INVERNESS PUBLIC UTILITY DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended
June 30, 2022

NIGRO & NIGRO PC

INVERNESS PUBLIC UTILITY DISTRICT
For the Fiscal Year Ended June 30, 2022
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FINANCIAL SECTION

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Financial Section

A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

Board of Directors
Inverness Public Utility District
Inverness, California

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Inverness Public Utility District (District) as of and for the year ended June 30, 2022, and related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt 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.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate 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 Management's Discussion and Analysis, Budgetary Comparison Schedule – Public Safety Fund, Schedule of the District's Proportionate Share of the Plan's Net Pension Liability – Total Plan, Schedule of the District's Contributions to the Pension Plan – Total Plan, Schedule of Changes in the District's Net OPEB Liability and Related Ratios, and Schedule of the District's Contributions to the OPEB Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued a separate report dated February 15, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro & Nigro, PC

Murrieta, California
February 15, 2023

Management's Discussion and Analysis (MD&A) offers readers of Inverness Public Utility District's financial statements a narrative overview of the District's financial activities for the fiscal year ended June 30, 2022. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position increased 10.15%, or $255,678 from the prior year's net position of $2,519,395 to $2,775,073

- Total program and general revenues increased by 23.10%%, or $285,650 from $1,236,652 to $1,522,302, from the prior year primary due to the $308,914 increase in governmental general revenues.

- Total expenses for the District's operations increased by 13.73% or $152,934 from $1,113,690 to $1,266,624, from the prior year, primarily due to the $187,177 increase in water operations expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

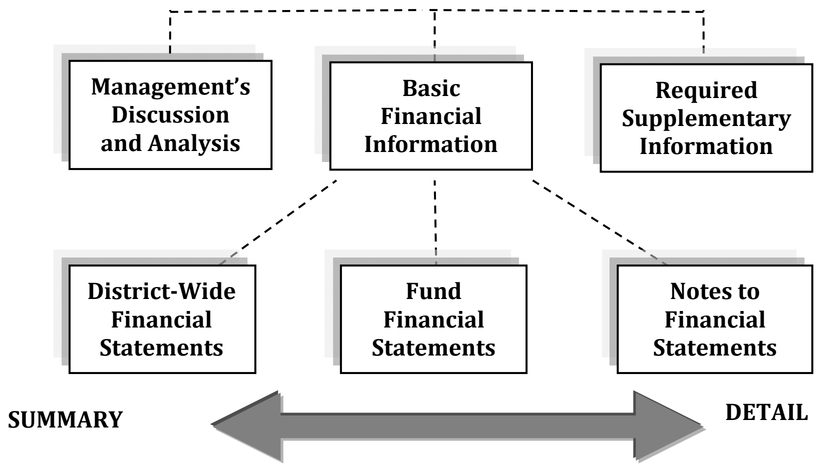
This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- *District-wide financial statements* provide both short-term and long-term information about the District's overall financial status.
- *Fund financial statements* focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services were financed in the short term as well as what remains for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary fund statements.*

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Inverness Public Utility District's Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Fund	Proprietary Funds
Scope	Entire District	The activities of the District that are not proprietary or fiduciary	Activities of the District that operate like a business, such as self-insurance funds
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses, & Changes in Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Statements
The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of buildings and other facilities.

- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here. State and local programs finance most of these activities.

Fund Financial Statements
The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by granter requirements.

The District has two kinds of funds:

1) ***Governmental funds*** – Governmental funds generally focus on (1) how cash and other financial assets can readily be converted into cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

2) ***Proprietary funds*** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured programs for workers compensation claims, health and welfare benefits, and property and liability claims.

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
ASSETS:						
Current assets	$ 2,835,770	$ 2,408,196	$ (680,733)	$ (729,877)	$ 2,155,037	$ 1,678,319
Capital assets, net	27,198	8,973	2,665,331	2,229,525	2,692,529	2,238,498
Total assets	2,862,968	2,417,169	1,984,598	1,499,648	4,847,566	3,916,817
DEFERRED OUTFLOWS OF RESOURCES	104,752	110,244	244,421	257,236	349,173	367,480
LIABILITIES:						
Current liabilities	18,053	83,805	23,804	10,635	41,857	94,440
Non-current liabilities	394,870	391,637	1,540,938	909,636	1,935,808	1,301,273
Total liabilities	412,923	475,442	1,564,742	920,271	1,977,665	1,395,713
DEFERRED INFLOWS OF RESOURCES	133,202	110,757	310,799	258,432	444,001	369,189
NET POSITION						
Net investment in capital assets	27,198	8,973	2,043,038	2,229,525	2,070,236	2,238,498
Unrestricted	2,394,397	1,932,241	(1,689,560)	(1,651,344)	704,837	280,897
Total net position	$ 2,421,595	$ 1,941,214	$ 353,478	$ 578,181	$ 2,775,073	$ 2,519,395

At the end of fiscal year 2022, the District shows a positive balance in its unrestricted net position of $2,775,073.

Analysis of Revenues and Expenses

Table A-2: Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
REVENUES:						
Program revenues	$ -	$ 87,202	$ 569,915	$ 582,436	$ 569,915	$ 669,638
General revenues	948,784	552,668	3,603	14,346	952,387	567,014
Total revenues	948,784	639,870	573,518	596,782	1,522,302	1,236,652
EXPENSES:						
Operations	463,180	450,453	700,951	506,802	1,164,131	957,255
Depreciation expense	5,223	52,133	95,587	104,302	100,810	156,435
Interest expense	-	-	1,683	-	1,683	-
Total expenses	468,403	502,586	798,221	611,104	1,266,624	1,113,690
Change in net position	480,381	137,284	(224,703)	(14,322)	255,678	122,962
NET POSITION:						
Beginning of year	1,941,214	1,803,930	578,181	592,503	2,519,395	2,396,433
End of year	$ 2,421,595	$ 1,941,214	$ 353,478	$ 578,181	$ 2,775,073	$ 2,519,395

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses (continued)

The District's net position increased 10.15%, or $255,678 from the prior year's net position of $2,519,395 to $2,775,073

Total program and general revenues increased by 23.10%%, or $285,650 from $1,236,652 to $1,522,302, from the prior year primary due to the $308,914 increase in governmental general revenues.

