

PINYON PINES COUNTY WATER DISTRICT
FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT THERON
June 30, 2019 and 2018

PINYON PINES COUNTY WATER DISTRICT

Board of Directors

<u>NAME</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
JEFFREY CROWE	PRESIDENT	DECEMBER 2021
DAVID PICKARD	VICE PRESIDENT	DECEMBER 2021
JAMES MALOON	DIRECTOR	DECEMBER 2019
ROBERT FLYNN	DIRECTOR	DECEMBER 2019
RAMONE DEELY	DIRECTOR	DECEMBER 2019

THOMAS E. HUSS
CHRISTY HUSS

GENERAL MANAGER
SECRETARY-TREASURER

PINYON PINES COUNTY WATER DISTRICT

June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pinyon Pines County Water District
Mountain Center, California

Report on the Financial Statements

We have audited the accompanying financial statements of Pinyon Pines County Water District (the District), which comprise the balance sheet as of June 30, 2019 and 2018, and the related statements of revenues, expenses, changes in net position, and cash flows for the years then ended and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain and audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Board of Directors
Pinyon Pines County Water District
Mountain Center, California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2019 and 2018, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 3 through 7 and budgetary comparison information on pages 18 through 19 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 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.

Fechter & Company,
Certified Public Accountants



Sacramento California
May 5, 2020

PINYON PINES COUNTY WATER DISTRICT

Management Discussion and Analysis

June 30, 2019 and 2018

DESCRIPTION AND SCOPE OF PINYON PINES COUNTY WATER DISTRICT

The Pinyon Pines County Water District was formed on April 22, 1969. The District was created for the purpose of providing a domestic water supply in the Pinyon Pines area of Southern California. The District office and records are located at 63500 Pozo, Mountain Center, California and covers an area of approximately 320 acres with 80 connections. It also provides water to two U.S. Forest Service (USFS) campgrounds (Pinyon Flats and Ribbonwood Equestrian campgrounds) as well as to Riverside County Fire Department Station #30. Its water source is exclusively groundwater. The District is governed by a five-member Board of Directors who serve overlapping four-year terms.

The District's sole source is a horizontal well drilled 85 feet into an underground source of water. This well is located south of Pinyon Pines at the 6200-foot elevation 2000 feet above the community in the Santa Rosa Mountains. The USFS owns the land around these wells and restricts any activity that could contaminate them.

DESCRIPTION OF BASIC FINANCIAL STATEMENTS

The District operates as a utility enterprise fund. The governing body provides service to the general public on a continuing basis and recovers costs through a system of user fees. The District prepares financial statements using the accrual basis of accounting. Required financial statements included in this report are a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows. Additional statements and notes to the financial statements are provided to explain some of the information in the financial statements and provide more detailed data.

CONDENSED FINANCIAL INFORMATION

The following condensed financial information provides an overview of the Pinyon Pines County Water District's financial activities for the fiscal years ended June 30, 2019 and 2018.

STATEMENT OF NET POSITION

Net position, the difference between assets and liabilities, decreased from \$49,859 at June 30, 2018, to \$43,164 at June 30, 2019. This represents a 13.43 percent decrease, or \$6,695. The change for the 2018 fiscal year was a 17.77 percent decrease or \$10,778, from \$60,637 at June 30, 2017.

PINYON PINES COUNTY WATER DISTRICT

Management Discussion and Analysis

June 30, 2019 and 2018

STATEMENT OF NET POSITION (continued)

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>% Change</u>	<u>% Change</u>
Assets					
Capital assets, net	\$16,205	\$20,765	\$25,325	-21.96%	-18.01%
Current assets	33,482	32,904	39,296	1.76%	-16.27%
Total assets	<u>\$49,687</u>	<u>\$53,669</u>	<u>\$64,621</u>	-7.42%	-16.95%
Liabilities					
Current liabilities	<u>\$6,523</u>	<u>\$3,810</u>	<u>\$3,984</u>	71.21%	-4.37%
Total liabilities	<u>\$6,523</u>	<u>\$3,810</u>	<u>\$3,984</u>	71.21%	-4.37%
Net Assets					
Invested in capital assets, net of related debt	\$16,205	\$20,765	\$25,325	-21.96%	-18.01%
Unrestricted	26,959	29,094	35,312	-7.34%	-17.61%
Total net position	<u>\$43,164</u>	<u>\$49,859</u>	<u>\$60,637</u>	-13.43%	-17.77%

CAPITAL ASSETS, NET

Capital assets, net decreased \$4,560 in accumulated depreciation in fiscal year 2018 and 2019.

