

FLORIN COUNTY WATER DISTRICT

Audited Financial Statements

June 30, 2022

FLORIN COUNTY WATER DISTRICT

Audited Financial Statements

June 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Florin County Water District  
Sacramento, California

### **Opinions**

We have audited the accompanying financial statements of Florin County Water District (the District), which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

### **Change in Accounting Principle**

As discussed in Note I to the financial statements, during the year ended June 30, 2022, the District recorded the other postemployment benefit liability as required by GASB No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

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

To the Board of Directors  
Florin County Water District

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 financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 23 and 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 financial statements, and other knowledge

To the Board of Directors  
Florin County Water District

we obtained during our audit of the 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2025, 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 and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

*Richardson & Company, LLP*

February 10, 2025

FLORIN COUNTY WATER DISTRICT

STATEMENT OF NET POSITION

June 30, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets:

Cash and cash equivalents	\$ 6,418,546
Accounts receivable	121,715
Interest receivable	11,273
Other receivables	95,295
Prepaid expenses	31,455
Total Current Assets	<u>6,678,284</u>

Noncurrent Assets:

Capital assets, not being depreciated	18,319
Capital assets, being depreciated	2,800,117
Total Noncurrent Assets	<u>2,818,436</u>

TOTAL ASSETS 9,496,720

DEFERRED OUTFLOWS OF RESOURCES

Pensions	144,979
OPEB	16,724
Total Deferred Outflows Of Resources	<u>161,703</u>

TOTAL ASSETS AND  
DEFERRED OUTFLOWS \$ 9,658,423

FLORIN COUNTY WATER DISTRICT

STATEMENT OF NET POSITION (Continued)

June 30, 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES  
AND NET POSITION

Current Liabilities:

Accounts payable	\$ 46,583
Accrued payroll	44,588
Customer advance payments	23,438
Customer deposits	10,500
Compensated absences	50,870
Total Current Liabilities	<u>175,979</u>

Long-Term Liabilities:

Net pension liability	158,170
Total OPEB liability	994,881
Compensated absences	29,657
Total Long-Term Liabilities	<u>1,182,708</u>

TOTAL LIABILITIES 1,358,687

DEFERRED INFLOWS OF RESOURCES

Pensions	<u>140,949</u>
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NET POSITION

Net investment in capital assets	2,818,436
Unrestricted	<u>5,340,351</u>

TOTAL NET POSITION 8,158,787

TOTAL LIABILITIES, DEFERRED  
INFLOWS AND NET POSITION \$ 9,658,423

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

FLORIN COUNTY WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2022

OPERATING REVENUES	
Water sales	\$ 1,552,969
Hydrant fees	112,058
Other operating revenue	889
TOTAL OPERATING REVENUES	<u>1,665,916</u>
OPERATING EXPENSES	
Pumping	175,454
Water treatment	18,435
Transmission and distribution	188,648
Administrative and general	1,194,211
Depreciation	147,708
TOTAL OPERATING EXPENSES	<u>1,724,456</u>
NET LOSS FROM OPERATIONS	(58,540)
NONOPERATING REVENUES (EXPENSES)	
Investment income	<u>(54,424)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(54,424)</u>
CHANGE IN NET POSITION	(112,964)
Net position, beginning of year, as previously reported	9,191,756
Restatement	<u>(920,005)</u>
Net assets, end of year, as restated	<u>8,271,751</u>
NET POSITION AT END OF YEAR	<u>\$ 8,158,787</u>

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

FLORIN COUNTY WATER DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 1,906,750
Cash payments to suppliers for goods and services	(1,311,839)
Cash payments to employees for services	<u>(729,418)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(134,507)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisitions and construction of capital assets	<u>(16,238)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(16,238)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income received	<u>16,157</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>16,157</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	
	(134,588)
Cash and cash equivalents at beginning of year	<u>6,553,134</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,418,546</u>

FLORIN COUNTY WATER DISTRICT  
STATEMENT OF CASH FLOWS (Continued)

For the Year Ended June 30, 2022

RECONCILIATION OF NET LOSS FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	\$ (58,540)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	147,708
Unrealized investment losses	(77,522)
(Increase) Decrease in:	
Accounts receivable	280,769
Prepaid expense	(3,491)
Deferred outflows for pensions and OPEB	(5,128)
Accounts payable	(34,060)
Claim payable	(325,085)
Customer deposit	(8,400)
Accrued payroll	2,949
Unearned revenue	(31,535)
Compensated absences	21,639
Net pension liability	(256,677)
Net OPEB liability	74,876
Deferred inflows for pensions and OPEB	137,990
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (134,507)</u>

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

FLORIN COUNTY WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Florin County Water District (District) have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Nature of Entity: The Florin County Water District (District) was established in 1959. The District operates under the California Water Code, Division 12, Section 30,000 et. Seq. The District is a separate legal reporting entity operating in Sacramento County. The District provides urban water to approximately 2,213 connections using groundwater pumped from 10 wells. The District's governing body is a Board of Directors comprised of five members with four year staggered terms.

Basis of Presentation: The District's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net position for the enterprise fund represents the amount available for future operations.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Net position is segregated into amounts invested in capital assets, net of related debt, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

The District uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flows. Earned but unbilled water services are accrued as revenue.

Water lines were constructed by private developers and then dedicated to the District, which is then responsible for their future maintenance. Water lines and other infrastructure additions constructed by private developers are recorded as capital revenue in the year deeded to the District.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expense consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

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

Deferred Outflows and Inflows of Resources: In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows and deferred inflows of resources. *Deferred outflows of resources* represent a consumption of net assets by the government that is applicable to a

FLORIN COUNTY WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

future reporting period. *Deferred inflows of resources* represent an acquisition of net assets that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earning process is complete. Deferred outflows and inflows of resources represent amounts deferred related to the District’s pension and OPEB plan as described in Notes E and F.