Total expenses for the District's operations increased by 13.73% or $152,934 from $1,113,690 to $1,266,624, from the prior year, primarily due to the $187,177 increase in water operations expenses.

GOVERNMENTAL FUNDS FINANCIAL ANAYLSIS

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2022, the District reported a total fund balance of $2,825,373. An amount of $2,810,061 constitutes the District's *unassigned fund balance*, which is available for future expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budgeted expenditures for the District's general fund at year-end were $82,186 less than actual. The variance was due to actual public safety expenses being $105,634 less than budgeted. Actual revenues were greater than the anticipated budget by $91,292.

CAPITAL ASSET ADMINISTRATION

Table A-3: Capital Assets at Year End, Net of Depreciation

	Balance June 30, 2022	Balance June 30, 2021
Non-depreciable capital assets	$ 66,320	$ 1,114,843
Depreciable capital assets	5,880,864	51,024,931
Total capital assets	5,947,184	52,139,774
Accumulated depreciation	(3,254,655)	(16,585,771)
Total capital assets, net	$ 2,692,529	$ 35,554,003

At the end of fiscal year 2022, the District's investment in capital assets amounted to $2,692,529 (net of accumulated depreciation). This investment in capital assets includes structures, improvements and equipment. Major capital asset additions during the year include tank additions and equipment totaling $554,842.

See Note 3 for further information on the District's capital assets.

DEBT ADMINISTRATION

Table A-4: Long-term Debt

	Balance June 30, 2022	Balance June 30, 2021
Long-term debt	$ 622,293	$ -

At the end of fiscal year 2022, the District had additions to its long-term debt by $622,293. See Note 5 for further information on the District's outstanding debt.

FACTORS AFFECTING CURRENT FINANCIAL POSITION

Management is unaware of any item that would affect the current financial position.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District's General Manager at 50 Inverness Way North, Inverness, CA 94937 or (415) 669-1414.

INVERNESS PUBLIC UTILITY DISTRICT

Statement of Net Position
June 30, 2022

	Primary Government		
ASSETS	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and cash equivalents (Note 2)	$ 1,797,114	$ -	$ 1,797,114
Accrued interest receivable	2,665	-	2,665
Accounts receivable – services	-	16,124	16,124
Accounts receivable – other	92,259	242,758	335,017
Internal balances	941,441	(941,441)	-
Prepaids	2,291	1,826	4,117
Total current assets	2,835,770	(680,733)	2,155,037
Non-current assets:			
Capital assets – not being depreciated (Note 3)	-	66,320	66,320
Capital assets – being depreciated, net (Note 3)	27,198	2,599,011	2,626,209
Total non-current assets	27,198	2,665,331	2,692,529
Total assets	2,862,968	1,984,598	4,847,566
DEFERRED OUTFLOWS OF RESOURCES			
OPEB related deferred outflows of resources (Note 6)	71,222	166,184	237,406
Pension related deferred outflows of resources (Note 7)	33,530	78,237	111,767
Total deferred outflows of resources	104,752	244,421	349,173
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	10,397	4,380	14,777
Customer deposits and unearned revenue	-	3,500	3,500
Accrued interest payable	-	778	778
Compensated absences (Note 4)	7,656	15,146	22,802
Total current liabilities	18,053	23,804	41,857
Non-current liabilities:			
Compensated absences (Note 4)	7,656	15,146	22,802
Loan payable - State revolving fund (Note 5)	-	622,293	622,293
Net OPEB obligation (Note 6)	324,431	757,005	1,081,436
Net pension liability (Note 7)	62,783	146,494	209,277
Total non-current liabilities	394,870	1,540,938	1,935,808
Total liabilities	412,923	1,564,742	1,977,665
DEFERRED INFLOWS OF RESOURCES			
OPEB related deferred inflows of resources (Note 6)	80,944	188,870	269,814
Pension related deferred inflows of resources (Note 7)	52,258	121,929	174,187
Total deferred inflows of resources	133,202	310,799	444,001
NET POSITION			
Net investment in capital assets (Note 8)	27,198	2,043,038	2,070,236
Unrestricted (Deficit)	2,394,397	(1,689,560)	704,837
Total net position	$ 2,421,595	$ 353,478	$ 2,775,073

INVERNESS PUBLIC UTILITY DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2022

		Program Revenues	
Functions/Programs	**Expenses**	**Charges for Services**	**Capital and Operating Grants**
Primary government:			
Governmental activities:			
Public safety – fire services	$ 468,403	$ -	$ 222,472
Total governmental activities	468,403	-	222,472
Business-type activities:			
Water	798,221	569,915	-
Total business-type activities	798,221	569,915	-
Total primary government	$ 1,266,624	$ 569,915	$ 222,472

INVERNESS PUBLIC UTILITY DISTRICT
Statement of Activities (continued)
For the Fiscal Year Ended June 30, 2022

Functions/Programs	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
Public safety – fire services	$ (245,931)	$ -	$ (245,931)
Total governmental activities	(245,931)	-	(245,931)
Business-type activities:			
Water	-	(228,306)	(228,306)
Total business-type activities	-	(228,306)	(228,306)
Total primary government	(245,931)	(228,306)	(474,237)
General revenues and transfers:			
Property taxes	718,473	-	718,473
Investment earnings	312	-	312
Other revenues	7,527	3,603	11,130
Total general revenues and transfers	726,312	3,603	729,915
Change in net position	480,381	(224,703)	255,678
Net position:			
Beginning of year	1,941,214	578,181	2,519,395
End of year	$ 2,421,595	$ 353,478	$ 2,775,073

INVERNESS PUBLIC UTILITY DISTRICT
Balance Sheet – Governmental Funds
June 30, 2022

