deficiencies of the District. This Analysis recommended a new rate structure and higher rates which were adopted by the Board of Directors and went into effect in January 2018. That rate structure included five years of increases that were planned to continue until 2022.

In January 2019, the Board decided to not implement the approved 2019 treated and raw water rates and held rates at the 2018 rate level. This resulted in forgoing the respective 5% and 10% increases in treated and raw water rates that were recommended by the 2017 Water Financial Analysis and adopted by the Board in 2017. Likewise, in 2020 and in 2021, the Board decided to uphold the water rate freeze and did not raise rates. Therefore, District revenues between 2019 and 2022 will never reach the level recommended by the 2017 Water Financial Analysis. Best practice is to review and update rates every three to five years, so the District should have begun reviewing rates again in early 2021.

Requests for Information

This financial report is designed to provide a general overview of the finances of the Georgetown Divide Public Utility District. After the financial report is approved by the Board of Directors, it can be found under the financial section on the District's website (gd-pud.org). Copies of the report are also provided to the El Dorado County libraries in Placerville and Georgetown. A copy will be available for review at the District office, located at 6425 Main St, Georgetown, California 95634. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the General Manager of the District, Georgetown Divide Public Utility District, P.O. Box 4240, Georgetown, California 95634-4240.

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021
(With Comparative Totals for June 30, 2021)

	Water	Wastewater Disposal	Totals 2021	Totals 2020
Assets:				
Current:				
Cash and investments	$ 6,962,500	$ 882,635	$ 7,845,135	$ 7,127,051
Receivables:				
Accounts	927,773	37,261	965,034	806,122
Assessments receivable	20,937	-	20,937	20,937
Accrued interest	5,318	704	6,022	27,193
Prepaid expenses	70,800	-	70,800	2,062
Total Current Assets	**7,987,328**	**920,600**	**8,907,928**	**7,983,365**
Noncurrent:				
Restricted:				
Cash and investments	1,536,348	210,673	1,747,021	2,253,772
Assessments receivable	29,438	-	29,438	65,996
Capital assets - net of accumulated depreciation	25,517,809	174,594	25,692,403	25,982,579
Total Noncurrent Assets	**27,083,595**	**385,267**	**27,468,862**	**28,302,347**
Total Assets	**35,070,923**	**1,305,867**	**36,376,790**	**36,285,712**
Deferred Outflows of Resources:				
Deferred pension related items	1,339,763	41,436	1,381,199	1,649,670
Total Deferred Outflows of Resources	**1,339,763**	**41,436**	**1,381,199**	**1,649,670**
Liabilities:				
Current:				
Accounts payable	100,244	838	101,082	1,214,095
Accrued liabilities	13,449	911	14,360	-
Accrued interest	1,333	-	1,333	1,490
Unearned revenues	4,308	-	4,308	-
Deposits payable	1,000	-	1,000	1,000
Accrued compensated absences	8,132	493	8,625	9,665
Loans and capital leases	497,682	-	497,682	489,359
Total Current Liabilities	**626,148**	**2,242**	**628,390**	**1,715,609**
Noncurrent:				
Accrued compensated absences	50,012	3,024	53,036	57,172
Total OPEB liability	1,440,554	-	1,440,554	1,393,996
Net pension liability	5,820,115	180,003	6,000,118	5,877,722
Loans and capital leases	8,823,706	-	8,823,706	9,315,424
Total Noncurrent Liabilities	**16,134,387**	**183,027**	**16,317,414**	**16,644,314**
Total Liabilities	**16,760,535**	**185,269**	**16,945,804**	**18,359,923**
Deferred Inflows of Resources:				
Deferred pension related items	342,912	10,606	353,518	606,196
Total Deferred Inflows of Resources	**342,912**	**10,606**	**353,518**	**606,196**
Net Position:				
Net investment in capital assets	16,196,421	174,594	16,371,015	16,177,796
Restricted for new facilities	2,274,545	218,721	2,493,266	2,471,587
Unrestricted	836,273	758,113	1,594,386	319,880
Total Net Position	**$ 19,307,239**	**$ 1,151,428**	**$ 20,458,667**	**$ 18,969,263**

See Notes to Financial Statements.

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2021
(With Comparative Totals for June 30, 2020)

	Water	Wastewater Disposal	Totals 2021	Totals 2020
Operating Revenues:				
Water sales:				
Residential	$ 3,139,700	$ -	$ 3,139,700	$ 2,439,724
Commercial	-	-	-	306,099
Irrigation	395,020	-	395,020	407,856
Installations and connections	9,697	-	9,697	4,172
Waste disposal:				
Zone Charges	-	196,169	196,169	149,284
Design Fees	-	5,940	5,940	4,100
Escrow Fees	-	24,020	24,020	15,860
Penalties	159,909	-	159,909	82,276
Total Operating Revenues	**3,704,326**	**226,129**	**3,930,455**	**3,409,371**
Operating Expenses:				
Source of supply	332,810	-	332,810	299,154
Transmission and distribution - raw water	761,268	-	761,268	735,658
Water treatment	800,000	-	800,000	799,087
Transmission and distribution - treated water	959,039	-	959,039	775,740
Customer service	259,308	-	259,308	171,819
Administration and hydroelectric	1,667,210	-	1,667,210	1,727,937
On-site wastewater disposal zone	-	292,524	292,524	194,429
Claims expense	-	-	-	97
Depreciation expense	900,970	26,219	927,189	634,425
Total Operating Expenses	**5,680,605**	**318,743**	**5,999,348**	**5,338,346**
Operating Income (Loss)	(1,976,279)	(92,614)	(2,068,893)	(1,928,975)
Nonoperating Revenues (Expenses):				
Tax revenue - general	1,769,095	-	1,769,095	1,710,211
Surcharge	662,210	-	662,210	660,026
Interest revenue	6,629	582	7,211	197,437
Lease revenue	394,809	-	394,809	151,215
SMUD payment	116,443	-	116,443	114,339
Hydroelectric royalty payments	36,619	-	36,619	57,714
Capital facility charge	20,700	-	20,700	2,300
Loss on disposal of capital assets	3,500	-	3,500	(1,598)
Other revenue	404,592	-	404,592	-
Interest expense	(161,861)	-	(161,861)	(161,470)
Other expense	(1,460)	-	(1,460)	(9,685)
Total Nonoperating Revenues (Expenses)	**3,251,276**	**582**	**3,251,858**	**2,720,489**
Income (Loss) Before Capital Contributions and Transfers	1,274,997	(92,032)	1,182,965	791,514
Capital contributions	-	-	-	531,492
Changes in Net Position	1,274,997	(92,032)	1,182,965	1,323,006
Net Position:				
Beginning of Year, as previously reported	17,725,803	1,243,460	18,969,263	17,646,257
Restatements	306,439	-	306,439	-
Beginning of Fiscal Year, as restated	18,032,242	1,243,460	19,275,702	17,646,257
End of Fiscal Year	**$ 19,307,239**	**$ 1,151,428**	**$ 20,458,667**	**$ 18,969,263**