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

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan’s fiduciary net position have been determined on the same basis as they were reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

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

Cash and Cash Equivalents: For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents held include bank deposits and investments in LAIF.

Capital Assets: Capital assets are recorded at historical cost. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Self-constructed assets are recorded based on the amount of direct labor and materials charged to the asset construction. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Description	Estimated Life
Infrastructure (Wells)	10-30 years
Reservoir and tanks	25-30 years
Pumping equipment	10-25 years
Mains	50 years
Building, structures and improvements	5-30 years
Field equipment and vehicles	5-15 years

FLORIN COUNTY WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Maintenance and repairs are charged to operations when incurred. Costs of assets sold or retired (and the related amounts of accumulated depreciation) are eliminated from the balance sheet in the year of sale or retirement, and the resulting gain or loss is recognized in operations.

Depreciation expense aggregated \$147,708 for the year ended June 30, 2022.

Compensated Absences: The District's policy allows employees to accumulate earned but unused vacation which will be paid to employees upon separation from the District's service. The cost of vacation is recognized in the period earned.

Net Position: Net position is categorized as the net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and any outstanding debt related to the purchase of capital assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The District does not have any restricted net position.

Unrestricted Net Position – This category represents net position of the District not restricted for any project or other purpose.

New Pronouncements: In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. This Statement requires that a liability for certain types of compensated absences, including parental leave, military leave and jury duty leave, not be recognized until the leave commences. Certain salary related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. The provisions of this Statement are effective for years beginning after December 15, 2023.

The District is currently analyzing the impact of the required implementation of this new statement.

FLORIN COUNTY WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2022 consisted of the following:

Deposits with financial institutions		\$ 474,740
	Total cash	474,740
Investments in Local Agency Investment Fund (LAIF)		5,943,806
	Total investments	5,943,806
	Total cash and cash equivalents	\$ 6,418,546

Investment policy: California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. 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) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by the bond trustee 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.

During the year ended June 30, 2022, the District's permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations	5 years	None	None
California Local Agency Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposits	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	None
Money Market Mutual Funds	N/A	20%	10%
LAIF	N/A	\$4 million	None
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
California Local Agency Investment Fund	N/A	None	None
County Pooled Investments	N/A	None	None
Time Deposits	5 years	None	None

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

FLORIN COUNTY WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District generally manages its interest rate risk by investing in the Local Agency Investment Fund (LAIF), which provides the necessary cash flow and liquidity needed for operations.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating agency.

Concentration of Credit Risk: The investment policy of the District limits the amount that can be invested in any one issuer to the amount stipulated by the California Government Code. There are no investments in any one issuer (other than external investment pools) that represent 5% or more of total District investments.

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, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2022, the carrying amount of the District's deposits was \$474,740 and the balances in financial institutions was \$475,476. Of the balances in financial institutions, \$250,000 is covered by federal depository insurance and amounts in excess of this balance are covered by the pledging financial institution with assets held in a common pool for the District and other governmental agencies, but not in the name of the District.

Investment in LAIF: The District is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at amortized cost, which approximates fair value. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, United States Treasury Notes and Bills, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The total fair value amount invested by all public agencies in LAIF as of June 30, 2022 is \$231,570,067,770 managed by the State Treasurer. The Local Investment Advisory Board (the Board) has oversight responsibility for LAIF. The Board consists of five members as designated by the State Statute. At June 30, 2022, these investments matured in an average of 311 days.

FLORIN COUNTY WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 18,319			\$ 18,319
Capital assets being depreciated:				
Land improvements	10,477			10,477
Tanks	30,339			30,339
Pumping equipment	165,671			165,671
Wells	1,543,673			1,543,673
Buildings and structures	221,387			221,387
Mains	3,003,394			3,003,394
Autos and trucks	123,899		\$ (42,988)	80,911
Shop and field equipment	332,733		(15,445)	317,288
Computer hardware and software	30,676	\$ 16,238		46,914
Total capital assets being depreciated	<u>5,462,249</u>	<u>16,238</u>	<u>(58,433)</u>	<u>5,420,054</u>
Less accumulated depreciation				
Land improvements	(10,477)			(10,477)
Tanks	(30,339)			(30,339)
Pumping equipment	(103,063)	(4,655)		(107,718)
Wells	(1,238,681)	(40,571)		(1,279,252)
Buildings and structures	(177,473)	(8,491)		(185,964)
Mains	(705,810)	(56,145)		(761,955)
Autos and trucks	(99,719)	(6,258)	42,988	(62,989)
Shop and field equipment	(134,424)	(28,882)	15,445	(147,861)
Computer hardware and software	(30,676)	(2,706)		(33,382)
Total accumulated depreciation	<u>(2,530,662)</u>	<u>(147,708)</u>	<u>58,433</u>	<u>(2,619,937)</u>
Total capital assets being depreciated, net	<u>2,931,587</u>	<u>(131,470)</u>	<u>-</u>	<u>2,800,117</u>
Total capital assets, net	<u>\$ 2,949,906</u>	<u>\$ (131,470)</u>	<u>\$ -</u>	<u>\$ 2,818,436</u>

NOTE D – LONG-TERM LIABILITIES

The activity of the District's long-term liabilities during the year ended June 30, 2022 was as follows:

	Restated Balance July 1, 2021	Additions	(Reductions)	Balance June 30, 2022	Due Within One Year
Compensated absences	\$ 58,888	\$ 38,593	\$ (16,954)	\$ 80,527	\$ 50,870
Net pension liability	414,847		(256,677)	158,170	
Total OPEB liability	<u>920,005</u>	<u>74,876</u>		<u>994,881</u>	
	<u>\$ 1,393,740</u>	<u>\$ 113,469</u>	<u>\$ (273,631)</u>	<u>\$ 1,233,578</u>	<u>\$ 50,870</u>

FLORIN COUNTY WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE E – PENSION PLANS

Plan Descriptions: All qualified employees are eligible to participate in the District’s cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. The District participates in the Miscellaneous and PEPRA Miscellaneous rate plans.