Assets	Public Safety
Assets:	
Cash and investments	$ 1,797,114
Accrued interest receivable	2,665
Accounts receivable – other	92,259
Due from other funds	941,441
Prepaids	2,291
Total assets	$ 2,835,770
Liabilities and Fund Balance	
Liabilities:	
Accounts payable and accrued expenses	$ 10,397
Total liabilities	10,397
Fund balance: (Note 9)	
Assigned	15,312
Unassigned	2,810,061
Total fund balance	2,825,373
Total liabilities and fund balance	$ 2,835,770

Total Fund Balances – Total Governmental Funds	$ 2,825,373
Amounts reported for governmental activities in the statement of net position are different because:	
Capitalized assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	27,198
Deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred outflows of resources.	104,752
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities' both current and long-term, are reported in the statement of net position as follows:	
Compensated absences	(15,312)
Net pension liability	(62,783)
Net other post-employment benefits obligations	(324,431)
Deferred inflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred inflows of resources.	(133,202)
Total adjustments	(403,778)
Net Position of Governmental Activities	$ 2,421,595

INVERNESS PUBLIC UTILITY DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2022

	Public Safety
Revenues:	
Property taxes	$ 718,473
Capital and operating grant revenue	222,472
Investment earnings	312
Other revenues	7,527
Total revenues	948,784
Expenditures:	
Current:	
Public safety – fire services	424,354
Capital outlay	23,448
Total expenditures	447,802
Revenues over(under) expenditures	500,982
Change in fund balance	500,982
Fund balance:	
Beginning of year	2,324,391
End of year	$ 2,825,373

INVERNESS PUBLIC UTILITY DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2022

Net Changes in Fund Balance – Total Governmental Funds	$ 500,982
Amounts reported for governmental activities in the statement of activities is different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:	
Change in compensated absences	(3,427)
Change in net pension liability	22,197
Change in other post-employment benefits obligations	(57,596)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	23,448
Depreciation expense	(5,223)
Total adjustments	(20,601)
Change in Net Position of Governmental Activities	$ 480,381

INVERNESS PUBLIC UTILITY DISTRICT
Balance Sheets – Proprietary Funds
June 30, 2022

ASSETS		Water Operations
Current assets:		
Accounts receivable – services, net	$	16,124
Accounts receivable – other		242,758
Internal balances		(941,441)
Prepaids		1,826
Total current assets		(680,733)
Non-current assets:		
Capital assets – not being depreciated		66,320
Capital assets – being depreciated, net		2,599,011
Total non-current assets		2,665,331
Total assets		1,984,598
DEFERRED OUTFLOWS OF RESOURCES		
OPEB related deferred outflows of resources		166,184
Pension related deferred outflows of resources		78,237
Total deferred outflows of resources		244,421
Total assets and deferred outflows of resources	$	2,229,019
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	$	4,380
Customer deposits and unearned revenue		3,500
Accrued interest payable		778
Compensated absences		15,146
Total current liabilities		23,804
Non-current liabilities:		
Compensated absences		15,146
Long-term debt due in more than a year		622,293
Net OPEB obligation		757,005
Net pension liability		146,494
Total non-current liabilities		1,540,938
Total liabilities		1,564,742
DEFERRED INFLOWS OF RESOURCES		
OPEB related deferred inflows of resources		188,870
Pension related deferred inflows of resources		121,929
Total deferred inflows of resources		310,799
NET POSITION		
Net investment in capital assets		2,043,038
Unrestricted (Deficit)		(1,689,560)
Total net position		353,478
Total liabilities, deferred inflows of resources and net position	$	2,229,019

INVERNESS PUBLIC UTILITY DISTRICT

Statements of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

For the Fiscal Year Ended June 30, 2022

	Water Operations
Operating revenues:	
Water consumption sales	$ 560,821
Other charges for services	9,094
Total operating revenues	569,915
Operating expenses:	
Operations	700,951
Total operating expenses	700,951
Operating income before depreciation	(131,036)
Depreciation expense	(95,587)
Operating loss	(226,623)
Non-operating revenue(expense) and transfers:	
Other revenue	3,603
Interest expense	(1,683)
Total non-operating, net and transfers	1,920
Change in net position	(224,703)
Net position:	
Beginning of year	578,181
End of year	$ 353,478

INVERNESS PUBLIC UTILITY DISTRICT
Statements of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2022

	Water Operations
Cash flows from operating activities:	
Cash receipts from customers and others	$ 561,211
Cash paid to employees for salaries and wages	380,387
Cash paid to vendors and suppliers	(960,868)
Net cash used in operating activities	(19,270)
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(531,393)
Issuance of loan	383,297
Interest payments on long-term debt	(905)
Net cash used in capital and related financing activities	(149,001)
Net decrease in cash	(168,271)
Cash and cash equivalents:	
Beginning of year	(773,170)
End of year	$ (941,441)
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (226,623)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	95,587
Other non-operating revenue	3,603
Changes in account balances:	
(Increase)decrease in assets:	
Accounts receivable – services, net	(3,020)
Accounts receivable – other	(3,762)
Prepaids	28,363
(Increase)decrease in deferred outflows of resources	12,815
Increase(decrease) in liabilities:	
Accounts payable and accrued expenses	2,770
Customer deposits and unearned revenue	(5,525)
Compensated absences	6,744
Net OPEB obligation	179,390
Net pension liability	(161,979)
Increase(decrease) in deferred inflows of resources	52,367
Total adjustments	207,353
Net cash used in operating activities	$ (19,270)

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The Inverness Public Utility District (the District) was formed in 1948 with the intent to purchase the water system serving to Inverness Valley community. In 1949 and 1950, the District attempted to purchase the water system serving the community; however, the district did not receive the required votes from the community to make the purchase. In 1951, the District took over the operations of Inverness Volunteer Fire Department. In 1980, the District purchased the water system serving the community. The District is governed by a five-member Board of Directors who serve four-year terms and are elected at large. The directors entrust the responsibility for the efficient execution of District policies to their designated representative, the General Manager. The District is subject to the laws, regulations and guidelines as set forth by the State Controller's Office. Major sources of revenue for the District include water service charges and property taxes.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

C. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Fund Financial Statements
Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the 'current financial resources' measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year and other revenues when collected within one year of the end of the current fiscal year. Expenditures are generally recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. The primary revenue sources susceptible to accrual are property taxes, charges for services, and interest associated with the current fiscal period and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

Major Governmental Funds
The District maintains the following major governmental funds:

Public Safety Fund: This fund is used to account for all financial resources of the District’s fire services.

