

Padre Dam Municipal Water District

Santee, California

Financial Statements and Independent Auditors' Report

For the Years Ended June 30, 2021 and 2020

Padre Dam Municipal Water District
Basic Financial Statements
For the Years Ended June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Padre Dam Municipal Water District
Santee, California

Report on Financial Statements

We have audited the accompanying financial statements of the Padre Dam Municipal Water District, California (the "District"), which comprise the statement of net position as of June 30, 2021 and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the Net Pension Liability and Related Ratios, the Schedule of Contributions – Defined Benefit Pension Plan, the Schedule of Changes in the Net OPEB Liability and Related Ratios, and the Schedule of Contributions - OPEB on pages 3 through 8 and 55 through 58, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The other information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

2020 Financial Statements

The District's basic financial statements for the year ended June 30, 2020, were audited by other auditors whose report thereon dated November 12, 2020, expressed an unmodified opinion.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



San Diego, California
October 27, 2021

**Padre Dam Municipal Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2021 and 2020**

Our discussion and analysis of Padre Dam Municipal Water District's (District) financial performance provides an overview of the District's financial activities for the years ended June 30, 2021 and June 30, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Statements

This discussion and analysis provides an introduction and a brief description of the District's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. The District's financial statements include four components:

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows
- Notes to Basic Financial Statements

The statement of net position includes all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the four reported as net position. Net position may be displayed in the categories:

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The statement of net position provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

The statement of revenues, expenses and changes in net position presents information which shows how the District's net position changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of revenues, expenses and changes in net position measures the success of the District's operations over the past year and determines whether the District has recovered its costs through current services and other revenues.

The statement of cash flows provides information regarding the District's cash receipts and cash disbursements during the year. This statement may report cash activity in four categories:

- Operating
- Noncapital financing
- Capital and related financing
- Investing

This statement differs from the statement of revenues, expenses and changes in net position because it accounts only for transactions that result in cash receipts or cash disbursements.

The notes to basic financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

Padre Dam Municipal Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2021 and 2020

Financial Highlights

During the year ended June 30, 2021, the District's total net position increased by \$11,887,955 compared to an increase of \$17,783,853 in 2020. The District's operating revenues of \$76,857,666 increased by \$5,043,061 compared to an increase of \$944,135 in 2020, while operating expenses of \$69,640,586 increased by \$3,543,921 compared to an increase of \$723,577 in 2020. Non-operating revenues decreased by \$8,757,193 compared to an increase of \$6,322,561 in 2020 and non-operating expenses decreased by \$136,733 compared to an increase of \$47,266 in 2020. There was an increase of \$1,225,422 in contributed capital from developers for capacity fees and contributed assets compared to a decrease of \$9,412,788 in 2020.

Financial Analysis of the Financial Statements

Net Position

The District's net position at June 30, 2021 totaled \$302,147,616 compared with \$290,259,661 at June 30, 2020 and \$272,475,808 at June 30, 2019. The \$11,887,955 increase in net position in 2021 is primarily attributed to operating income of \$7,217,080, non-operating revenues (net) of \$3,907,695 and capital contributions of \$2,499,257, offset by interest expense of \$1,736,077. The \$17,783,853 increase in net position in 2020 is primarily attributed to operating income of \$5,717,940, non-operating revenues (net) of \$12,664,888 and capital contributions of \$1,273,835, offset by interest expense of \$1,872,810. The following is a summary of the District's statement of net position:

	June 30, 2021	June 30, 2020	\$ Change	% Change	June 30, 2019	\$ Change	% Change
Assets							
Current assets	\$ 110,122,923	\$ 103,757,057	\$ 6,365,866	6.1%	\$ 99,756,172	\$ 4,000,885	4.0%
Noncurrent assets:							
Restricted assets	15,094,991	15,861,553	(766,562)	-4.8%	19,643,730	(3,782,177)	-19.3%
Capital assets, net of depreciation	274,038,731	276,208,851	(2,170,120)	-0.8%	269,772,366	6,436,485	2.4%
Due from other governments	18,692,178	13,386,426	5,305,752	39.6%	-	13,386,426	100.0%
Total assets	417,948,823	409,213,887	8,734,936	2.1%	389,172,268	20,041,619	5.1%
Deferred Outflows of Resources							
Related to pension and OPEB	12,475,498	9,173,398	3,302,100	36.0%	10,672,707	(1,499,309)	-14.0%
Deferred amount on refunding	1,374,870	1,456,763	(81,893)	-5.6%	1,538,656	(81,893)	-5.3%
Total deferred outflows of resources	13,850,368	10,630,161	3,220,207	30.3%	12,211,363	(1,581,202)	-12.9%
Liabilities							
Current liabilities	14,146,253	12,749,368	1,396,885	11.0%	11,535,063	1,214,305	10.5%
Long-term debt	48,892,436	52,218,065	(3,325,629)	-6.4%	114,151,480	(61,933,415)	-54.3%
Other noncurrent liabilities	63,827,731	60,431,535	3,396,196	5.6%	1,713,766	58,717,769	3426.2%
Total liabilities	126,866,420	125,398,968	1,467,452	1.2%	127,400,309	(2,001,341)	-1.6%
Deferred Inflows of Resources							
Related to pension and OPEB	2,785,155	4,185,419	(1,400,264)	-33.5%	1,507,514	2,677,905	177.6%
Total deferred inflows of resources	2,785,155	4,185,419	(1,400,264)	-33.5%	1,507,514	2,677,905	177.6%
Net Position							
Net investment in capital assets	226,184,023	226,878,415	(694,392)	-0.3%	221,951,326	4,927,089	2.2%
Restricted for capital projects	8,233,351	7,600,889	632,462	8.3%	8,770,174	(1,169,285)	-13.3%
Restricted for debt service	9,142	10,715	(1,573)	-14.7%	40,524	(29,809)	-73.6%
Unrestricted	67,721,100	55,769,642	11,951,458	21.4%	41,713,784	14,055,858	33.7%
Total net position	<u>\$ 302,147,616</u>	<u>\$ 290,259,661</u>	<u>\$ 11,887,955</u>	<u>4.1%</u>	<u>\$ 272,475,808</u>	<u>\$ 17,783,853</u>	<u>6.5%</u>

Padre Dam Municipal Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2021 and 2020

Financial Analysis of the Financial Statements (Continued)

Revenues, Expenses and Changes in Net Position

The District reported an increase in net position of \$11,887,955 for the year ended June 30, 2021 versus an increase in net position of \$17,783,853 from 2019 to 2020; reserve levels remain healthy. Operating revenues were higher than the prior year by \$5,043,061 mostly due to increased water sales. Internal and external rate increases resulted in an increase in the typical water customer's bill of 4.7% and an increase in the typical sewer customer's bill of 2.5%. Current year potable water sales were higher than the prior year by 8.1% and 42.5%, respectively, due to higher demand during the dry winter. Combined water sales revenue increased by 10.1%, systems charge revenue increased by 4.8% and wastewater revenues increased by 2.8%. The Park Operation had a 15.2% increase in campground and other revenues. District operating expenses were \$3,543,920 higher than the prior year due to a \$3,288,741 increase in internal operating expenses, a \$572,598 increase in depreciation expense from capital asset additions, and a \$317,419 decrease in external direct costs. Non-operating revenues decreased by \$8,757,193 and non-operating expenses decreased by \$136,733 in 2021 compared to an increase of \$6,322,561 and an increase of \$47,266 in 2020. Since current year water sales were higher than prior year, water purchased from San Diego County Water District (CWA) was also higher along with an increase in CWA's rates and charges. Prior year direct METRO processing cost for sewer included a \$989,879 true-up billing from 2016/17. The following is a summary of the District's statement of revenues, expenses and changes in net position:

	June 30, 2021	June 30, 2020	\$ Change	% Change	June 30, 2019	\$ Change	% Change
Operating revenues	\$ 76,857,666	\$ 71,814,605	\$ 5,043,061	7.0%	\$ 70,870,470	\$ 944,135	1.3%
Nonoperating revenues	3,907,695	12,664,888	(8,757,193)	-69.1%	6,342,327	6,322,561	99.7%
Total revenues	<u>80,765,361</u>	<u>84,479,493</u>	<u>(3,714,132)</u>	<u>-4.4%</u>	<u>77,212,797</u>	<u>7,266,696</u>	<u>9.4%</u>
Operating expenses	69,640,586	66,096,665	3,543,921	5.4%	65,373,088	723,577	1.1%
Nonoperating expenses	1,736,077	1,872,810	(136,733)	-7.3%	1,825,544	47,266	2.6%
Total expenses	<u>71,376,663</u>	<u>67,969,475</u>	<u>3,407,188</u>	<u>5.0%</u>	<u>67,198,632</u>	<u>770,843</u>	<u>1.1%</u>
Income before capital contributions	9,388,698	16,510,018	(7,121,320)	-43.1%	10,014,165	6,495,853	64.9%
Capital contributions	2,499,257	1,273,835	1,225,422	96.2%	10,686,623	(9,412,788)	-88.1%
Changes in net position	<u>11,887,955</u>	<u>17,783,853</u>	<u>(5,895,898)</u>	<u>-33.2%</u>	<u>20,700,788</u>	<u>(2,916,935)</u>	<u>-14.1%</u>
Net position, beginning of year	<u>290,259,661</u>	<u>272,475,808</u>	<u>17,783,853</u>	<u>6.5%</u>	<u>251,775,020</u>	<u>20,700,788</u>	<u>8.2%</u>
Net position, end of year	<u>\$ 302,147,616</u>	<u>\$ 290,259,661</u>	<u>\$ 11,887,955</u>	<u>4.1%</u>	<u>\$ 272,475,808</u>	<u>\$ 17,783,853</u>	<u>6.5%</u>

Padre Dam Municipal Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2021 and 2020

Capital Assets

At June 30, 2021, the District had invested \$274,038,732 in capital assets, net of accumulated depreciation of \$151,505,667, including land, franchises and water rights, water system, sewer system, water recycling system, buildings, equipment, park and campgrounds and construction-in-progress (CIP) compared to \$276,208,851 at June 30, 2020 and \$269,033,048 at June 30, 2019. This amount represents a decrease of \$2,170,120, net of depreciation, from 2020 and an increase of \$7,175,803 from June 30, 2019 to June 30, 2020.

The following is a summary of the capital assets at June 30, 2021, 2020, and 2019:

	June 30, 2021	June 30, 2020	\$ Change	% Change	June 30, 2019	\$ Change	% Change
Land, franchise, and water rights	\$ 1,296,322	\$ 1,296,322	\$ -	0.0%	\$ 1,296,322	\$ -	0.0%
Water system	260,071,146	224,721,558	35,349,588	15.7%	220,836,891	3,884,667	1.8%
Sewer system	58,385,132	58,331,430	53,702	0.1%	53,319,127	5,012,303	9.4%
Water recycling system	28,582,256	28,534,324	47,932	0.2%	27,897,184	637,140	2.3%
Parks and campgrounds	32,225,520	23,589,735	8,635,785	36.6%	23,242,018	347,717	1.5%
Buildings	28,771,827	28,732,949	38,878	0.1%	28,556,160	176,789	0.6%
Equipment	11,666,542	11,716,455	(49,913)	-0.4%	11,539,990	176,465	1.5%
Construction in progress	4,545,653	41,975,855	(37,430,202)	-89.2%	36,582,064	5,393,791	14.7%
Total	425,544,398	418,898,628	6,645,770	1.6%	403,269,756	15,628,872	3.9%
Less: accumulated depreciation	(151,505,667)	(142,689,777)	(8,815,890)	6.2%	(134,236,708)	(8,453,069)	6.3%
Net capital assets	\$ 274,038,731	\$ 276,208,851	\$ (2,170,120)	-0.8%	\$ 269,033,048	\$ 7,175,803	2.7%