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(With Comparative Totals for the Fiscal Year Ended June 30, 2020)

	Water	Wastewater Disposal	Totals 2021	Totals 2020
Cash Flows from Operating Activities:				
Cash received from customers and users	$ 3,582,850	$ 193,001	$ 3,775,851	$ 3,514,625
Cash paid to suppliers for goods and services	(3,646,623)	(186,776)	(3,833,399)	(1,910,141)
Cash paid to employees for services	(1,814,828)	(105,313)	(1,920,141)	(2,587,002)
Net Cash (Used) by Operating Activities	**(1,878,601)**	**(99,088)**	**(1,977,689)**	**(982,518)**
Cash Flows from Non-Capital Financing Activities:				
Property taxes received	1,769,095	-	1,769,095	1,710,211
Surcharge	662,210	-	662,210	660,026
Assessment receivable payments	36,558	-	36,558	34,997
Receipts from capacity charges	20,700	-	20,700	2,300
SMUD payment	116,443	-	116,443	114,339
Hydroelectric royalty payments	36,619	-	36,619	57,714
Other revenue	404,592	-	404,592	-
Other expense	(1,460)	-	(1,460)	(9,685)
Receipts from cellular antenna rentals	394,809	-	394,809	151,215
Net Cash Provided by Non-Capital Financing Activities	**3,439,566**	**-**	**3,439,566**	**2,721,117**
Cash Flows from Capital and Related Financing Activities:				
Proceeds from capital debt	-	-	-	528,691
Capital grant	-	-	-	531,492
Acquisition and construction of capital assets	(599,214)	(37,799)	(637,013)	(2,536,847)
Principal paid on capital debt	(483,395)	-	(483,395)	(681,735)
Interest paid on capital debt	(162,018)	-	(162,018)	(235,410)
Proceeds from sale of capital assets	3,500	-	3,500	-
Net Cash (Used) by Capital and Related Financing Activities	**(1,241,127)**	**(37,799)**	**(1,278,926)**	**(2,393,809)**
Cash Flows from Investing Activities:				
Interest received	25,060	3,322	28,382	216,430
Net Cash Provided by Investing Activities	**25,060**	**3,322**	**28,382**	**216,430**
Net Increase (Decrease) in Cash and Cash Equivalents	**344,898**	**(133,565)**	**211,333**	**(438,780)**
Cash and Cash Equivalents at Beginning of Year	8,153,950	1,226,873	9,380,823	9,819,603
Cash and Cash Equivalents at End of Year	**8,498,848**	**1,093,308**	**9,592,156**	**9,380,823**
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	(1,976,279)	(92,614)	(2,068,893)	(1,928,975)
Adjustments to Reconcile Operating Income (loss) Net Cash Provided (used) by Operating Activities:				
Depreciation	900,970	26,219	927,189	634,425
(Increase) decrease in accounts receivable	(125,784)	(33,128)	(158,912)	105,254
(Increase) decrease in deposits and prepaid expense	(68,738)	-	(68,738)	78,580
(Increase) decrease in deferred outflow - pension	252,517	15,954	268,471	132,503
Increase (decrease) in accounts payable	(1,113,851)	838	(1,113,013)	(86,572)
Increase (decrease) in accrued liabilities	13,449	911	14,360	(109,268)
Increase (decrease) in compensated absences	(5,638)	462	(5,176)	11,219
Increase (decrease) in post-employment benefits	352,997	-	352,997	33,107
Increase (decrease) in deferred inflow - pension	(231,834)	(20,844)	(252,678)	(17,517)
Increase (decrease) in net pension liability	119,282	3,114	122,396	164,726
Increase (decrease) in unearned revenue	4,308	-	4,308	-
Total Adjustments	**97,678**	**(6,474)**	**91,204**	**946,457**
Net Cash (Used) by Operating Activities	**$ (1,878,601)**	**$ (99,088)**	**$ (1,977,689)**	**$ (982,518)**
Non-Cash Investing, Capital, and Financing Activities:				
Adjustment to CIP	$ 93,538	$ -	$ 93,538	$ (1,598)

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021

	Custodial Funds
Assets:	
Cash and investments	$ 39,934
Receivables:	
Assessments	106,933
Accrued interest	25
Total Assets	**146,892**
Liabilities:	
Accrued interest	1,266
Unearned revenues	11,776
Long-term liabilities:	
Due in one year	6,722
Due in more than one year	153,159
Total Liabilities	**172,923**
Net Position (Deficit):	
Held in trust for other purposes	(26,031)
Total Net Position (Deficit)	**$ (26,031)**

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2021

	Custodial Funds
Additions:	
Interest and change in fair value of investments	$ 17
Total Additions	**17**
Deductions:	
Interest expense	2,142
Total Deductions	**2,142**
Changes in Fiduciary Net Position	**(2,125)**
Net Position	
Beginning of the Year, as originally reported	-
Restatement	(23,906)
Beginning of the Year, as restated	(23,906)
End of the Year	**$ (26,031)**

See Notes to Financial Statements.

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Note 1: Organization and Summary of Significant Accounting Policies

a. Description of Entity

The reporting entity, the Georgetown Divide Public Utility District (District), was created by the electorate, June 4, 1946, under the California Public Utility District Act of 1921. The District operates under a governing five-member Board of Directors (Board) elected at-large for four-year overlapping terms. The District's management is under the direction of the General Manager, who also serves as Clerk, and ex-officio Secretary of the Board, who is appointed by and serves at the pleasure of the Board.

b. Reporting Entity

The District's basic financial statements include the operations of all organizations for which the District's Board of Directors exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Based upon the aforementioned oversight criteria, there are no component units in this report which met the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statements Nos. 39 and 61.