Proprietary Funds
Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Water Operations: This fund accounts for the water transmission and distribution operations of the District.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

2. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements
Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

3. Revenues - Exchange and Non-Exchange Transactions
Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents
For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

2. Investments
Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

3. Receivables – Services
The District extends credit to customers in the normal course of operations. Management views all accounts receivable as collectible; however, certain accounts are delinquent and an allowance for doubtful accounts has not been recorded.

4. Prepaid Items
Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

5. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over $5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets.

Estimated service lives for the District's classes of assets are as follows:

Description	Estimated Lives
Infrastructure	5-30 years
Buildings	5-30 years
Machinery and equipment	3-7 years
Furniture and fixtures	3-7 years
Fire apparatus	3-20 years

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

7. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual and vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

8. 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 and addition 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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

8. Pensions (Continued)
The following timeframes are used for pension reporting:

Valuation Date June 30, 2020
Measurement Date June 30, 2021
Measurement Period July 1, 2019 to June 30, 2021

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retires) as of the beginning of the measurement period.

9. Other Post-Employment Benefits (OPEB)
For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Retiree Benefit Plan (OPEB Plan) and additions to/deductions from the OPEB Plans' fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for OPEB reporting:

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

10. Net Position
Net position is classified into two components: net investment in capital assets and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets -** This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Unrestricted net position -** This component of net position consists of net position that does not meet the definition of "net investment in capital assets."

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

11. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

E. 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 expenditures during the reported period. Actual results could differ from those estimates.

F. Capital Contributions

Capital contributions are recorded when the District receives cash contributions or accepts contributions of capital assets in kind or when governmental construction grants are earned. Capital contributions are reported as a separate line item in the statement of revenues, expenses, and changes in net position.

G. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1, each year. Secured property taxes are levied on July 1 and are payable in two installments, on December 10 and April 10. The Marin County Assessor's Office assesses all real and personal property within the County each year.

Property tax in California is levied in accordance with Article 13A of the State Constitution at one (1%) of countywide assessed valuations. The Marin County Treasurer’s Office remits an undisclosed portion of the one (1%) current and delinquent property tax collections to the District throughout the year.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and investments at June 30, 2022, consist of the following:

Description	Balance
Demand deposits held with financial institutions	$ 383,456
Local Agency Investment Fund (LAIF)	1,410,334
Deposits with Marin County Pooled Investment Fund (MCPIF)	3,324
Total	$ 1,797,114

Demand Deposits

At June 30, 2022, the carrying amount of the District's demand deposits were $383,456, and the financial institution's balance was $350,784. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Local Agency Investment Fund (LAIF)

The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests its funds to manage the State's cash flow and strengthen the financial security of local public agencies. PMIA's policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and has a dollar-in dollar-out amortized cost methodology.

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers funds in LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2022, the District held $1,410,334 in LAIF.

NOTE 2 – CASH AND CASH EQUIVALENTS

Marin County Pooled Investment Fund (MCPIF)

The District maintains cash in the Marin County Pooled Investment Fund (MCPIF) to increase interest earnings through pooled investment activities. Interest earned on the investment pool is allocated quarterly to the participating funds using the daily cash balance of each fund. This pool, which is available for use by all funds, is displayed in the financial statements as "Cash." There are no limitations or restrictions on withdrawals from the pool.

The MCPIF includes both voluntary and involuntary participation from external entities. State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the Marin County Treasurer.

The MCPIF is not registered with the Securities and Exchange Commission as an investment company. Investments made by the County Treasurer are regulated by the California Government Code and by the Marin County's investment policy. The objectives of the policy are in order of priority, safety, liquidity, yield, and public trust. The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the types of investments in the pool, maturity dates, par value, actual costs, and fair value. As of June 30, 2022, the District held $3,324 in MCPIF.

NOTE 3 – CAPITAL ASSETS

At June 30, 2022, fund balances of the District's governmental funds were classified as follows:

	Balance July 1, 2021	Additions	Deletions/ Transfers	Balance June 30, 2022
Depreciable assets:				
Buildings	$ 237,515	$ -	$ -	$ 237,515
Vehicles	381,811	-	-	381,811
Furnishings and equipment	298,802	23,448	-	322,250
Total depreciable assets	918,128	23,448	-	941,576
Accumulated depreciation:				
Buildings	(235,345)	(2,170)	-	(237,515)
Vehicles	(381,811)	-	-	(381,811)
Furnishings and equipment	(291,999)	(3,053)	-	(295,052)
Total accumulated depreciation	(909,155)	(5,223)	-	(914,378)
Total depreciable assets, net	8,973	18,225	-	27,198
Total capital assets, net	$ 8,973	$ 18,225	$ -	$ 27,198

At June 30, 2022, fund balances of the District's enterprise funds were classified as follows:

	Balance July 1, 2021	Additions	Deletions/ Transfers	Balance June 30, 2022
Non-depreciable assets:				
Land	$ 66,320	$ -	$ -	$ 66,320
Construction-in-progress	222,017	531,394	(753,411)	-
Total non-depreciable assets	288,337	531,394	(753,411)	66,320
Depreciable assets:				
Wells	71,499	-	-	71,499
Collection system	382,968	-	-	382,968
Distribution system	1,164,265	-	-	1,164,265
Tanks	1,062,276	753,411	-	1,815,687
Water treatment	1,371,898	-		1,371,898
Vehicles and equipment	132,971	-	-	132,971
Total depreciable assets	4,185,877	753,411	-	4,939,288
Accumulated depreciation:				
Wells	(68,649)	(1,375)	-	(70,024)
Collection system	(288,520)	(9,471)	-	(297,991)
Distribution system	(772,519)	(19,878)	-	(792,397)
Tanks	(293,686)	(16,391)		(310,077)
Water treatment	(717,014)	(42,702)		(759,716)
Vehicles and equipment	(104,302)	(5,770)	-	(110,072)
Total accumulated depreciation	(2,244,690)	(95,587)	-	(2,340,277)
Total depreciable assets, net	1,941,187	657,824	-	2,599,011
Total capital assets, net	$ 2,229,524	$ 1,189,218	$ (753,411)	$ 2,665,331