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Change</u>	<u>Change</u>
Land	\$ 1,800	\$ 1,800	\$ 1,800	\$ -	\$ -
Transmission and distribution- tanks and reservoir	-	-	-	-	-
Transmission and distribution- mains and pipeline	14,405	18,965	23,525	(4,560)	(4,560)
Office equipment	-	-	-	-	-
Automobiles	-	-	-	-	-
Capital assets, net	<u>\$ 16,205</u>	<u>\$ 20,765</u>	<u>\$ 25,325</u>	<u>(4,560)</u>	<u>(4,560)</u>

CURRENT ASSETS

Current assets increased \$578 in fiscal year 2019 and decreased \$6,392 in fiscal year 2018. The following list presents a summary of current assets at June 30, 2019 and 2018 and changes from June 30, 2018 and 2017, respectively.

PINYON PINES COUNTY WATER DISTRICT

Management Discussion and Analysis

June 30, 2019 and 2018

CURRENT ASSETS (continued)

Description	June 30, 2019	June 30, 2018	June 30, 2017	Change	Change
Current assets- cash	\$ 22,947	\$ 19,998	\$ 20,186	\$ 2,949	\$ (188)
Accounts receivable- water	6,554	7,562	7,128	(1,008)	434
Accounts receivable- assessments	-	-	1,405	-	(1,405)
Materials and supplies inventory	-	-	5,203	-	(5,203)
Prepaid expenses	3,981	5,344	5,374	(1,363)	(30)
Totals	\$ 33,482	\$ 32,904	\$ 39,296	\$ 578	\$ (6,392)

NET POSITION

Invested in Capital Assets, Net of Related Debt:

Decreased of \$4,560 in the years ended June 30, 2019 and 2018 reflecting an increases in accumulated depreciation.

Unrestricted Net Position:

Decreased of \$2,135, or 7.34 percent, from June 30, 2018. Unrestricted Net Position consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The change in net position for fiscal year 2019 and 2018 was (\$6,695) and (\$10,778) respectively.

Description	June 30, 2019	June 30, 2018	June 30, 2017	Change	Change
Total operating revenues	\$ 49,819	\$ 51,902	\$ 44,483	\$ (2,083)	\$ 7,419
Total operating expenses before					
depreciation	(57,705)	(64,690)	(45,176)	6,985	(19,514)
Operating loss before depreciation	(7,886)	(12,788)	(693)	4,902	(12,095)
Depreciation	(4,560)	(4,560)	(3,197)	-	(1,363)
Operating loss	(12,446)	(17,348)	(3,890)	4,902	(13,458)
Non-operating revenues, net*	5,751	6,570	5,445	(819)	1,125
Increase/decrease in net position	(6,695)	(10,778)	1,555	4,083	(12,333)
Beginning net position	49,859	60,637	59,082	(10,778)	1,555
Ending net position	\$ 43,164	\$ 49,859	\$ 60,637	\$ (6,695)	\$ (10,778)

* Non-operating revenues included \$5,892, \$6,760 and 6,154 of tax assessments in 2019, 2018, and 2017, respectively. These standby assessments are collected by Riverside County and distributed to the District, net of assessment cost. Assessment cost in 2019 was \$141, in 2018 was \$190.

PINYON PINES COUNTY WATER DISTRICT

Management Discussion and Analysis

June 30, 2019 and 2018

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(continued)**

Due to insufficient amounts of water, there have been no new connections since 1976.

Operating expense analysis:	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Change</u>	<u>Change</u>
Source of supply and water treatment	\$ 1,648	\$ 2,834	\$ 991	-41.85%	185.97%
Salaries and benefits	42,316	36,339	33,196	16.45%	9.47%
Insurance	5,691	5,971	4,727	-4.69%	26.32%
Other*	<u>8,050</u>	<u>19,546</u>	<u>6,262</u>	-58.82%	212.14%
Total operating expenses before depreciation	<u>\$ 57,705</u>	<u>\$ 64,690</u>	<u>\$ 45,176</u>	-10.80%	43.20%

*Decrease in other expenses in 2019 includes a decrease of \$5,397 as the District has not yet paid for the 2017-18 and 2018-19 two-year audit costs.