The basic financial statements include the accounts of two enterprise activities provided by the District: (1) raw and treated water services, and (2) wastewater disposal services in the Auburn Lake Trails (A.L.T.) subdivision.

c. Basis of Presentation

The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

The Fund Financial Statements provide information about the District’s funds, including the fiduciary fund. Separate statements for each fund category – proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column.

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

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 noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, 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.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation 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.

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District maintains one fiduciary fund. The “economic resources” measurement focus and the accrual basis of accounting is used for custodial funds.

d. Major Funds

GASB Statement No. 34 defines major funds and requires that the District's major proprietary funds are identified and presented separately in the fund financial statements.

Major funds are defined as funds that have assets, liabilities, revenues, or expenses equal to or greater than ten percent of their fund-type total and five percent of all fund-type totals. The District may also select other funds that it believes should be presented as major funds. The District reports all its proprietary funds as major funds.

The District reported the following major proprietary funds:

Water

This fund accounts for the activities of providing raw and treated water services to the customers. Raw water service is also known as irrigation water.

Wastewater Disposal

This fund accounts for the activities of monitoring wastewater disposal of the residents of the Auburn Lake Trails subdivision. The area is also known as the On-Site Wastewater Disposal Zone. The On-Site Wastewater Disposal Zone is comprised of all the lots in the Auburn Lake Trails Subdivision, including the lots connected to the Community Disposal System.

Additionally, the District reports a fiduciary fund to account for the debt service activities for the Stewart Mine Assessment District. The District’s administration of this debt is a purely custodial function.

e. Basis of Accounting

The financial statements are reported using the "economic resources' measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

f. Budget and Budgeting

Budget integration is employed as a management control device. Budgets are formally adopted by the Board of Directors and take effect the following July 1. The budgets are used as a management tool and are not a legal requirement.

g. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity of twelve months or less when purchased to be cash equivalents.

h. Restricted Assets

These assets consist of certificates of deposit, short-term investments, and receivables which are restricted for debt service and other legal obligations.

i. Capital Assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of donation. The District capitalizes capital assets valued over $1,000 and having a useful life of at least three years. Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets, which range from 30 to 100 years for the plant and pipelines and 3 to 15 years for other equipment.

j. Compensated Absences

All earned vacation, which is payable upon termination or retirement, is accrued as compensated absences, in accordance with GASB Statement No. 16.

k. Property Taxes

The District receives property taxes from El Dorado County (County), which has been assigned the responsibility for assessment, collection, and apportionment of property taxes for all taxing jurisdictions within the County. The District's property taxes are levied each July 1, on the assessed values as of the prior January 1 for all real and personal property located in the District. Property sold after the assessment date (January 1) is reassessed and the amount of the supplemental property tax levied is prorated. Secured property taxes are due in two installments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid by August 31.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

The District participates in the County "Teeter Plan" method of property tax distribution and thus receives 100% of the District's apportionment each fiscal year, eliminating the need for an allowance for uncollectibles. The County, in return, receives all penalties and interest on the related delinquent taxes. Under the Teeter Plan, the County remits property taxes to the District based on assessments, not on collections, according to the following schedule: 55 percent in December, 40 percent in April, and 5 percent at the end of the fiscal year.

l. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants (AICPA), 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.

m. Comparative Data

Comparative total data for the prior fiscal year has been presented in the accompanying basic financial statements in order to provide an understanding of changes in the District's financial position, operations, and cash flows. Certain classifications may have been made to the prior fiscal year financial statements to conform to the current fiscal year presentation.

n. Net Position

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

o. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position that is applicable to a future reporting period and deferred inflows of resources are an acquisition of net position that is applicable to a future reporting period. A deferred outflow of resources has a positive effect on net position, similar to assets, and a deferred inflow of resources has a negative effect on net position, similar to liabilities. The District has certain items, which qualify for reporting as deferred outflows of resources and deferred inflows of resources.

p. Pension Plan

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Local Government of District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to /deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by Cal PERS. 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.

q. Other Post-Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined using the alternative measurement valuation method accepted by GASB Statement No. 75 for plans with fewer than 100 employees (active and inactive). For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

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

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

r. New Accounting Pronouncements

In FY 2020/21, the District adopted the provisions of GASB Statement No. 84, Fiduciary Activities. This statement changes the definition of fiduciary activities, providing more refined guidance on how to determine if an activity is fiduciary in nature and therefore should be reported as such. The statement defines types of fiduciary funds, eliminating agency funds and replacing them with Custodial Fund. Under this guidance, all fiduciary funds will now report a net position and a statement of changes in net position. The change in accounting principle resulted in a prior period adjustment in the amount of ($26,031) being reported for the custodial fund in the Statement of Changes in Fiduciary Net Position.

The following pronouncement has been postponed as a temporary relieve to governments and other stakeholders in light of the COVID-19 pandemic and the new effective date are reflected in the following fiscal years:

GASB 87 – Leases – The requirements of this statement are effective for reporting periods beginning on or after June 15, 2021.

Note 2: Cash and Investments

The cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of District debt instruments or District agreements:

Unrestricted cash and investments	$ 7,845,135
Restricted cash and investments	1,747,021
Cash and Investments, Statement of Net Position	9,592,156
Cash and Investments, Statement of Fiduciary Net Position	39,934
Total Cash and Investments	$ 9,632,090

Cash and investments as of June 30, 2021, consist of the following:

Cash on hand	$ 450
Deposits with financial institutions	2,176,487
Investments	7,455,153
Total Cash and Investments	$ 9,632,090

Note 2: Cash and Investments (Continued)

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

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (LAIF)	N/A	None	$50 million
Money Market Funds (must be Comprised of eligible securities permitted under this policy)	N/A	None	None

b. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Money Market Funds	N/A	None	None

Fair Value Hierarchy

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

Note 2: Cash and Investments (Continued)