Benefit provisions under the Plans are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

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 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the following: the 1957 Survivor Benefit or the Optional Settlement 2W Death Benefit. The cost of living adjustments are applied as specified by the Public Employees’ Retirement Law.

The Plan provisions and benefits in effect at June 30, 2022 are summarized as follows:

	Classic Miscellaneous Plan (Prior to January 1, 2013)	PEPRA Miscellaneous Plan (On or after January 1, 2013)
Hire date		
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1% to 2.5%	1.0% to 2.5%
Required employee contribution rates - 2021/22	7.00%	6.750%
Required employer contribution rates - 2021/22	8.65%	7.59%

In addition to the contribution rates above, the District was also required to make payments of \$34,896 towards its unfunded actuarial liability during the year ended June 30, 2022.

The Classic Miscellaneous Plan is closed to new members that are not already CalPERS eligible participants.

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

FLORIN COUNTY WATER DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE E – PENSION PLANS (Continued)

required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The employer contributions for the Plans were \$88,188 for the year ended June 30, 2022.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:  
 As of June 30, 2022, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$158,170.

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability as of June 30, 2022 is measured as of June 30, 2021, 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, 2020 rolled forward to June 30, 2021 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 Plan as of June 30, 2022 was as follows:

Proportion - June 30, 2021	0.00984%
Proportion - June 30, 2022	<u>0.00833%</u>
Change - Decrease	-0.00151%

For the year ended June 30, 2022, the District had pension benefit of \$18,903. The District reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 88,188	
Differences between actual and expected experience	17,737	
Proportionate share of contributions	3,419	\$ (2,875)
Change in employer's proportion	35,635	
Net differences between projected and actual earnings on plan investments		<u>(138,074)</u>
Total	<u>\$ 144,979</u>	<u>\$ (140,949)</u>

The \$88,188 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 following fiscal year. Other amounts reported as net deferred inflows of resources related to pensions at June 30, 2022 will be recognized as pension credit as follows:

FLORIN COUNTY WATER DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE E – PENSION PLANS (Continued)

<u>Fiscal Year Ended June 30</u>	
2023	\$ (6,463)
2024	(14,006)
2025	(25,533)
2026	<u>(38,156)</u>
	<u>\$ (84,158)</u>

Actuarial Assumptions: The total pension liabilities in the actuarial valuations for each of the Plans were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15% (1)
Inflation	2.50%
Salary Increases	Varies by entry age and service
Mortality	Derived using CalPERS Membership Data for all Funds

(1) Net of pension plan investment expenses, including inflation

The mortality table used was developed based on CalPERS-specific data. The table for June 30, 2020 includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015). Further details of the Experience Study can be found on the CalPERS website.

Discount Rate: The discount rates used to measure the total pension liability was 7.15% as of June 30, 2022. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rate is appropriate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected

FLORIN COUNTY WATER DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE E – PENSION PLANS (Continued)

nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects the long-term expected real rate of return by asset class for the Plan as of the measurement dates of June 30. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.0%	4.80%	5.98%
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%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.00% used for this period.

(b) 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 Plans, calculated using the discount rate for the Plans, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>2022</u>
1% Decrease	6.15%
Net Pension Liability	\$ 465,521
Current Discount Rate	7.15%
Net Pension Liability	\$ 158,170
1% Increase	8.15%
Net Pension Liability	\$ (95,913)

Pension Plan Fiduciary Net Position: Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

FLORIN COUNTY WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE F – OTHER POST-EMPLOYMENT BENEFITS

Plan Description: The District’s defined benefit OPEB plan (OPEB Plan) provides OPEB benefits for all retirees. For District employees to be eligible for these benefits, the employee must retire from the District with a minimum of five years in the PERS retirement system. The OPEB Plan is a single employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Benefits Provided: The OPEB Plan provides healthcare and insurance benefits to all permanent full-time employees and eligible part-time employees who retire directly from the District. Employees who retire under CalPERS with at least 5 years of District Service are eligible for benefits upon retiring. Employees hired prior to 2012 must be at least 60 years old; employees hired after 2011 must be at least age 62. The District pays the full monthly medical premium for the life of the retired employee and surviving dependent spouse.

Employees Covered by Benefit Terms: As of the June 30, 2022 actuarial valuation, the following current and former employees were covered by the benefit terms:

Active employees	10
Inactive employees or beneficiaries currently receiving benefit payments	<u>3</u>
Total	<u><u>13</u></u>

Total OPEB Liability: The District's total OPEB liability was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial assumptions:	
Inflation	2.75%
Salary increases	3.00% annually
Discount rate	2.18%
Mortality rate	Derived using CalPERS Membership Data
Pre-retirement turnover	Derived using CalPERS Membership Data
Healthcare trend rate	5.00%

The discount rate was based on the anticipated long-term yield on a 20-year municipal bond index.