STATEMENT OF CASH FLOWS

The changes in cash balances for the years ended June 30, 2019 and 2018, were an increase of \$2,949 and a decrease of \$204 respectively. A summary for each year is as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Cash flows from operating activities	\$ (2,802)	\$ (8,179)	\$ 1,544
Cash flows from noncapital financing activities	5,751	7,975	5,445
Cash flows from investing activities	<u>-</u>	<u>-</u>	<u>643</u>
Increase or decrease in cash	<u>\$ 2,949</u>	<u>\$ (204)</u>	<u>\$ 7,632</u>

BUDGET AND ACTUAL COMPARISONS

There were no revisions to the original budget for the years ended June 30, 2019 and 2018.

FUTURE OPERATIONS

At June 30, 2002, there was an issue regarding the County's combining lot 636-140-011-0 into 636-140-042-8, taking it out of the District's TRA 061-017 and putting it into TRA 061-071. This issue is still outstanding as Riverside County does not split TRA's.

PINYON PINES COUNTY WATER DISTRICT

Management Discussion and Analysis

June 30, 2019 and 2018

FUTURE OPERATIONS (continued)

The County's excessive costs for administrative fees to collect LAFCO fees made our District's share of LAFCO costs out of proportion (sometimes over 20 times the amount – July 2005 - \$7.00 LAFCO fees \$144.49 County Administrative fees). In June of 2017, LAFCO voted to only collect the same amount of Administrative fee as the LAFCO fee for nine Special Districts. The County cites Chapter 3. Powers - California Government Code Section 56381 as their right to collect Administrative fees to collect LAFCOs fees. However, the Code also reads. "(E) Notwithstanding the requirements of subparagraph (C), the independent special districts' share may be apportioned by an alternative method approved by a majority of districts, representing a majority of the combined populations. However, in no event shall an individual district's apportionment exceed the amount that would be calculated pursuant to subparagraphs (C) and (D), or in excess of 50 percent of the total independent special districts' share, without the consent of that district". Prior to LAFCO's vote to lower the Administrative fee, the District ceased paying the Administrative fee for 2015-16 and 2016-17 and only paid the LAFCO fee. As the District does not collect property taxes, prior to distribution, without the District's permission the County removed \$153.92, what they believe the District owed them, from the District's Standby Assessments. The District now pays the new administrative fee, but under protest each year.

The County of Riverside has included the District in an environmental law suit Sierra Club, et al. v. Riverside County, et al. Riverside County Superior Court, Case No. RIC1700098.

The County of Riverside did not respond to the District's efforts to get their approval for a two-year audit for the years 2017-18 and 2018-19.

FINANCIAL STATEMENTS

PINYON PINES COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	2019	2018
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 22,947	\$ 19,998
Accounts receivable:		
Water	6,554	7,562
Assessments	-	-
Material and supplies inventory	-	-
Prepaid expenses	3,981	5,344
	33,482	32,904
Total current assets		
Utility Plant		
Non-depreciable land	1,800	1,800
Utility plant, at cost	195,496	195,496
Less: accumulated depreciation	(181,091)	(176,531)
	16,205	20,765
Total utility plant, net		
TOTAL ASSETS	\$ 49,687	\$ 53,669
<u>LIABILITIES AND NET POSITION</u>		
Current Liabilities		
Accounts payable	\$ 3,306	\$ 505
Accrued payroll	3,037	3,125
Deposits - customers	180	180
	6,523	3,810
Total current liabilities		
NET POSITION		
Net invested in capital assets	16,205	20,765
Unrestricted	26,959	29,094
	43,164	49,859
NET POSITION		

PINYON PINES COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED
JUNE 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Water sales	\$ 49,519	\$ 51,855
Other	300	47
	<hr/>	<hr/>
Total operating revenues	49,819	51,902
OPERATING EXPENSES		
Source of supply	1,648	2,834
Water treatment	900	1,765
Administrative and general	55,157	60,091
Depreciation - unallocated	4,560	4,560
	<hr/>	<hr/>
Total operating expenses	62,265	69,250
OPERATING LOSS	(12,446)	(17,348)
NON-OPERATING REVENUES (EXPENSES)		
Tax assessments	5,892	6,760
Assessment cost	(141)	(190)
	<hr/>	<hr/>
Total non-operating revenues (expenses)	5,751	6,570
CHANGE IN NET POSITION	(6,695)	(10,778)
NET POSITION, beginning of year	<hr/> 49,859	<hr/> 60,637
NET POSITION, end of year	<hr/> <u>\$ 43,164</u>	<hr/> <u>\$ 49,859</u>