Deposits and withdrawals in governmental investment pools, such as the State of California Local Agency Investment Fund (LAIF), are made on the basis of one dollar and not fair value. Accordingly, the fair value of the District's proportionate share in this type of investment is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input. Money Market Accounts are nonparticipating interest-bearing savings accounts. They are measured using a cost-based measure, not fair value, and therefore, not subject to fair value hierarchy.

c. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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

Investment Type	Remaining Maturity (in Months) 12 Months or Less
State Investment Pool (LAIF)	$ 7,408,342
Held by Debt Trustees	
Money Market Funds	46,811
	$ 7,455,153

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

Investment Type	Amount	Minimum Legal Rating	Rating as of Fiscal Year End AAA	Not Rated
State Investment Pool (LAIF)	$ 7,408,342	N/A	$ -	$ 7,408,342
Held by Debt Trustees:				
Money Market Funds	46,811	N/A	-	46,811
	$ 7,455,153		$ -	$ 7,455,153

d. Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. Only investments with LAIF and the Money Market Funds exceed 5% or more of total District investments. The Money Market Funds are collateralized for the amount over the Federal Deposit Insurance Corporation amount or backed by United States obligations.

Note 2: Cash and Investments (Continued)

e. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2021, $1,927,102 of the District's deposits and investments with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

f. Investment in State Investment Pool

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

Restricted cash and investments are identified by use as follows at June 30, 2021:

	Water	Waste Disposal	Total
Debt Service:			
Kelsey North	$ 119,506	$ -	$ 119,506
Total Debt Service Cash and Investments	119,506	-	119,506
New Facilities:			
Capital Facility Charges	423,608	-	423,608
Water Development	412,125	-	412,125
Auburn Lake Trails Retrofit Project	581,109	-	581,109
Community Disposal System Replacement and Expansion	-	210,673	210,673
Total New Facilities Cash and Investments	1,416,842	210,673	1,627,515
Total Restricted Cash and Investments	$ 1,536,348	$ 210,673	$ 1,747,021

Note 3: Assessments Receivable

Assessments receivable to the District are construction obligations of the benefited property owners of the Kelsey North and Stewart Mine Water Assessment Districts. El Dorado County collects the special assessments semi-annually in order to pay the related projects' Department of Water Resources or United States Department of Agriculture construction debts as they mature. The assessments receivable balances at June 30, 2021, were as follows:

	Current	Non-Current	Total
Water Restricted Assessments Receivable	$ 20,937	$ 29,438	$ 50,375
Fiduciary Assessments Receivable	4,566	102,367	106,933
Total Assessments Receivable	$ 25,503	$ 131,805	$ 157,308

Note 4: Capital Assets

Purchased capital assets are recorded at cost when purchased. Donated capital assets are recorded at fair value at the date of donation. Capital assets are depreciated overestimated useful lives ranging from one hundred years (Stumpy Meadows Dam) to three years (small office equipment) using the straight-line method. Capital assets at June 30, 2021, consisted of the following:

	Ending Balance June 30, 2020	Adjustments	Beginning Balance	Additions	Deletions	Transfers	Ending Balance June 30, 2021
Nondepreciable Capital Assets:							
Land and land right	$ 770,975	$ -	$ 770,975	$ -	$ -	$ -	$ 770,975
Construction-in-progress	16,722,348	(93,538) *	16,628,810	548,010	-	(15,637,553)	1,539,267
Total nondepreciable capital assets	17,493,323	(93,538)	17,399,785	548,010	-	(15,637,553)	2,310,242
Capital assets, being depreciated:							
General plant equipment and facilities	1,329,152	-	1,329,152	22,808	(110,489)	83,244	1,324,715
Water treatment	5,796,704	-	5,796,704	-	-	14,518,664	20,315,368
Transmission and distribution	13,446,545	-	13,446,545	107,798	-	799,724	14,354,067
Auburn Lake Trails septic facilities	870,966	-	870,966	37,799	-		908,765
Source of supply	6,801,008	-	6,801,008	14,136	-	235,921	7,051,065
Total Capital Assets, Being Depreciated	28,244,375	-	28,244,375	182,541	(110,489)	15,637,553	43,953,980
Less Accumulated Depreciation:	(19,755,119)	-	(19,755,119)	(927,189)	110,489	-	(20,571,819)
Net depreciable capital assets	8,489,256	-	8,489,256	(744,648)	-	15,637,553	23,382,161
Capital Assets, Net	$ 25,982,579	$ (93,538)	$ 25,889,041	$ (196,638)	$ -	$ -	$ 25,692,403

*Adjustment was made to correct construction in progress balances at June 30, 2021

Depreciation Allocations

Depreciation expense was charged to each fund based on their usage of the related assets. The amounts allocated to each fund was as follows:

Water	$ 900,970
Wastewater Disposal	26,219
Total Depreciation Expense	$ 927,189

Note 5: Long-Term Debt

Long-term liability activity for the fiscal year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Repayments	Outstanding June 30, 2021	Due Within One Year
Direct Borrowing Loans Payable:					
Kelsey North Water AD 1989-1	$ 202,591	$ -	$ 24,181	$ 178,410	$ 24,989
Walton Lake Water Treatment Plant Filter Replacement	222,894	-	20,082	202,812	20,543
ALT Water Treatment Plant Upgrade	9,373,335		439,132	8,934,203	446,187
Total Loans Payable	9,798,820	-	483,395	9,315,425	491,719
Direct Borrowing Capital Leases:					
Verizon	5,963	-	-	5,963	5,963
Total Capital Leases	5,963	-	-	5,963	5,963
Total Loans and Capital Leases	$ 9,804,783	$ -	$ 483,395	$ 9,321,388	$ 497,682

a. Direct Borrowing Loans Payable

California State Water Resources Control Board (SWRCB) - Three long-term contracts have been entered into with the SWRCB to finance the construction of various water projects:

The Kelsey North Water Assessment District 1989-1 contract of $630,000 is to be repaid by semi-annual payments of $15,398. These payments, due April 1 and October 1, beginning April of 1993 and ending October 1, 2027, include interest on the outstanding note balance at 3.3712%. Payments are made from assessments collected from the Assessment District.

The Walton Lake Water Treatment Plant Filter Replacement contract of $400,511 is to be repaid by semi-annual payments of $12,529. These payments, due April 1 and October 1, beginning October 2010 and ending April 1, 2030, include interest on the outstanding note balance at 2.2836%.