Mortality information was based on the CalPERS Experience Study dated 2021 Tables based on the results from an actuarial experience study report. The experience study report may be accessed on the CALPERS website at <https://www.calpers.ca.gov>.

FLORIN COUNTY WATER DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE F – OTHER POST-EMPLOYMENT BENEFITS (Continued)

Changes in the Total OPEB Liability: The change in the total OPEB liability for the plan is as follows:

	Increase (Decrease)
	Total OPEB Liability
Balance at June 30, 2021	\$ 939,318
Changes in the year:	
Service cost	54,610
Interest	20,267
Benefit payments	(19,314)
Net changes	55,563
Balance at June 30, 2022 (measurement date June 30, 2021)	\$ 994,881

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 1.18%	Current Discount Rate 2.18%	1% Increase 3.18%
Total OPEB liability	\$ 1,206,644	\$ 994,881	\$ 829,806

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease 4%	Current Healthcare Cost Trend Rates 5%	1% Increase 6%
Total OPEB liability	\$ 812,905	\$ 994,881	\$ 1,237,819

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: For the year ended June 30, 2022, the District recognized OPEB expense of \$74,877. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

FLORIN COUNTY WATER DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE F – OTHER POST-EMPLOYMENT BENEFITS (Continued)

	Deferred Outflows of Resources
Contributions subsequent to measurement date	\$ 16,724

Payable to the OPEB Plan: At June 30, 2022, the District had no contributions payable to the Plan.

NOTE G – INSURANCE

The District participates in the California Rural Water Risk Management Authority (CRWRMA), a public entity risk pool of California water agencies, for general and auto liability, public official’s liability, property damage, crime and cyber liability. CRWRMA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained.

The District’s coverage is as follows:

Coverage	Pool Coverage	Deductible
General and Property Liability	\$ 10,000,000	
Public officials liability	\$ 10,000,000	
Crime Coverage	\$ 25,000	\$ 250
Covered Auto Liability	\$ 1,000,000	
Cyber Liability	\$ 100,000	

The District continues to carry commercial insurance for all other risks of loss to cover all claims for risk of loss to which the District is exposed. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past fiscal years.

NOTE H – CONTINGENCIES

The Sacramento County Grand Jury issued a report in June 2024 that cited concerns about the District’s operational safety and management practices. The District is working toward addressing these concerns. The resources needed to address these concerns cannot be estimated at this time.

NOTE I – ECONOMIC-DEPENDENCY

The District provides water service for two customers that make up a significant portion of total operating revenues. The Pepsi Bottling Group water sales make up 15.49% of total operating revenue and Mission Linen Supply water sales make up 4.96%.

Because Pepsi and Mission Linen Supply account for a significant portion of the District’s revenue, the loss of these users would result in a substantial reduction in revenues.

FLORIN COUNTY WATER DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE J – RESTATEMENT

During the year ended June 30, 2022, the District adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement required the District to recognize in its financial statements the total OPEB liability for the District’s OPEB plan. Due to implementation of this Statement, an OPEB liability was recorded of \$920,005, which decreased net position as of July 1, 2021. As a result of the prior period adjustment, the net position reported on the statement of revenues and expenditures as of July 1, 2021 has been restated as follows:

Net position as of June 30, 2021,	
as previously reported	\$ 9,191,756
Change in accounting principal for adoption	
of GASB Statement No. 75	<u>(920,005)</u>
Total Restatement	<u>(920,005)</u>
Net position balance as of	
July 1, 2021 as restated	<u><u>\$ 8,271,751</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION**

FLORIN COUNTY WATER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2022

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY (UNAUDITED)  
Last 10 Years**

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.00833%	0.00984%	0.00927%	0.00876%	0.00858%	0.00815%	0.00736%	0.00966%
Proportionate share of the net pension liability	\$ 158,170	\$ 414,847	\$ 371,294	\$ 330,148	\$ 338,209	\$ 283,289	\$ 201,974	\$ 238,716
Covered payroll - measurement period	\$ 648,857	\$ 629,522	\$ 594,184	\$ 623,400	\$ 537,624	\$ 537,851	\$ 487,021	\$ 314,979
Proportionate share of the net pension liability as a percentage of covered payroll	24.38%	65.90%	62.49%	52.96%	62.91%	52.67%	41.47%	75.79%
Plan fiduciary net position as a percentage of the total pension liability	90.49%	78.19%	78.68%	79.22%	77.29%	83.01%	87.34%	82.05%
Notes to Schedule:								
Valuation date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact.

Changes in assumptions: The discount rate was changed from 7.50% in 2015 to 7.65% in 2016 and 2017 and to 7.15% in 2018.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN (UNAUDITED)  
Last 10 Years**

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 88,188	\$ 81,713	\$ 76,614	\$ 64,942	\$ 55,672	\$ 46,162	\$ 42,760	\$ 37,223
Contributions in relation to the actuarially determined contributions	(88,188)	(81,713)	(76,614)	(64,942)	(55,672)	(46,162)	(42,760)	(37,223)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll - fiscal year	\$ 648,857	\$ 629,522	\$ 594,184	\$ 623,400	\$ 537,624	\$ 537,851	\$ 487,021	\$ 314,979
Contributions as a percentage of covered payroll	13.59%	12.98%	12.89%	10.42%	10.36%	8.58%	8.78%	11.82%
Notes to Schedule:								
Valuation date:	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates:

	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
Valuation cost method					Entry age normal			
Amortization method					Level percentage of payroll, closed			
Remaining amortization period					Varies, not more than 30 years			
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
Inflation	2.50%	2.50%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases				Varies by entry age and service				
Payroll growth	2.75%	2.75%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return (1)	7.00%	7.00%	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%
Retirement age	(4)	(3)	(3)	(3)	(3)	(2)	(2)	(2)

Notes to Schedule:

(1) Net of administrative expenses, includes inflation.