NOTE 4 – COMPENSATED ABSENCES

Compensated absences comprise unpaid vacation leave and compensating time off which is accrued as earned. The District's liability for compensated absences is determined annually. The changes to the compensated absences balance at June 30, 2022 were as follows:

Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Current Portion	Long-term Portion
$ 34,433	$ 27,768	$ (16,597)	$ 45,604	$ 22,802	$ 22,802

NOTE 5 – LOAN PAYABLE – STATE REVOLVING FUND

Changes in loan payable for the year ended June 30, 2022, were as follows:

Balance July 1, 2021	Additions	Payments	Balance June 30, 2022
$ -	$ 622,293	$ -	$ 622,293

2020 SRF Water Construction Project Loan
On February 12, 2020 the District entered into a loan agreement to receive up to $800,000 from the California State Water Resources Control Board to fund the Tenney Tank Replacement project. As of June 30, 2022, $622,293 of the loan proceeds has been drawn down and utilized. The loan bears of interest rate of 1.4%. Interest begins accruing with each disbursement. Interest is paid annually on April 30 each year until one year after completion of construction. Upon completion of construction and submission of necessary reports by the district , the Division will prepare an appropriate payment schedule and supply the same to the district. The construction completion date is April 30, 2022 and the final reimbursement request date is October 30, 2022. The loan matures in April 2052. The principal amount outstanding at June 30, 2022, was $622,293. Payment schedule has not yet been finalized.

NOTE 6 – NET OTHER POST-EMPLOYMENT BENEFITS OBLIGATIONS

Summary
The following balances on the statement of net position will be addressed in this footnote as follows:

Description		Amount
OPEB related deferred outflows of resources	$	349,173
Net other post-employment benefits obligation		1,081,436
OPEB related deferred inflows of resources		269,814

A. General Information about the OPEB Plan

Plan Description and Benefits Provided
The District provides healthcare benefits for retirees through a cost-sharing multi-employer defined benefit plan. Active employees are offered a choice of medical plans through the CalPERS Health Program under the Public Employees' Medical and Hospital Care Act (PEMHCA). The District offers access to medical plan coverage for life.

The District contributes to the retiree health coverage of eligible retirees. The district pays a portion of the cost of health insurance for retirees under any group plan offered by CalPERS. District paid benefits are capped at the PERS Choice premiums.

An employee is eligible for the District contribution provided they are vested in their CalPERS pension benefit and commence payment of their pension benefit within 120 days of retirement with the District. Vesting requires at least 5 years of CalPERS eligible service. The surviving spouse of an eligible retiree who elected spouse coverage under CalPERS is eligible for the employer contribution upon the death of the retiree.

Funding Policy
The contribution requirements of plan members and the District are established and may be amended by the District and/or the District's Board of Directors. Currently, contributions are not required from plan members. The District has been typically funding this OPEB plan on a pay-as-you-go basis. The district has also made contributions to its irremovable trust with California Employees' Retiree Benefit Trust (CERBT).

Contributions
Benefit provisions and contribution requirements are established and may be amended through agreements and memorandums of understanding between the District and its employees. The plan does not require employee contributions. Administrative costs of this plan are financed by the District. For fiscal year ended June 30, 2022, the measurement period, the District's contributions totaled $0. For fiscal year ended June 30, 2022 the district paid benefits of $36,824 and requested to be reimbursed by the CERBT.

NOTE 6 – NET OTHER POST-EMPLOYMENT BENEFITS OBLIGATIONS (continued)

A. General Information about the OPEB Plan (continued)

Employees covered by benefit terms
At June 30, 2022, the following employees were covered by the benefit terms:

Plan Members	Covered Participants
Active members	7
Inactives entitled to but not yet receiving benefits	-
Inactives currently receiving benefits	4
Total plan members	11

B. Total OPEB Liability
The District's total OPEB liability of $1,081,436 was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date.

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:

Discount Rate	2.14%
Inflation	2.75%
Salary Increases	3.00%
Investment Rate of Return	2.14%
Mortality Rate	CalPERS Membership Data
Pre-Retirement Turnover	CalPERS Membership Data
Healthcare Trend Rate	5.2% 2021-2049 5% 2050-2064

Discount Rate
The discount rate used to measure the total OPEB liability was 2.14 percent. The projection of cash flows used to determine the discount rate assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years. The Bond Buyer 20 Bond Index was used.

NOTE 6 – NET OTHER POST-EMPLOYMENT BENEFITS OBLIGATIONS (continued)

C. Changes in the Total OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2020	$ 1,303,055	$ 477,891	$ 825,164
Changes for the year:			
Service cost	203,047	-	203,047
Interest	39,003	-	39,003
Changes in assumptions	114,499	-	114,499
Contributions - employer	-	6,512	(6,512)
Net investment income	-	93,939	(93,939)
Amdinistrative expenses	-	(174)	174
Benefit payments	(46,496)	(46,496)	-
Net changes	310,053	53,781	256,272
Balance at June 30, 2021	$ 1,613,108	$ 531,672	$ 1,081,436

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 one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease 1.14%	Discount Rate 2.14%	1% Increase 3.14%
$ 1,363,264	$ 1,081,436	$ 861,155

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 one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Healthcare Cost Current Trend	1% Increase
$ 846,795	$ 1,081,436	$ 1,379,887

NOTE 6 – NET OTHER POST-EMPLOYMENT BENEFITS OBLIGATIONS (continued)

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the District recognized OPEB expense of $198,499. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB of the following:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 235,670	$ -
Changes in experience	-	(216,795)
Differnce between projected and actual return on investments	1,736	(53,019)
Total Deferred Outflows/(Inflows) of Resources	$ 237,406	$ (269,814)