The Auburn Lake Trails (ALT) construction loan for the Water Treatment Plant Upgrade was approved for a total contract of up to $10,000,000 is to be repaid by semi-annual payments ranging between $200,000 - $300,000. These payments, due January 1 and July 1, beginning July 2020 and ending January 1, 2039, include interest on the outstanding note balance at 1.6%.

Future Minimum debt service requirements for aggregate notes payable are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	$ 491,719	$ 151,491	$ 643,210
2023	500,207	143,002	643,209
2024	508,843	134,366	643,209
2025	517,660	125,550	643,210
2026-2030	2,646,418	492,643	3,139,061
2031-2035	2,659,068	277,718	2,936,786
2036-2040	1,991,510	64,236	2,055,746
	$ 9,315,425	$ 1,389,006	$ 10,704,431

Note 5: Long-Term Debt (Continued)

b. Direct Borrowing Capital Leases

On November 27, 2006, the District entered into a long-term capital lease agreement with Verizon for the purpose of constructing a permanent cell tower. The first ten years of uncollected lease payments represent the cost of constructing the tower, which is owned by the District. If the lease is terminated within the first ten years, the District will owe Verizon the remaining construction cost. The first ten-year period commenced November 1, 2008. The capital lease totaled $155,731 based on discounting at 3% the monthly lease amount of $1,500. The capital lease liability is being retired using a 3% interest rate as well.

On May 22, 2016, the district entered into a long-term capital lease agreement with Santander Financing for a 2016 Ram 5500 truck costing $54,406. The payments are $1,231 per month including interest at 4.1% for 48 months. The truck was fully depreciated at June 30, 2021.

Future minimum debt service requirements for capital leases are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	$ 5,693	$ -	$ 5,693
	$ 5,693	$ -	$ 5,693

Note 6: Compensated Absences

District employees accumulate earned but unused vacation benefits which can be converted to cash at termination of employment. It is estimated that up to two weeks per employee might be liquidated with expendable, currently available financial resources in the next year.

Compensated absences activity for the fiscal year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Water Fund	$ 63,782	$ 30,055	$ 35,693	$ 58,144	$ 8,132
Wastewater Fund	3,055	1,818	1,356	3,517	493
Total Compensated Absences	$ 66,837	$ 31,873	$ 37,049	$ 61,661	$ 8,625

Note 7: Custodial Funds: Special Assessment Debt

The District acts as an custodian for the Stewart Mine Road Water Assessment District 98-1 Bonds, issued on August 24, 1999. This debt was not included in the District's accounting records because the District had no obligation for the payment of these bonds other than in a fiduciary capacity. The principal amount outstanding at June 30, 2021, and June 30, 2020, was $159,881 and $171,864, respectively.

Note 8: On-Site Wastewater Disposal Zone (O.S.W.D.Z.)

During the early part of 1984, it became apparent that a proposed sewer assessment district was not going to be approved and that the assimilation alternative of combining certain lots in the Auburn Lake Trails (A.L.T.) subdivision was a possibility. By letter dated April 24, 1984, Trans America Development Corporation (TADCO) and A.L.T. property owners jointly requested the formation of an on-site wastewater disposal zone which would be monitored by the District. The O.S.W.D.Z. was formed pursuant to the authority granted under Sections 6950 et seq. of the Health and Safety Code of the State of California and became operative by board resolution on March 19, 1985. The effective date for accounting for revenues and expenses was April 1, 1985.

The purpose of the O.S.W.D.Z. is to protect the ground and surface water within the Disposal Zone boundaries in compliance with Regional Water Quality Control Board requirements. The District's responsibility is to design and inspect new on-site disposal systems and to monitor the surface and ground water quality and system performance of existing systems.

The O.S.W.D.Z. assessment revenues charged will be restricted to pay the operating costs of the O.S.W.D.Z. No unrestricted District funds can be used to pay expenses of the O.S.W.D.Z. Effective for the fiscal year ended June 30, 1998, the O.S.W.D.Z. Capital Expenditure Reserve was established. The O.S.W.D.Z. Capital Expenditure Reserve fund has had little activity over the years. The fund was inactivated May 13, 2008.

In addition to the O.S.W.D.Z., the District, by contract, has taken over operation of the Community Disposal System (C.D.S.) of 139 lots within the A.L.T. subdivision. These property owners pay additional assessments for operation and maintenance of the C.D.S. The C.D.S. Expansion Benefit Reserve was established July 1, 2000, and currently receives annual transfers in an effort to achieve the reserve level approved by the District in May 2005.

Note 9: Restricted Benefit Charges

This non-operating revenue is comprised of various benefit charges and interest earned on the corresponding deposits. The implementation of the Capital Facility Charges beginning on July 1, 2008, replaced the previous treatment plant, pipeline, and storage benefit charges. Pursuant to District ordinance, this revenue is restricted in special accounts which are to be used exclusively as follows:

Water development charge funds: To develop alternate sources of raw water to meet long-term District requirements.

Capital Facility Charge Fund: For maintenance and/or improvements of the treatment plants, pipeline facilities, and storage facilities.

O.S.W.D.Z./C.D.S. replacement and expansion benefit charge funds: For maintenance, improvement, and/or expansion of the community disposal system, as well as facilitating improvements in the O.S.W.D.Z.

Note 10: Net Position

Net Position is the excess of all the District's assets over all its liabilities, regardless of fund. Net position is divided into three captions under GASB Statement No. 63. These captions apply only to net position, which are determined only at the government-wide level, proprietary funds, and fiduciary funds (trust funds only), and are described below.

Net Investment in Capital Assets

Investment in capital assets describes the portion of net position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted Net Position

Restricted net position consists of constraints placed on net position use through external creditors (such as through debt covenants), grants, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. Net position restricted for new facilities represent the net assets accumulated from restricted benefit charges imposed by District ordinances for the maintenance and expansion of facilities. Net position restricted for debt service is required by the debt agreements.

Unrestricted Net Position

The term "unrestricted" describes the portion of net position which is not restricted as to use.

The Board has designated portions of the unrestricted net position for specific operating purposes in an effort to provide for the prudent operations of the District.

Stumpy Meadows Emergency Reserve: Requirement of the contract entered into with the Department of Reclamation related to the dam at Stumpy Meadows.