(2) Probabilities of retirement and mortality are based on CalPERS' 2010 Experience Study for the period from 1997 to 2007.

(3) Probabilities of retirement and mortality are based on CalPERS' 2014 Experience Study for the period from 1997 to 2011.

(4) Probabilities of retirement and mortality are based on CalPERS' 2017 Experience Study for the period from 1997 to 2015.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015, thus information prior to this date was not presented.

FLORIN COUNTY WATER DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2022

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)**

	2022
Total OPEB liability:	
Service cost	\$ 54,610
Interest	20,267
Benefit payments	(19,314)
Net change in total OPEB liability	55,563
Total OPEB liability - beginning	939,318
Total OPEB liability - ending (a)	\$ 994,881
Covered-employee payroll - measurement period	\$ 733,084
Total OPEB liability as percentage of covered-employee payroll	135.71%
Notes to schedule:	
Valuation date	June 30, 2022
Measurement period - fiscal year ended	June 30, 2021
Discount rate	2.18%

Benefit changes. None.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2022. No information was available prior to this date as no previous actuarial valuations were performed. Information will be added prospectively as it becomes available until 10 years are reported.

**COMPLIANCE REPORTS**



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INDEPENDENT AUDITOR'S 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  
Florin County Water District  
Sacramento, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Florin County Water District Sacramento, California (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 10, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, 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.

Our consideration of internal control was for the limited purpose described in the preceding 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 have not been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be a material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings as items 2022-001 and 2022-002 to be a material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings as items 2022-003 and 2022-004 to be significant deficiencies.

To the Board of Directors  
Florin County Water District

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2022-004.

Florin County Water District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings. The District's response 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.

*Richardson & Company, LLP*

February 10, 2025

FLORIN COUNTY WATER DISTRICT

SCHEDULE OF FINDINGS

For the Year Ended June 30, 2022

Finding 2022-001 – Audited Financial Statements not filed within one year after Fiscal Year – Material Weakness

**Condition:** For the June 30, 2018, 2019, 2020, 2021, and 2022 fiscal year audits, we noted the District did not issue these financial statements within one year after the fiscal year end.

**Criteria:** Government Code Section 26909 requires the audited financial statements to be filed within one year after fiscal year end.

**Cause:** The District has limited staff to prepare for the audit.

**Effect:** The lack of timely filing of the audited financial statements could result in the inability of citizens, management and the Board of Directors to review and keep current with the financial condition of the District, and could delay detection of potential malfeasance in a timely manner.

**Recommendation:** We recommend the District prepare for and perform the audit soon after fiscal year end to ensure the audit is completed by the State-mandated deadline.

**District's Response:** The District has contracted with an independent contractor, Robert Merritt, CPA, to review accounting operations and prepare end-of-year accounting statements. The District has contracted with an independent auditing firm, Richardson & Company, LLP, to perform end-of-year audits for 2022 and ensuing years. 2025-2026 and future budgets will include budgeted funds for end-of-year audits. In addition, the District has adopted an audit policy.

Finding 2022-002 – Accounts Receivable Reconciliation – Material Weakness

**Condition:** Due to the transition to a new billing system during the year, the District was not able to generate an accurate listing of unpaid customer balances and customer overpayments. In addition, we compared revenue amounts in the billing system to revenue recorded in the general ledger and noted revenue in the general ledger was higher than the amounts in the billing registers by \$89,391. It appears the District does not have procedures in place to reconcile the amounts in the billing system to the general ledger, including the accounts receivable aging report.

**Criteria:** The subsidiary system for billing should support the balances in the general ledger.

**Cause:** The District has limited staff and were not aware that the billing system needed to be reconciled to the general ledger.

**Effect:** An increased risk that a material misstatement of the financial statements could occur due to fraud or error and not be detected or corrected timely.

**Recommendation:** The District needs to ensure that it works with its software company to determine how an accurate receivable report can be generated. This report needs to be compared to the general ledger on a monthly basis by someone independent of the billing and payment processing. The District also needs to determine why the billing system report used to prepare the journal entries does not match the billing register. In addition, management should review the aging report on a monthly basis for indications of collectability issues.

**District's Response:** The District is working with Muni-Linklink (software system used for billing customers) to develop a methodology to balance the firm's software system with the District's accounting system (QuickBooks).

FLORIN COUNTY WATER DISTRICT  
SCHEDULE OF FINDINGS (CONTINUED)

For the Year Ended June 30, 2022

Finding 2022-003 – Segregation of Duties – Significant Deficiency

**Condition:** The design and implementation of internal controls is crucial to the effective operation of the District and for accurate financial reporting. If proper separation of duties cannot be accomplished, then maintaining an effective review and oversight function are important to establishing an effective internal control system. Due to the small staff size, it is difficult to achieve a proper segregation of duties. The following areas were noted:

- The Office Manager has the ability to set up new employees in the payroll system, process payroll and make adjustments to payroll accounts in the general ledger. If it is not possible to segregate these duties, then the payroll registers should be reviewed by the General Manager or someone that does not have access to the payroll system.
- The Billing Specialist generates the bills, processes customer payments, records payments in the general ledger, and writes off customer accounts, with no review of work performed. Cash handling and recording functions should be separated to reduce the risk of fraud, and if duties cannot be segregated, then work performed should be reviewed to reduce the risk of error or fraud. Someone independent of the billing system should reconcile the billing system to the general ledger. In addition, documentation of billing adjustments should be retained and initialed by the General Manager to document approval.
- We noted that a customer was charged for water usage above the minimum level at a rate from 2015 instead of the rate schedule in effect in fiscal year 2021/2022. The District needs to have review procedures in place whereby someone independent of the billing function reviews customer rates to the rate schedule approved by the Board.
- We noted that after checks are signed, they are returned to the Office Manager that generates the check. To ensure proper segregation of duties, these checks should be returned to someone that does not have access to the accounts payable module in the accounting system.
- Adjustments and write-offs to customer accounts are done by the Billing Specialist. However, there is no written policy establishing limits for write-offs to be made by the Office Manager or General Manager and levels at which write-offs need to be approved by the Board. A policy should be developed to place an authorization limit on write-offs and adjustments for the Office Manager that requires large adjustments to be approved by the General Manager and/or the Board. A record of adjustments should be maintained and initialed to document approval.
- Bank reconciliations are being performed, but are not being reviewed. The bank reconciliations should be reviewed by someone not having access to the general ledger. This review should be documented by initials and date on the reconciliation to show the review is done timely.

**Criteria:** Internal controls over financial reporting should be in place to ensure the District has the ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements and to properly reduce the risk of fraud by establishing proper separation of duties and review functions.

**Cause:** The District has limited staff to ensure adequate segregation of duties and has not put in place reviews to mitigate the risk of the lack of segregation of duties.

**Effect:** An increased risk that a material misstatement of the financial statements could occur due to fraud or error and not be detected or corrected timely.

FLORIN COUNTY WATER DISTRICT  
SCHEDULE OF FINDINGS (CONTINUED)

For the Year Ended June 30, 2022

**Recommendation:** We recommend that the District develop internal control procedures to create a responsible structure for accurate financial reporting and proper separation of duties. Procedures should be in place to prepare the required reconciliations at year-end and throughout the year. Policies and procedures should be developed to ensure proper separation of duties and oversight.

**District's Response:** The District has adopted a detailed policy for payroll processing that lists out roles and responsibilities for authorization of payroll, preparing payroll, receiving and approving payroll, distributing paychecks or direct deposits, recording payroll transactions, reconciling payroll accounts and monitoring oversight, to ensure duties are properly segregated.

The District has adopted detailed Standard Operating Procedure for handling cash, checks, and credit card payments and policies for proper segregation of duties, a policy for adjusting and writing of billing, handling of checks, adjusting or writing off of a customer accounts and bank reconciliations.

Finding 2022-004 – Lack of Financial and Accounting Polices and Procedures – Significant Deficiency

**Condition:** During our audit we noted the District did not have written policies or a financial and accounting manual that included internal control procedures. The District also has no formal centralized personnel policies. This finding was noted in prior year audits.

**Criteria:** The lack of polices puts the integrity of the District governance into question. In addition, the Government Code requires an investment policy be in place.

**Cause:** Lack of knowledge and understanding on how to establish policies.

**Effect:** Management has the possibility to override controls due to the lack of policies needed to follow.

**Recommendation:** The Board is responsible for establishing policies and procedures for the District and District management is responsible for adhering to these policies. The District should create high-level policies that are approved by the Board and also the financial and accounting procedures that demonstrate how transactions are processed from beginning to end. We understand the District has developed a draft of the policies for Board review. Detailed procedure manuals still need to be developed.

**District's Response:** The District has adopted the internal control policy for processing financial and accounting transactions. In addition, the Board of Directors has established a comprehensive Policy and Procedures handbook that covers the financial and operational operations of the District.

FLORIN COUNTY WATER DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2022

**Significant Deficiencies, Considered Material Weaknesses**

**FS 2018 to 2021-001:** During the fiscal year ending June 30, 2018 the District was required to implement GASB statement 74/75 for the Other Post-Employment Benefits (OPEB). The District offers retirees an OPEB for post-retirement health care. The District did not have an actuary prepare the valuation report for the Districts OPEB and a funding policy was also not adopted. Because the District did not implement the provisions of GASB 74/75 these financial statements are not presented in accordance with generally accepted accounting principles and as a result the auditor's report is modified to reflect this deficiency.

**Recommendation:** The prior auditor recommended the District obtain an actuary report for the OPEB and establish a policy for funding the OPEB.

**Current Status:** An OPEB valuation was obtained and is reflected in the June 30, 2022 financial statements.

**District's Response:** The District has contracted with North Bay Pensions, LLC for GASB 75 actuarial valuations. GASB Statement 75 was prepared by the firm for fiscal year 2022 and 2023. North Bay Pensions, LLC has been contracted to prepare GASB Statement 75 actuary report for fiscal year 2024. On October 30 2023, a representative from CALPER made a presentation to the District on OPEB Prefunding Program. The District has its funds deposited with LAIF.

**FS 2018 to 2021-002:** During the prior year audit of the 2017-18 fiscal year, the prior auditor noted the Board of Directors approved up to a 10% pay increase for staff at the July 10, 2017 Board meeting as part of the budget approval. Starting in July 2017, the prior auditor noted 2 full-time employees where a 10% pay increase would have been \$3.11 per hour, however they received an increase of \$8.84 per hour, which was \$5.74 per hour more than expected. The prior auditor noted another employee where the expected increase was an increase of \$1.25 per hour, however they received an increase of \$3.26 per hour, or \$2.01 more than expected. The prior auditor also noted that part time staff were not given a pay increase in July 2017.