**PINYON PINES COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
JUNE 30, 2019 and 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from water sales and services	\$ 50,527	\$ 51,421
Cash received from other services	300	47
Cash paid to or on behalf of employees	(88)	\$ 240
Cash paid to vendors	(53,541)	(59,887)
	(2,802)	(8,179)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from tax assessments	5,892	8,165
Assessment costs	(141)	(190)
	5,751	7,975
CASH FLOWS FROM INVESTING ACTIVITIES	-	-
INCREASE (DECREASE) IN CASH	2,949	(204)
Cash and cash equivalents, beginning of year	19,998	20,186
Cash and cash equivalents, end of year	\$ 22,947	\$ 19,982
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Net operating loss	\$ (12,446)	\$ (17,348)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation	4,560	4,560
Changes in assets and liabilities:		
Increase in accounts receivable - water	1,008	(434)
Decrease in prepaid expenses	1,363	30
Decrease in inventory	-	5,203
Increase accounts payable	2,801	(414)
Decrease accrued payroll	(88)	240
Decrease deferred revenue	-	-
	(2,802)	(8,163)
Net cash used by operating activities	\$ (2,802)	\$ (8,163)

PINYON PINES COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 1: Summary of Significant Accounting Policies

Organization and operations

The Pinyon Pines County Water District (the District) was formed on April 22, 1969. The District was created for the purpose of providing a domestic water supply in the Pinyon Pines area of Southern California. The District covers an area of approximately 320 acres with 80 connections and provides water to two U.S. Forest Service (USFS) campgrounds (Pinyon Flats and Ribbonwood Equestrian campgrounds), as well as, to Riverside County Fire Department #30. The District's water source is exclusively groundwater and is governed by a five-member Board of Directors who serve overlapping four-year terms.

The District provides water from a horizontal well that is located south of Pinyon Pines at the 6,200-foot elevation 2,000 feet above the community in the Santa Rosa Mountains and is drilled 85 feet into an underground source of water. The USFS owns the land around these wells and restricts any activity that could contaminate them.

Basis of accounting and measurement focus

Under Government Accounting Standards Board (GASB) Statement No. 20, the District has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to Governmental units. The financial statements include all organizations, activities, and functions that comprise the District.

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

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

Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from these estimates.

PINYON PINES COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 1: Summary of Significant Accounting Policies (continued)

Classification of Revenues and Expenses

Operating revenues are those revenues that are generated by domestic water sales and other service charges, while operating expenses pertain to the furnishing of those services.

Non-operating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of supplying water and water treatment services. Non-operating revenue consists of tax assessments. Non-operating expenses consist of costs to collect tax assessments.

Reporting Entity

As a reporting entity, the District consists of one general fund. The general fund is the general operating fund of the District and is used to account for all financial resources of the District.

Budgetary Accounting

The District's budgetary procedures are as follows:

In June of each year, the General Manager submits to the Board of Directors a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. The budget is legally adopted through the passage of a resolution. For the years ended June 30, 2019 and 2018, there were no revisions to the original budget, therefore the final budget amounts were also the original budget amounts.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., water pipelines). Assets are recorded at cost. Contributed capital assets are recorded at fair market value at any time they are received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The District's capitalization policy has a capitalization threshold of \$500.

Utility plant is stated at cost. In connection with self-constructed assets, the District capitalizes applicable overhead costs. Depreciation of all exhaustible fixed assets is charged as an expense against their operations. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Improvements	10-33 years
Equipment	10 years
Office	5 years
Automobiles	5 years

PINYON PINES COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 1: Summary of Significant Accounting Policies (continued)

Inventories

Inventories are recorded at cost. Inventories consist of expendable supplies held for consumption or future additions to fixed assets. The cost is recorded as expenditure at the time individual inventory items are used. The specific identification method is used for valuing inventory.

Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

Water Assessments

The water assessments are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 1
Levy Date	1 st business day in September
Due Date	November 1 st - 1 st Installment February 1 st - 2 nd Installment
Delinquent Date	December 11 th - 1 st Installment April 11 th - 2 nd Installment

Cash Flows

For purposes of statement of cash flows, the District considers all cash investments with an original maturity date of three months or less to be cash equivalents.

Net Position

Invested in capital assets, net of related debt. This represents the District's total investment in capital assets. On June 30, 2019 and 2018, the District had no related debt.

Unrestricted net position represents resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific purposes.