Short-lived Asset Replacement: Requirement of the USDA loan for the Auburn Lake Trails Retrofit for the estimate of funds needed to be on hand to replace the existing assets with replacement lies of less than 15 years.

Capital Reserve: To provide for future estimated costs related to the replacement costs of current assets.

EPA: Environmental Protection Agency grant for Auburn Lake Trails Water Treatment Plant Retrofit.

Retiree Health: To provide for the estimated future health insurance benefits of existing retirees and current employees.

Garden Valley: For use in activities specific to the designated area.

Hydroelectric: To provide for the future estimated costs related to activities specific to the hydroelectric plant.

Note 10: Net Position (Continued)

Restricted and unrestricted net position is identified by use as follows as of June 30, 2021:

	Water	Waste Disposal	Total
Restricted Net Position:			
New Facilities:			
Water Development	$ 423,724	$ -	$ 423,724
Capital Facility Charges	1,850,821	-	1,850,821
C.D.S. Replacement	-	41,122	41,122
C.D.S. Expansion	-	177,599	177,599
Total New Facilities Net Position	2,274,545	218,721	2,493,266
Total Restricted Net Position	$ 2,274,545	$ 218,721	$ 2,493,266
Unrestricted Net Position:			
Unrestricted Designated Net Position:			
Stumpy Meadows Emergency Reserve	$ 1,082,661	$ -	$ 1,082,661
Short-lived Asset Replacement	1,191,948	-	1,191,948
Capital Reserve	2,483,005	-	2,483,005
EPA	1,118,428	-	1,118,428
Retiree Health	(1,031,856)	-	(1,031,856)
Garden Valley	109,276	-	109,276
Hydroelectric	839,358	-	839,358
Total Unrestricted Designated Net Position	5,792,820	-	5,792,820
Unrestricted Undesignated Net Position	(4,956,547)	758,113	(4,198,434)
Total Unrestricted Net Position	$ 836,273	$ 758,113	$ 1,594,386

Note 11: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Association of California Water Agencies Joint Powers Insurance Authority (Authority), a public entity risk pool currently operating as a common risk carrier management and insurance program for member agencies. The purpose of the Authority is to spread the adverse effect of losses among the members and to purchase excess insurance as a group, thereby reducing its expenses. The District pays annual premiums to the Authority for its general liability, automobile, property, fidelity coverage, and workers' compensation. The agreement for formation of the Authority provides that the Authority will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $50,000 (property), $100,000 (fidelity), and $2,000,000 (general, automobile and public official's liability) for each insured event, except for workers compensation which will reinsure for claims in excess of $2,000,000. The deductibles for the Authority do not exceed $2,500. Total premiums paid for fiscal year 2021 were $115,984.

The District continues to carry commercial insurance for employee health and life insurance. The District also carries commercial insurance for dental and optical insurance for the employees represented by Stationary Engineers, Local 39, and all new employees hired after July 11, 2006.

Note 12: Defined Benefit Pension Plan

a. General Information About the Pension Plans

Plan Description—

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

Benefits Provided—

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

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

	Miscellaneous Cost-Sharing Rate Plans		
	Tier 1*	Tier 2*	PEPRA
Hire date	Prior to June 19, 2006	On or after June 19, 2006 to December 28, 2012	On or after December 28, 2012
Benefit formula	2.7% @ 55	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	minimum 55 yrs	minimum 55 yrs	minimum 55 yrs
Monthly benefits, as a % of eligible compensation	2.70%	2.70%	2.00%
Required employee contribution rates	8.000%	8.000%	6.250%
Required employer contribution rates	15.202%	13.515%	7.732%

*Plan is closed to new entrants.

Note 12: Defined Benefit Pension Plan (Continued)

Contribution Description—

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2021, the employer contributions recognized as a reduction to the net pension liability for the Plan was $690,964.

b. Pension Liabilities, Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of June 30, 2021, the District reported net pension liabilities for its proportionate shares of the net pension liability of the rate Plan of $6,000,118.

	Net Pension Liability
Proportion - June 30, 2019	$ 5,877,722
Proportion - June 30, 2020	6,000,118
Change - Increase(Decrease)	$ 122,396

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, 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 employers, actuarially determined. The District's proportionate share of the net pension liability for the rate Plan as of June 30, 2019 and 2020, was as follows:

	Net Pension Liability
Proportion - June 30, 2019	0.05393%
Proportion - June 30, 2020	0.05515%
Change - Increase(Decrease)	0.00122%

Note 12: Defined Benefit Pension Plan (Continued)

For the year ended June 30, 2021, the District recognized a total pension expense of $756,364 for the plan. At June 30, 2021, the District reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Current year contributions that occurred after the measurement date of June 30, 2020	$ 618,175	$ -
Change of Assumptions	-	42,795
Difference between Expected and Actual Experiences	309,204	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	178,243	-
Adjustment due to differences in proportions	-	310,723
Difference in proportionate share of contributions	275,577	-
Total	**$ 1,381,199**	**$ 353,518**

The $618,175 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period ended June 30:	Deferred Outflows/(Inflows) of Resources
2022	$ 13,118
2023	176,741
2024	134,157
2025	85,490
	$ 409,506

Note 12: Defined Benefit Pension Plan (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2020, the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. The June 30, 2019 and the June 30, 2020 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

(1) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvements using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Change of Assumptions

No changes in assumptions.

Discount Rate

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

Note 12: Defined Benefit Pension Plan (Continued)

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF C) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 PERF C 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as followed:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	50.0%	4.80%	0.06%
Fixed Income	28.0	1.00	2.62
Inflation Assets	0.0	0.77	1.81
Private Equity	8.0	6.30	7.23
Real Assets	13.0	3.75	4.93
Liquidity	1.0	0.00	-0.92

(1) An expected inflation of 2.00% used for this period.
(2) An expected inflation of 2.92% used for this period.

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

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

	Discount Rate - 1% 6.15%	Current Discount 7.15%	Discount Rate +1% 8.15%
Plan Net Pension Liability	$ 8,291,612	$ 6,000,118	$ 4,106,729

Pension Plan Fiduciary Net Position—

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

Note 13 Description of Deferred Compensation Pension Plans

The District has two deferred compensation plans. All amounts of compensation deferred under the plans, all property and rights purchased with these amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the employees and their beneficiaries. No part of the corpus or income of the trust shall revert to employer or be used for or diverted for purposes other than for the exclusive benefit of participants and their beneficiaries.