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

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2023	$ (16,060)
2024	(827)
2025	(2,267)
2026	(13,254)
Total	$ (32,408)

NOTE 7 – PENSION PLAN

Summary
The following balances on the balance sheet will be addressed in this footnote as follows:

Description	2022
Pension related deferred outflows	$ 111,767
Net pension liability	209,277
Pension related deferred inflows	174,187

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

A. General Information about the Pension Plan

The Plan
The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	Miscellaneous Plans	
	Classic Tier 1	**PEPRA Tier 2**
Hire date	Prior to December 31, 2012	On or after January 1, 2013
Benefit formula	2.5% @ 60	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required member contribution rates	8.650%	7.600%
Required employer contribution rates	7.000%	6.750%

	Safety Plans	
	Classic Tier 1	**PEPRA Tier 2**
Hire date	On or after January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 57
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required member contribution rates	7.000%	N/A
Required employer contribution rates	14.810%	N/A

NOTE 7 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Plan Description
The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2021 Annual Actuarial Valuation Reports. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

At June 30, 2021 (Measurement Date), the following members were covered by the benefit terms:

	Miscellaneous and Safety Plans		
Plan Members	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Active members	3	3	6
Transferred and terminated members	3	4	7
Retired members and beneficiaries	7	-	7
Total plan members	13	7	20

All qualified permanent and probationary 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). Benefit provisions under the Plans are established by state statute and District 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.

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

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

NOTE 7 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Contributions for the year ended June 30, 2022, (Measurement Date June 30, 2021) were as follows:

	Miscellaneous and Safety Plans		
Contribution Type	Classic Tier 1	PEPRA Tier 2	Total
Contributions – employer	$ 51,139	$ 18,145	$ 69,284
Contributions – members	44,765	16,206	60,971
Total contributions	$ 95,904	$ 34,351	$ 130,255

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Proportionate Share of Net Pension Liability and Pension Expense

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2021, and the total pension liability for each 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 proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The following table shows the District's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the year ended June 30, 2021, measurement date was as follows:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Total Plans:			
Balance as of June 30, 2020 (Measurement Date)	$ 1,898,398	$ 1,457,723	$ 440,675
Balance as of June 30, 2021 (Measurement Date)	$ 2,007,353	$ 1,798,076	$ 209,277
Change in Plan Net Pension Liability	$ 108,955	$ 340,353	$ (231,398)

The District's proportionate share percentage of the net pension liability for the June 30, 2021, measurement date was as follows:

	Percentage Share of Risk Pool		
CalPERS – Safety and Miscellaneous	Fiscal Year Ending June 30, 2022	Fiscal Year Ending June 30, 2021	Change Increase/ (Decrease)
Measurement Date	June 30, 2021	June 30, 2020	
Percentage of Risk Pool Net Pension Liability	0.003870%	0.004050%	-0.000180%

NOTE 7 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2022, the District recognized pension expense of $7,995. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 69,284	$ -
Difference between actual and proportionate share of employer contributions	4,934	(13,952)
Adjustment due to differences in proportions	8,778	(2,639)
Differences between expected and actual experience	28,772	-
Differences between projected and actual earnings on pension plan investments	-	(157,597)
Total Deferred Outflows/(Inflows) of Resources	$ 111,768	$ (174,188)

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

An amount of $69,284 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2023	$ (24,005)
2024	(28,362)
2025	(35,848)
2026	(43,489)
Total	$ (131,704)

NOTE 7 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2021 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2020, total pension liability. The June 30, 2021, total pension liability was based on the following actuarial methods and assumptions:

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

Long-term Expected Rate of Return

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

In determining the long-term expected rate of return, 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 (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The table below reflects long-term expected real rate of return by asset class.

Investment Type[1]	New Strategic Allocation	Real Return Years 1 - 10[2]	Real Return Years 11+[3]
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 Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	0.92%
	100.0%		

[1] In the CalPERS's ACFR, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.
[2] An expected inflation rate-of-return of 2.5% is used for years 1-10.
[3] An expected inflation rate-of-return of 2.9% is used for years 11+.

NOTE 7 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

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

Subsequent Events
There were no subsequent events that would materially affect the results in this disclosure.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
Plan Type	**Discount Rate - 1% 6.15%**	**Current Discount Rate 7.15%**	**Discount Rate + 1% 8.15%**
CalPERS – Total Plans	$ 475,918	$ 209,277	$ (10,705)

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

C. Payable to the Pension Plans

At June 30, 2021, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2022.

NOTE 8 – NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets consisted of the following as of June 30:

Description	Amount
Net investment in capital assets:	
Capital assets – not being depreciated	$ 66,320
Capital assets – being depreciated, net	2,626,209
Capital lease payable – long-term portion	(622,293)
Total net investment in capital assets	$ 2,070,236

NOTE 9 – FUND BALANCE

A detailed schedule of fund balances and their funding composition at June 30, 2022 is as follows:

Description	General Government
Assigned:	
Compensated absences	$ 15,312
Unassigned	2,810,061
Total fund balance	$ 2,825,373

NOTE 10 – PRIOR PERIOD RESTATMENT

Government-Wide Statement of Net Position and Statement of Activities
A detailed schedule of adjustments to net position at June 30, 2021 is as follows:

Description	Amount
Net position:	
Beginning of year, as previously stated	$ 2,551,129
OPEB Trust restricted cash and investments	(571,730)
Deposits with Marin County Pooled Investment Fund	3,437
Capital assets, net	536,559
Net adjustment	(31,734)
Beginning of year, as restated	$ 2,519,395

On the June 30, 2021 the OPEB Trust cash account was incorrectly included in the financials. In addition, a cash account was not included and in the statement of net position capital assets amounts as well as associated accumulated depreciation was understated.