PINYON PINES COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 2: Net Working Capital

Networking capital consisted of the following on June 30, 2019 and 2018:

	2019	2018
Current Assets	\$ 33,482	\$ 32,904
Less: Current Liabilities	(6,523)	(3,810)
Net Working Capital	<u>\$ 26,959</u>	<u>\$ 29,094</u>

NOTE 3: Cash and Cash Equivalents

The District has only one checking account to run its daily business operations. On June 30, 2019 and 2018, cash consisted of the following:

	2019	2018
Checking account	<u>\$ 22,947</u>	<u>\$ 19,998</u>

The checking account is held at Bank of America in Palm Desert, California and is 100% FDIC Insured. The District does not have a formal investment policy and had no investments on June 30, 2019 and 2018.

NOTE 4: Utility Plant and Accumulated Depreciation

In fiscal year ending June 30, 2019, utility plant consisted of the following:

	Balance on July 1, 2018	Additions/ (Deletions)	Balance on June 30, 2019
Utility Plant:			
Intangible plant	\$ 7,099	\$ -	\$ 7,099
Non-depreciable land	1,800	-	1,800
Source of supply	27,098	-	27,098
Transmission & distribution	155,330	-	155,330
Other general plant	5,969	-	5,969
Total Utility Plant	<u>197,296</u>	<u>-</u>	<u>197,296</u>
Less: Accumulated depreciation	(176,531)	(4,560)	(181,091)
Net Utility Plant	<u>\$ 20,765</u>	<u>\$ (4,560)</u>	<u>\$ 16,205</u>

The District recorded depreciation expense of \$4,560 in 2019.

PINYON PINES COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 4: Utility Plant and Accumulated Depreciation (continued)

In fiscal year ending June 30, 2018, utility plant consisted of the following:

	Balance on July 1, 2017	Additions/ (Deletions)	Balance on June 30, 2018
Utility Plant:			
Intangible plant	\$ 7,099	\$ -	\$ 7,099
Non-depreciable land	1,800	-	1,800
Source of supply	27,098	-	27,098
Transmission & distribution	155,330	-	155,330
Other general plant	5,969	-	5,969
Total Utility Plant	197,296	-	197,296
Less: Accumulated depreciation	(171,971)	(4,560)	(176,531)
Net Utility Plant	<u>\$ 25,325</u>	<u>\$ (4,560)</u>	<u>\$ 20,765</u>

The District recorded depreciation expense of \$4,560 in 2018.

NOTE 5: Joint Powers Agreement

Description of the Joint Powers Insurance Authority

The District is a participant in the Association of California Water Agencies Joint Powers Insurance Authority, formed under a Joint Powers Agreement for the purpose of providing public auto and general liability, workers' compensation and property insurance. The Authority's Board of Directors is comprised of one representative from each of the participating districts.

Insurance Programs of the Authority- General Liability and Public Auto and Property

The District is required to pay the first \$2,500 per claim for general liability and public auto claims. Claim amounts in excess of \$2,500 and less than \$500,000 per occurrence are paid out of the pooled funds of the Authority. Coverage above \$500,000 is provided by an excess insurance policy with limits up to \$60,000,000 per occurrence arising from bodily injury, property damage, errors and omissions, personal injury or any combination thereof. Members are required to pay or are refunded amounts based on actual costs after the end of each period.

For the years ended June 30, 2019 and 2018, the District incurred Joint Powers Insurance expense of \$3,311 and \$3,240, respectively.

The Authority also offers workers' compensation coverage, although the District does not participate in this program. The District's worker's compensation insurance is underwritten by the State Compensation Insurance Fund.

PINYON PINES COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 5: Joint Powers Agreement (continued)

Condensed Financial Information of the Authority

Noted below is the condensed balance sheet of the Authority as of September 30, 2017, as audited by Gilbert Associates, Inc. This information was the most recent available as of the date of this report.

	<u>2017</u>
Assets	\$ 199,365,344
Deferred Outflows	1,404,974
Liabilities	123,871,469
Deferred Inflows	<u>1,576,175</u>
Net Position	<u><u>\$ 75,322,674</u></u>

Noted below is the condensed audited statement of revenues, expenditures, and changes in net assets of the Authority for the year ended September 30, 2017, also audited by Gilbert Associates, Inc. This information was the most recent available as of the date of this report.