Furthermore the prior auditor noted that starting with the January 14, 2018 pay period the District gave another pay increase. The prior auditor was informed that this increase was based on a salary study using Sacramento County salaries as a basis for the new pay rates. The District was unable to provide us with a copy of the pay study, and there was no evidence that the Board of Directors reviewed and approved the salary study, or the pay rate increase. Per review of the new job descriptions that included the salary range, the prior auditor noted the General Manager did not sign and date his agreement and it was not signed by a member of the Board of Directors. The prior auditor noted the Office Manager was the only employee to sign their agreement, and the other agreements were signed by the employee and management. The prior auditor noted these agreements were dated between June 5, 2017 and July 3, 2017. The prior auditor also did not observe a personnel action form in the employee file that indicated the reason for the pay increase and the new pay rate.

As a result of the January 14, 2018 pay increase, the prior auditor noted the General Managers salary was \$11.34 per hour higher than the 10% increase approved by the Board on July 10, 2017, the Office Managers salary was \$11.03 per hour higher than the 10% increase approved by the Board on July 10, 2017, the Superintendents salary was \$11.03 per hour higher than the 10% increase approved by the Board on July 10, 2017 and other employee salaries ranged from \$1.70 to \$7.45 per hour higher than the 10% increase approved by the Board on July 10, 2017. The prior auditor noted one part-time employee where the pay rate did not change.

FLORIN COUNTY WATER DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

For the Year Ended June 30, 2022

During the 2018-19 fiscal year audit, the prior auditor noted no additional raises or COLAS given to full-time employees.

During the 2019-20 fiscal year audit, the pay scale provided to the prior auditor by District staff indicated a 3% COLA, however, the prior auditor did not see Board approval for this pay increase. The actual increase for full time employees was 6.38% from the pay rates in effect as of June 30, 2019. The pay rates in effect at June 30, 2019 may also have been overstated as a result of conditions from the 2017/18 fiscal year noted above.

During the 2020-21 fiscal year the pay scale indicated a 3% COLA, which was approved by the Board of directors as indicated in the August 10, 2020 minutes. The prior auditor calculated there was a 3% increase in pay from the pay rates in effect as of June 30, 2020. The pay rates in effect at June 30, 2020 may have been overstated as a result of the conditions noted above in the 2017-18 fiscal year and the 2019-20 fiscal year.

**Recommendation:** The prior auditor recommended the Board of Directors review the irregularities involving pay rate activity for the 2017/18 fiscal year and the unauthorized 6.38% increase in the 2019/20 fiscal year. If it is determined that unauthorized pay increases were given during the 2017/18 and 2019/20 fiscal years, the District should consult with legal counsel and determine how to remedy the overpayments, and if disciplinary action is required. The District will also need to consider the effects on CalPERS pension plan contributions and determine if pension spiking occurred.

The prior auditor also recommended the Board of Directors review pay rates during the budget process and include the Board authorized pay rates in the budget. The prior auditor recommended preparing and retaining a personnel action form in the employee file each time there is a change in pay rates along with a reason for the change in pay. The personnel action form should be signed by the employee and management. The general manager personnel action form and/or employment agreement should be signed by the general manager and a Board Member.

**Current Status:** We noted the General Manager's base pay was consistent with the employment agreement, which was not signed by a Board member. However, the General Manager was also receiving overtime pay, which is not customary for general managers, since they are typically considered exempt employees.

**District's Response:** The former General Manager conducted a compensation study in 2017 (available in the District office). All staff were evaluated and, based on the study that was conducted, salary increases were given all employees as warranted. The salaries of employees have been included in the annual budget and the budgets have been annually approved by the Board for the last eight years. According to the California Department of Finance publication intitled "Understanding Expenditure Authority," the authorization to make an expenditure is usually through a budget act appropriation, the provisional language or other chartered legislation. All expenditure authority regardless of how authorized, is documented in the budget process. It is apparent in the audit that the auditor did not do sufficient research to obtain this information. The District has included personnel positions and total salary requirements in the last three annual budgets and will include position salary data in future budgets. Signed by the individual employee and the General Manager Personnel action forms indicating pay changes will be included in each personnel folder. The District contracted with Bryce Consulting for a total compensation study. The study draft was submitted in March 2024, based on Board members input the study was amended to reflect 35-hour work weeks the final study was submitted April 9, 2024. This study reflects that employees are currently underpaid the 2024/2025 budget approved by the Board of Directors reflects

FLORIN COUNTY WATER DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

For the Year Ended June 30, 2022

approval of the rate study for compensation at the 40<sup>th</sup> percentile, if water rates are raised sufficiently to fund the increase.

**FS 2018 to 2021-003:** During the prior auditor's testing of material disbursements, they noted the payments made to Pacific Coast Construction Svc. Inc. for the rental of a bore hole machine were not supported by invoices and there was no rental agreement. Furthermore there was no W-9 obtained from the contractor and there was no 1099 issued as required by IRS rules. The amount paid to this vendor was approximately \$9,000 per month and during the 2017/18 and 2018/19 fiscal years exceeded \$100,000.

During the 2019-20 fiscal year, on September 13, 2019 the District purchased the bore hole machine from Pacific Coast Construction for \$67,500 and stopped paying the \$9,000 per month.

**Recommendation:** The prior auditor recommended obtaining a written rental agreement from vendors for this type of arrangement. The agreement should be reviewed by the District's attorney to protect the District from any unforeseen legal issues involving use of a third party equipment. The prior auditor also recommended requiring the vendor to submit an invoice to support each payment. The District should obtain a W-9 and issue a 1099 to the vendor. Furthermore, the District should consult with their outside CPA to determine if there are any other vendors not issued a 1099, but who are required to receive a 1099.