Governmental Fund – Balance Sheet and Statement of Revenues, Expenditure and Changes in Fund Balance

A detailed schedule of adjustments to fund balance at June 30, 2021 is as follow:

Description	Amount
Fund balance:	
Beginning of year, as previously stated	$ 2,880,799
OPEB Trust restricted cash and investments	(571,730)
Compensated absences	11,885
Deposits with Marin County Pooled Investment Fund	3,437
Net adjustment	(556,408)
Beginning of year, as restated	$ 2,324,391

On the June 30, 2021 fund financial statement the OPEB Trust cash account and compensated absence liability was incorrectly included on the fund balance sheet. The compensated absence balance should only be included as a long-term liability on the statement of net position. In addition, a cash account was not included in the fund financial statements.

NOTE 11– JOINT VENTURE – MARIN EMERGENCY RADIO AUTHORITY

The Marin Emergency Radio Authority (MERA) is a joint powers authority created on February 28, 1998 by and among the County of Marin and certain public agencies within the County (collectively, the "Members"). MERA was formed to plan, finance, implement, manage, own and operate a multi-jurisdictional and countywide public safety and emergency radio system. This radio system will be used by member agencies in the law enforcement, fire management, emergency medical, road maintenance, transit, public works, local government and other county-based entities in Marin County. MERA is governed by a Governing Board comprised of one appointed official from each participating member. The JPA is a separate entity which is independently audited. Condensed financial and other information available for MERA as of June 30, 2021 is as follows:

A.	**Entity**	Marin Emergency Radio Authority	
B.	**Purpose**	To plan, finance, implement, manage, own and operate	
C.	**Participants**	As of June 30, 2021 – 25 member agencies	
D.	**Governing board**	25 representatives employed by members	
E.	**District payments for FY 2021:**		
	Operating payment	$10,431	
	Bond payment	$11,978	
	Note payment	$1,121	
F.	**Condensed financial information**	June 30, 2021	
	Audit signed	December 8, 2021	
	Statement of financial position:		**June 30, 2021**
	Total assets		$ 56,184,863
	Deferred outflows		-
	Total liabilities		31,372,301
	Deferred inflows		-
	Net position		$ 24,812,562
	Statement of revenues, expenses and changes in net position:		
	Total revenues		$ 8,746,208
	Total expenses		(3,711,307)
	Change in net position		5,034,901
	Beginning – net position		19,777,661
	Ending – net position		$ 24,812,562
G.	**Member agencies share of year-end financial position**		Not Calculated

NOTE 12 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. Further information about the SDRMA is as follows:

A.	**Entity**	SDRMA
B.	**Purpose**	To provide risk financing and risk management services to California public agencies
C.	**Participants**	As of June 30, 2020 – 505 member agencies
D.	**Governing board**	Seven representatives employed by members
E.	**District payments for FY 2022:**	
	Property/Liability policy	$15,463
	Workers' compensation policy	$13,984
F.	**Condensed financial information**	June 30, 2021

	June 30, 2021
Statement of net position:	
Total assets	$ 139,860,914
Deferred outflows	606,052
Total liabilities	73,886,665
Deferred inflows	237,014
Net position	$ 66,343,287
Statement of revenues, expenses and changes in net position:	
Total revenues	$ 84,001,505
Total expenses	(78,600,852)
Change in net position	5,400,653
Beginning – net position	60,942,634
Ending – net position	$ 66,343,287

G. Member agencies share of year-end financial position Not Calculated

NOTE 12 – RISK MANAGEMENT (continued)

At June 30, 2022, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of $2,500,000, combined single limit at $2,500,000 per occurrence. The District purchased additional excess coverage layers: $10,000,000 for general, auto and public officials' liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to $5,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.

- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined total of $1.0 billion per occurrence, subject to a $2,000 deductible per occurrence.

- Boiler and machinery coverage for the replacement cost up to $100 million per occurrence, subject to a $1,000 deductible per occurrence.

- Public officials' personal liability up to $5,000,000 each occurrence, with an annual aggregate of $500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of $500 per claim.

- Workers' compensation insurance per statutory requirements and Employer's Liability Coverage up to $5 million.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2022, 2021 and 2020. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2022, 2021 and 2020.

NOTE 13 – RELATED PARTY TRANSACTIONS

The District employs a relative of a member of management staff. This transaction is approved annually by the board of Directors as part of the budget process. For year ended June 30, 2022 $16,880 was paid in salaries under for this employee.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases
The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12-months (or less), including any options to extend, regardless of their probability of being exercised.

Also, d*e minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

Grant Awards
Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation
In the ordinary course of operations, the District is subject to other claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters will not materially affect its financial condition.

NOTE 15 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through February 15, 2023, the date which the financial statements were available to be issued.

Required Supplementary Information

INVERNESS PUBLIC UTILITY DISTRICT

Budgetary Comparison Schedule – Public Safety Fund

For the Fiscal Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	$ 670,502	$ 710,502	$ 718,473	$ 7,971
Charges for services	500	-	-	-
Grants and contributions	122,490	142,490	222,472	79,982
Interest revenue	5,000	1,000	312	(688)
Other revenues	2,700	3,500	7,527	4,027
Total revenues	801,192	857,492	948,784	91,292
Expenditures:				
Current:				
Public safety – fire services	640,585	529,988	424,354	105,634
Capital outlay	-	-	23,448	(23,448)
Total expenditures	640,585	529,988	447,802	82,186
Change in fund balance	$ 160,607	$ 327,504	500,982	$ 173,478
FUND BALANCES:				
Beginning of year			2,324,391	
End of year			$ 2,825,373	

INVERNESS PUBLIC UTILITY DISTRICT

Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2022

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2014	0.00401%	$ 213,909	$ 272,180	78.59%	87.25%
June 30, 2015	0.00401%	277,362	282,072	98.33%	83.52%
June 30, 2016	0.00401%	353,625	394,784	89.57%	74.06%
June 30, 2017	0.00407%	386,936	334,937	115.53%	75.85%
June 30, 2018	0.00402%	386,976	336,740	114.92%	78.19%
June 30, 2019	0.00401%	410,703	365,201	112.46%	78.03%
June 30, 2020	0.00405%	440,675	407,063	108.26%	76.79%
June 30, 2021	0.00387%	209,277	326,960	64.01%	89.57%

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
From fiscal year June 30, 2015 and June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:
There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:
The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:
There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:
There were no significant changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:
There were no significant changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:
There were no significant changes in assumptions.