	<u>2017</u>
Revenues	\$ 169,992,183
Expenses	<u>164,170,541</u>
Operating income before other income	5,821,642
Non-operating revenues	<u>797,414</u>
Change in net assets	<u><u>\$ 6,619,056</u></u>

Additional information about the ACWA-JPIA may be obtained by contacting the JPIA directly at ACWA-Joint Powers Insurance Authority, 5620 Birdcage Street, Suite 200, Citrus Heights, CA 95610.

NOTE 6: Related Party Transactions

Pinyon Pines County Water District's management consists of closely related family members. Thomas Huss is a general manager, and Christy Huss is a secretary-treasurer. The Board of Directors is extensively involved in daily operations and approves of all transactions of the District.

NOTE 7: Employee Benefits

The employees of the District do not accrue any sick/vacation. The District does not provide any post-employment benefits or pension plans for its employees. The District reimburses the employees for the cost of their Health Insurance benefits through Blue Cross.

PINYON PINES COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 8: Evaluation of Subsequent Events and Contingencies

In January 2020, the virus SARS -CoC-2 was transmitted to the United States from overseas sources, this virus, responsible for the Coronavirus disease COVID-19 has provided to be extremely virulent with transmission rates as yet unknown. The economic impact in the State of California as yet, has not been determined and therefore any potential impact on the District is not yet known.

The District has evaluated subsequent events through May 5, 2020, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**PINYON PINES COUNTY WATER DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED
JUNE 30, 2019**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
OPERATING REVENUES				
Water sales	\$ 44,000	\$ 44,000	\$ 49,519	\$ 5,519
Other	-	-	300	300
	<u>44,000</u>	<u>44,000</u>	<u>49,819</u>	<u>51,902</u>
OPERATING EXPENSES				
Salaries and benefits	38,592	38,592	32,345	(6,247)
Services and supplies	31,306	31,306	25,360	(5,946)
Depreciation - unallocated	-	-	4,560	4,560
	<u>69,898</u>	<u>69,898</u>	<u>62,265</u>	<u>69,250</u>
			-	-
OPERATING LOSS	(25,898)	(25,898)	(12,446)	(17,348)
NON-OPERATING REVENUES (EXPENSES)				
Tax assessments	6,400	6,400	5,892	(508)
Assessment cost	(500)	(500)	(141)	359
	<u>5,900</u>	<u>5,900</u>	<u>5,751</u>	<u>6,570</u>
			-	-
CHANGE IN NET POSITION	<u>\$ (19,998)</u>	<u>\$ (19,998)</u>	<u>\$ (6,695)</u>	<u>\$ (10,778)</u>

**PINYON PINES COUNTY WATER DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED
JUNE 30, 2016**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
OPERATING REVENUES				
Water sales	\$ 40,000	\$ 40,000	\$ 51,855	\$ 11,855
Other	-	-	47	47
	<u>40,000</u>	<u>40,000</u>	<u>51,902</u>	<u>51,902</u>
OPERATING EXPENSES				
Salaries and benefits	34,260	34,260	36,339	2,079
Services and supplies	32,326	32,326	28,351	(3,975)
Depreciation - unallocated	-	-	4,560	4,560
	<u>66,586</u>	<u>66,586</u>	<u>69,250</u>	<u>69,250</u>
			-	-
OPERATING LOSS	(26,586)	(26,586)	(17,348)	(17,348)
NON-OPERATING REVENUES (EXPENSES)				
Tax assessments	6,400	6,400	6,760	360
Assessment cost	-	-	(190)	(190)
	<u>6,400</u>	<u>6,400</u>	<u>6,570</u>	<u>6,570</u>
CHANGE IN NET POSITION	<u>\$ (20,186)</u>	<u>\$ (20,186)</u>	<u>\$ (10,778)</u>	<u>\$ (10,778)</u>

**PINYON PINES COUNTY WATER DISTRICT
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED
JUNE 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
SOURCE OF SUPPLY		
Supplies	\$ 1,648	\$ 2,834
WATER TREATMENT		
Water testing	\$ 900	\$ 840
Well testing	-	925
Total water treatment	\$ 900	\$ 1,765
ADMINISTRATIVE AND GENERAL		
Salaries	\$ 27,939	\$ 24,582
Payroll taxes	2,421	2,154
Employee benefits	11,956	9,603
Office supplies	579	556
Postage	746	501
Insurance	5,691	5,971
Audit cost	-	5,397
Permits	1,497	1,932
Gasoline and auto	2,468	1,597
Dues and subscriptions	611	494
Telephone	599	589
Bank charges	-	-
Miscellaneous	650	6,715
Total administrative and general	\$ 55,157	\$ 60,091