**Current Status:** This item is still pending.

**District's Response:** The District agrees to submit long-term review by the legal staff prior to entering into the agreement for the rent of 3<sup>rd</sup> party equipment. An invoice will be required for each payment. In addition, W-9 forms will be required of all vendors that will require a Form 1099. Form 1099 was issued for the fiscal year to all vendors receiving \$600 or more in the fiscal year. The requirement for individual vendors to submit a W-9 and for the District to submit 1099 was reviewed by a Board member who has an accounting degree and an MBA.

**FS 2018 to 2021-004:** For the June 30, 2018, 2019, 2020 and 2021 fiscal year audits, the prior auditor noted the District did not issue these financial statement within one year after the fiscal year end. Government Code Section 26909 requires the audited financial statements to be filed within one year after fiscal year end. The lack of timely filing the audited financial statements could result in the inability of citizens, management and the Board of Directors to review and keep current with the financial condition of the District, and could delay detection of potential malfeasance in a timely manner.

**Recommendation:** The prior auditor recommended the District prepare for and perform the audit soon after fiscal year end to ensure the audit is completed by the State mandated deadline.

**Current Status:** This error was not corrected in the current year. See current year finding 2022-001 for the continuation of this finding.

**District's Response:** The District has a contract with Robert Merritt, CPA for accounting support for end-of-year statements. The statement for fiscal year 2022 has been received. An end-of-year statement for fiscal year 2023 is currently being prepared by Mr. Merritt. The District has contracted with Richardson & Company, LLP for audits of both fiscal years. The audit for fiscal year 2022 began on September 30, 2024.

FLORIN COUNTY WATER DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

For the Year Ended June 30, 2022

**Significant Deficiencies**

**FS 2018 to 2021-005:** The prior auditor noted the District had a lack of segregation of duties, as one person is capable of handling all aspects of processing transactions from beginning to end. A lack of segregation of duties increases the risk of potential errors or irregularities; however, due to a limited number of personnel an adequate segregation of duties is not possible without incurring additional costs. The prior auditor had also noted this comment in previous audits.

**Recommendation:** The District should attempt to segregate accounting functions to the greatest extent possible. The Board of Directors also plays a vital oversight role in reviewing and authorizing accounting transactions such as billing adjustments, cash disbursements, cash transfers, account write-offs, payroll and monthly bank reconciliations.

**Current Status:** This error was not corrected in the current year. See current year finding 2022-003 for the continuation of this finding.

**District's Response:** The District staff has prepared office Standard Operating Procedures (SOP) to address this finding.

**FS 2018 to 2021-006:** The prior auditor noted the District did not have a written financial and accounting policy/manual that included internal control procedures. The District also has no formal centralized personnel policies.

**Recommendation:** The Board is responsible for establishing policies and procedures for the District and District management is responsible for adhering to these policies. By not establishing and following policies and procedures the integrity of the District governance comes into question. The District should create the financial and accounting policies that demonstrate how transactions are processed from beginning to end. The policy should include the processes for internal controls that are designed to provide reasonable assurance that objectives related to effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations are met. This also should include documenting controls over processing transactions, authorizing transactions and for maintaining and safeguarding assets. Furthermore the District should ratify existing personnel policies and consider purchasing the California Special District Association personnel policy module to assist in creating the District personnel policy manual.

**Current Status:** This error was not corrected in the current year. See current year finding 2022-004 for the continuation of this finding.

**District's Response:** A template of an employee handbook was provided by Kronick, Moskovitz, Tiedemann & Girard, the District's legal counsel. This template has been extensively reviewed by members of the Board of Directors and the general public. The District has approved contracting with Palmer Kazanjian Wohl Hodson, LLP for legal review of the employee handbook before adopting. The District has adopted several operational policies that have been reviewed by Kronick, Moskovitz, Tiedemann & Girard to assure that they meet legal requirements. It is the District's intention to obtain further templates for operational and accounting policies.

**FS 2018 to 2021-007:** During our testing of other receivables we noted an outstanding charge of \$48,608 on the books as of June 30, 2019 for installation of a new fire line that included District labor, materials, testing of equipment and County permit. The customer paid ½ of the \$97,216 charges, but still owed the other 1/2. The prior auditor did not observe that a lien had been filed on the property or that other collection procedures had taken place.

FLORIN COUNTY WATER DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

For the Year Ended June 30, 2022

**Recommendation:** The prior auditor recommended the District take action to collect the amount due from the customer. This could include filing a lien on the property and/or putting the amount due on the property tax roll, if qualified. The District should also review if penalties and interest should be assessed on the delinquent charges and add those to the amount due.

**Current Status:** This amount was no longer recorded as accounts receivable at June 30, 2022.

**District's Response:** The account in question was fully paid on October 5, 2022.

**FS 2018 to 2021-008:** During review of the bank account the prior auditor noted the bank balance at June 30, 2019 was \$801,385, at June 30, 2020 was \$1,484,607 and at June 30, 2021 was \$1,250,041.

The prior auditor also noted the District did not have a current investment policy and a current conflict of interest policy. These policies are required to be reviewed and ratified bi-annually.

**Recommendation:** As part of cash management the District should review at what level to keep the operating bank account. The remainder should be deposited with the interest bearing LAIF investment account. We also recommend the District adopt the investment policy and conflict of interest policy biannually.

**Current Status:** The District established a LAIF account during the year ended June 30, 2022. However, the District does not have an investment policy as required by the government code.

**District's Response:** The District investment policy is to invest funds not required for current operations with LAIF. The decision on the investment of funds will be made in conjunction with the Budget approval in future years. The District is not aware of a conflict of interest concerning District funds. Each disbursement is approved and must be signed by two members of the Board prior to disbursement being made.