*Fiscal year 2014 was the first measurement date year of implementation; therefore, only eight years are shown.

INVERNESS PUBLIC UTILITY DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2022

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2015	$ 39,386	$ (39,386)	$ -	$ 282,072	13.96%
June 30, 2016	45,817	(45,817)	-	394,784	11.61%
June 30, 2017	62,835	(62,835)	-	334,937	18.76%
June 30, 2018	55,024	(55,024)	-	336,740	16.34%
June 30, 2019	64,628	(64,628)	-	365,201	17.70%
June 30, 2020	73,754	(73,754)	-	407,063	18.12%
June 30, 2021	61,427	(61,427)	-	326,960	18.79%
June 30, 2022	69,284	(69,284)	-	468,034	14.80%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
June 30, 2015	June 30, 2013	Entry Age	Market Value	2.75%	7.65%
June 30, 2016	June 30, 2014	Entry Age	Market Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Market Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Market Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Market Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Market Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Market Value	2.50%	7.15%
June 30, 2022	June 30, 2020	Entry Age	Market Value	2.50%	7.15%

Amortization Method	Level percentage of payroll, closed
Salary Increases	Depending on age, service, and type of employment
Investment Rate of Return	Net of pension plan investment expense, including inflation
Retirement Age	50 years (2%@55 and 2%@60), 52 years (2%@62)
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

*Fiscal year 2015 was the first measurement date year of implementation; therefore, only eight years are shown.

INVERNESS PUBLIC UTILITY DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2022

Last Ten Fiscal Years*

Fiscal Year Ended	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Measurement Date	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Total OPEB liability:					
Service cost	$ 203,047	$ 127,780	$ 40,072	$ 34,947	$ -
Interest	39,003	58,068	30,388	8,327	-
Changes in assumptions	114,499	350,704	(160,751)	(101,900)	-
Differences between expected and actual experience	-	(487,791)	436,009	688,136	-
Benefit payments	(46,496)	(44,705)	(38,885)	(37,284)	-
Net change in total OPEB liability	310,053	4,056	306,833	592,226	-
Total OPEB liability - beginning	1,303,055	1,298,999	992,166	399,940	-
Total OPEB liability - ending	1,613,108	1,303,055	1,298,999	992,166	-
Plan fiduciary net position:					
Contributions - employer	6,512	44,705	38,840	37,284	-
Net investment income	93,939	24,546	29,955	24,686	-
Administrative expense	(174)	(224)	(228)	(739)	-
Benefit payments	(46,496)	(44,705)	(38,885)	(37,284)	-
Net change in plan fiduciary net position	53,781	24,322	29,682	23,947	-
Plan fiduciary net position - beginning	477,891	453,569	423,887	399,940	-
Plan fiduciary net position - ending	531,672	477,891	453,569	423,887	-
District's net OPEB liability	$ 1,081,436	$ 825,164	$ 845,430	$ 568,279	$ -
Plan fiduciary net position as a percentage of the total OPEB liability	32.96%	36.67%	34.92%	42.72%	0.00%
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Benefit Changes:

Measurement Date June 30, 2020 – There were no changes of benefits terms
Measurement Date June 30, 2021 – There were no changes of benefits terms

Changes in Assumptions:

Measurement Date June 30, 2020 – There were no changes in assumptions except change in discount rate
Measurement Date June 30, 2021 – There were no changes in assumptions except change in discount rate

Fiscal year 2018 - No information is avaliable.

* Fiscal year 2018 was the first year of implementation; therefore, only five years are shown.

INVERNESS PUBLIC UTILITY DISTRICT

Schedule of OPEB Contributions

For the Fiscal Year Ended June 30, 2022

Fiscal Year Ended	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Actuarially determined contribution* (Pay-as-you-go funding with No Plan Assets)	$ 46,496	$ 44,705	$ 38,855	$ 37,284	$ -
Contributions in relation to the actuarially determined contributions	(46,496)	(44,705)	(38,855)	(37,284)	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Valuation Date	June 30, 2021	June 30, 2020	N/A	N/A	N/A
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial cost method Entry age normal	Entry Age	Entry Age	Entry Age	Entry Age	N/A
Amortization method Closed period, level percent of pay	(1)	(1)	(1)	(1)	N/A
Amortization period	20-years	20-years	20-years	20-years	N/A
Asset valuation method	Market Value	Market Value	Market Value	Market Value	N/A
Discount rate	2.16%	2.63%	3.00%	3.00%	N/A
Inflation	2.50%	2.75%	3.00%	3.00%	N/A
Payroll increases	2.75%	3.00%	3.69%	369.00%	N/A
Mortality	(2)	(2)	(2)	(2)	N/A
Morbidity	Not Valued	Not Valued	Not Valued	Not Valued	N/A
Disability	Not Valued	Not Valued	Not Valued	Not Valued	N/A
Retirement	(3)	(3)	(3)	(3)	N/A
Percent Married - Spouse Support	70%	70%	70%	70%	N/A
Healthcare trend rates	(4)	(4)	(4)	(4)	N/A

(1) Closed period, level percent of pay
(2) SOA Pub-2010 using Scale MP-2019 or MP-2017
(3) CalPERS Public Agency Miscellaneous 2.7% @55 and 2% @62
CalPERS Public Agency Safety 3.0% @55 and 2.7% @57
(4) Pre-65 - 8.00% trending down 0.25% annually to 5.00% in 2031 and later
Post-65 - 5.50% trending down 0.25% annually to 5.00% in 2021 and later

* Fiscal year 2018 was the first year of implementation; therefore, only five years are shown.

Other Independent Auditors' Report

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

Board of Directors
Inverness Public Utility District
Inverness, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Inverness Public Utility 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 15, 2023.

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

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

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA

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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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Nigro & Nigro, PC

Murrieta, California
February 15, 2023