Only employee contributions were made to the Internal Revenue Code Section 457 deferred compensation plan or the Internal Revenue Code Section 401(a) defined contribution money purchase plan for the fiscal year ended June 30, 2021. The District does not make contributions on behalf of the employees.

The District is the administrator of the plans. The International City Management Association (ICMA) Retirement Corporation holds the funds in a trust and also advises as to legality, files appropriate plan documentation, and reports the quarterly activities to each plan participant.

Note 14: Post-Employment Benefits Other Than Pensions

a. Plan Description

The District provides certain health insurance benefits to retired employees in accordance with a memorandum of understanding with International Union of Operating Engineers, Stationary Engineers, Local No. 39 (Union) and Ordinance 2006-01.

For employees who retire from the District after at least twenty (20) years of service with the District and who continue health insurance through a District-sponsored health insurance plan until the age of 65, the District will contribute up to $435 per month of the health insurance premium for the retiree and/or the retiree's spouse. At the age of 65, the retiree is required to enroll in Medicare and the District will continue to contribute up to $435 per month to a Medicare supplemental plan of the retiree's or retiree spouse's choice.

Effective February 7, 2006, the District extended the benefit described above to all new employees, as well as the employees who are part of the Union. However, the District administers a wide variety of other retirement benefits based on the plans in place when various long-term employees' retired and in conjunction with Ordinance 2006-01. The benefits for the few unrepresented and management employees as of April 11, 2006, are dictated by Ordinance 2006-01 as well. None of the previous arrangements are being extended to any new employees of the District.

Employees Covered

As of the June 30, 2021, alternative measurement method valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	23
Inactive employees or beneficiaries currently receiving benefits	16
	39

Note 14: Post-Employment Benefits Other Than Pensions (Continued)

Contributions

The plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the measurement date ended June 30, 2021, the District's cash contributions were $87,818, which were recognized as a reduction to the OPEB Liability.

Total OPEB Liability

The District's Total OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the total OPEB liability was determined by an alternate measurement method valuation dated June 30, 2020, that was used to determine the June 30, 2021 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Contribution Policy	No pre-funding
Discount Rate	7.000%
Inflation	2.625%
Overall payroll growth	2.875%
Wage inflation	2.875%
Healthcare Trend	5.300%

Notes:
(1) Pre-retirement mortality information was derived from data collected during 1997 to 2015 CalPERS Experience Study dated December 2017 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website ***www.calpers.ca.gov*** under Forms and Publications.

(2) The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website ***www.calpers.ca.gov*** under Forms and Publications.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. The District does not participate in a trust fiduciary fund.

Note 14: Post-Employment Benefits Other Than Pensions (Continued)

Changes in the OPEB Liability

The changes in the Total OPEB liability for the plan are as follows:

	Increase(Decrease) Total OPEB Liability
Balance at June 30, 2020	$ 1,393,996
Changes recognized over the measurement period:	
Service Cost	21,653
Interest	112,723
Benefit Payments	(87,818)
Net Changes	46,558
Balance at June 30, 2021	$ 1,440,554

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

The following presents the total OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Total OPEB Liability	$ 1,621,686	$ 1,440,554	$ 1,288,912

Expense Related to OPEB

For the fiscal year ended June 30, 2021, the City recognized OPEB expense of $46,558.

Note 15: Revenue Limitation Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the District's ability to impose, increase, and extend taxes and assessments. Any new, increase, or extended taxes and assessments subject to the provisions of Proposition 218 requires the voters' approval before they can be implemented. Additionally, Proposition 218 provides that these taxes and assessments are subject to voter initiative process and may be rescinded in the future years by the voters.

The proposition also provides for a customer protest process when fees for services benefiting a property are proposed to be increased. The District follows this process when changes are contemplated for water sales and waste disposal zone charges.

Note 16: Commitments and Contingencies

a. Construction Commitments

The District is contingently liable in connection with claims and contracts arising in the normal course of its activities. District management is of the opinion that the ultimate outcome of such matters will not have a significant effect on the financial position of the District.

Note 16: Commitments and Contingencies (Continued)

b. Contingencies

The District has received State and Federal funds for specific purposes that are subject to review and audit by the grantor Agencies. Although such audits could generate expenditure disallowances under the term of the grants, it is believed that any required reimbursements will be immaterial.

In 2010, the District was sued over its' rights to replace a key piece of infrastructure serving the public. Both Trial and Appellate Courts have ruled in the District's favor in this lawsuit; and the California Supreme Court rejected the plaintiff's petition to hear the case. The decision upholds the District's right and obligation to maintain public infrastructure.

Compliance Order #01-09-04CO-002 was issued by the CA Dept. of Public Health on February 23, 2004, which required the District to provide surface water treatment that effectively reduces giardia cysts and viruses by 3 and 4 logs respectively, through filtration and disinfection at its Auburn Lake Trails Water Treatment Plant. Since then, regulations have added the requirement for the ALTWTP to effectively reduce cryptosporidium cysts by 2 logs. This later requirement is considered achieved when treatment requirements for giardia and viruses are being met. As of the date of these financial statements, the District is not in compliance with the Compliance Order. The ramifications of this non-compliance have not been determined but may include possible fines and penalties.

Note 17: Restatement

In fiscal year 2020-21 the district corrected capital asset balances and accounts payable accruals resulting in a $306,439 of net position.

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GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

COST SHARING MULTIPLE-EMPLOYER PLAN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	2015	2016	2017	2018
Miscellaneous Rate Plan				
Rate Plan's Proportion of the Net Pension Liability	0.16244%	0.06977%	0.06244%	0.05959%
Rate Plan's Proportionate Share of the Net Pension Liability	$ 4,014,865	$ 4,788,730	$ 5,403,038	$ 5,909,716
Rate Plan's Covered Payroll	$ 870,074	$ 896,800	$ 1,057,557	$ 1,190,555
Rate Plan's Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	461.44%	533.98%	510.90%	496.38%
The Pension Plan's (PERF-C) Fiduciary Net Position as a Percentage of the Total Pension Liability	74.48%	78.40%	74.06%	73.31%

Notes to Schedule:

Benefit Changes: There were no changes to benefit terms. However, the figures above do not include any liability impact that may have resulted from plan changes which occurred after the measurement dates. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2021, 2020 and 2019, there were no changes. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2018. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amount reported were based on the 7.5 percent discount rate.

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only seven years are shown.

2019		2020		2021
0.05929%		0.05736%		0.12294%
$ 5,712,996		$ 5,877,722		$ 6,000,118
$ 1,281,439		$ 1,501,528		$ 1,488,996
445.83%		391.45%		402.96%
75.26%		75.26%		75.10%

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

COST SHARING MULTIPLE-EMPLOYER PLAN
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	2015	2016	2017	2018
Miscellaneous Rate Plan				
Actuarially Determined Contribution	$ 316,796	$ 484,729	$ 532,748	$ 574,408
Contribution in Relation to the Actuarially Determined Contribution	(316,796)	(484,729)	(532,748)	(574,408)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 896,800	$ 1,057,557	$ 1,190,555	$ 1,281,439
Contributions as a Percentage of Covered Payroll	35.33%	45.83%	44.75%	44.83%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only seven years are shown.

Note to Schedule:

Valuation Date: June 30, 2019

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal Cost Method
Amortization method	Level percentage of pay, a summary of

	Source				
	(Gain)/Loss		Assumption/ Method		
Driver	Investment	Non-investment	Change	Benefit Change	Golden Handshake
Amortization Period	30 years	30 Years	20 Years	20 Years	5 Years
Escalation Rate					
- Active Plans	2.750%	2.750%	2.750%	2.750%	2.750%
- Inactive Plans	0%	0%	0%	0%	0%
Ramp Up	5	5	5	0	0
Ramp Down	5	5	5	0	0

Inflation	2.50%
Payroll Growth	2.750%
Projected Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.00% (net of pension plan investment and administrative expenses, includes inflation)
Retirement Age	Retirement rates vary by age, service, and formula
Mortality	The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2017 experience study report.

2019		2020		2021	
$	645,301	$	690,964	$	618,175
	(645,301)		(690,964)		(618,175)
$	-	$	-	$	-
$	1,501,528	$	1,488,996	$	1,420,519
	42.98%		46.40%		43.52%

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	2018	2019	2020	2021
Total OPEB Liability				
Service cost	$ 19,623	$ 20,960	$ 16,297	$ 21,653
Interest on the total OPEB liability	33,857	139,866	103,453	112,086
Benefit payments	(76,948)	(102,248)	(86,643)	(87,181)
Net change in total OPEB liability	**(23,468)**	**58,578**	**33,107**	**46,558**
Total OPEB liability - beginning	**1,325,779**	**1,302,311**	**1,360,889**	**1,393,996**
Total OPEB liability - ending	**$ 1,302,311**	**$ 1,360,889**	**$ 1,393,996**	**$ 1,440,554**
Total OPEB Liability	**$ 1,302,311**	**$ 1,360,889**	**$ 1,393,996**	**$ 1,440,554**
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	$ 1,390,335	$ 1,468,293	$ 1,364,272	$ 1,474,325
Total OPEB liability as a percentage of covered-employee payroll	93.67%	92.69%	102.18%	97.71%

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Notes to Schedule: None

Changes in assumptions: None

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 of the
Georgetown Divide Public Utility District
Georgetown, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund of the Georgetown Divide Public Utility 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 December 20, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify the following deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies: 2021-001 and 2021-002

To the Board of Directors of the
Georgetown Divide Public Utility District
Georgetown, California

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 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.*

District's Response to Findings

The District's response to the findings identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lunghard, LLP

Sacramento, California
December 20, 2021

To the Board of Directors of the
Georgetown Divide Public Utility District
Georgetown, California

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Capital Asset Reconciliation

Reference Number: 2021-001

Significant Deficiency

Condition:
During our audit test work, we noted that the District did not properly reconcile assets. Projects were not properly track and capitalized.

Criteria:
Policies and procedures should be in place and operating effectively to provide reasonable assurance that subsidiary ledgers of capital assets and related depreciation are accurately prepared and the transactions thereof are appropriately recorded in the financial statements.

Cause of Condition:
Lack of proper reconciliation and review of Capital Assets by management.

Effect or Potential Effect of Condition:
Errors in capital assets and related depreciation may exist and go undetected by management.

Recommendation:
We recommend that the District reconcile capital asset activity throughout the audit period and establish proper review procedures to ensure that all assets are properly transferred or capitalized so the District's records are complete and correctly stated.

Management's Response and Corrective Action:
This is an ongoing area of focus for the District. The object of the recent accounting system implementation is to migrate tracking and reporting of capital assets to the fixed asset module in order to mitigate future occurrence of errors. As of June 30, 2021 the fixed asset module implementation was pending; expected implementation is June 30, 2022.

Bank Reconciliation Procedures

Reference Number: 2021-002

Significant Deficiency

Condition:
Through our audit procedures over the District's cash balances and bank reconciliation process, LSL noted that the District was not current in their bank reconciliation procedures as of our interim contact. LSL noted that as of our year-end contact, all bank reconciliations relating to fiscal year 2020-21 were now current however various adjusting entries were needed to properly reconcile cash.

Criteria:
Bank reconciliations need to be prepared and reviewed timely to prevent potential misstatements and to detect potential misappropriation of assets.

Cause of Condition:
The cause of the condition resulted from staff turnover and carryover issues from the prior fiscal year.

To the Board of Directors of the
Georgetown Divide Public Utility District
Georgetown, California

Effect or Potential Effect of Condition:
Bank reconciliations that are not completed timely may result in potential unexplained reconciling differences above what audit standards allow us to consider trivial. No known effected resulted from this as of June 30, 2021.

Recommendation:
LSL recommends that the District continue to stay current in their bank reconciliation procedures throughout each fiscal year going forward.

Management's Response and Corrective Action:
During the course of the audit District finance consultants determined some prior year entries and capitalization of assets had not taken place. District consultants made the appropriate correcting entries and notified the auditors of these omissions. A majority of the corrections were related to capital assets and as such the improved procedures noted in 2021-001 will also mitigate errors in this area as well.