Significant additions to CIP for the year ended June 30, 2021 include:

Santee Lakes General Store and Administration Building Improvements	\$ 2,910,935
Cordial Road Pipeline	711,170
Pump Station Improvements Design & Construction	428,431
Mountain View Connector Pipeline	397,252
ESA Valve Replacement Program	358,013
WSA Valve Replacement Program	352,904
WSA Polyservice Replacment Program	213,600
Rios Canyon Pump Station Surge Tank	185,680
Quail Canyon Pressure Reducting Station	118,161
Grossmont Reservoir Refurbishing/Coating	112,552

Additional information on the District's capital assets can be found in Notes 1 and 4 of the notes to financial statements

**Padre Dam Municipal Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2021 and 2020**

Long-Term Debt

At June 30, 2021, the District had \$51,915,352 in long-term debt, including certificates of participation, a note payable, a capital lease, revenue bonds, unamortized premiums and other debt. Long term debt decreased (net) \$3,168,349 due to principal payments made on debt during the year versus a decrease of \$3,395,261 from 2019 to 2020.

The following is a summary of the long-term debt at June 30, 2021, 2020, and 2019:

	June 30, 2021	June 30, 2020	\$ Change	% Change	June 30, 2019	\$ Change	% Change
Certificates of participation	\$ 45,115,000	\$ 47,170,000	\$ (2,055,000)	-4.4%	\$ 49,125,000	\$ (1,955,000)	-4.0%
Note payable	440,370	838,448	(398,078)	-47.5%	1,232,368	(393,920)	-32.0%
Revenue bonds	1,480,000	1,810,000	(330,000)	-18.2%	2,130,000	(320,000)	-15.0%
Capital lease	-	-	-	0.0%	344,065	(344,065)	-100.0%
Park Cabin loan	580,918	687,499	(106,581)	-15.5%	791,085	(103,586)	-13.1%
Subtotal long-term debt	47,616,288	50,505,947	(2,889,659)	-5.7%	53,622,518	(3,116,571)	-5.8%
Add: unamortized premiums	4,299,064	4,577,754	(278,690)	-6.1%	4,856,444	(278,690)	-5.7%
Total long-term debt	\$ 51,915,352	\$ 55,083,701	\$ (3,168,349)	-5.8%	\$ 58,478,962	\$ (3,395,261)	-5.8%

Additional information on the District's long-term debt can be found in note 5 of the notes to financial statements.

Conditions Affecting Current and Future Financial Position

During the 2012-2016 drought, Californians responded to then Governor Brown's call to conserve water. Restrictions and lifestyle changes reduced the demand on water use, some of it permanently. However, water demand in more recent years has exceeded the low levels experienced during the drought. In FY '21, actual sales of 9,849 acre feet exceeded budgeted sales of 8,985 acre feet by 9.6%. Management cannot predict exactly how future drought conditions will affect future water sales and operational costs but demand is closely monitored, expenses are controlled and healthy reserve levels are maintained.

The District's 2017 Cost of Service (COS) study determined the level of revenues required to accomplish the goals of the Five Year Business Plan (Plan), which covered fiscal years 2018-2022. In June 2017, the Board approved the Plan and related Five Year Budget (Budget). The Budget included five years of operating expenses (\$173.8M), capital equipment expenditures (\$5.5M) and non-Park CIP (\$66.7M). Although expenditures are budgeted in each of the Plan's five years, the Plan allows flexibility in the timing of expenditures so long as total expenditures do not exceed what the Board approved. In June 2017, the Board also approved annual internal rate increases of 3% for the water and wastewater operations; the Board also approved an ordinance authorizing the pass through of rate increases from external agencies; these increases directly impact water and sewer rates and offset direct cost increases.

A request for proposals for a new COS study was issued on October 1, 2021. This COS study will help develop the rates for the next Five Year Strategic Business Plan (New Plan), which will cover fiscal years 2023-2027. Development of the New Plan began in the fall of 2020 and will continue into 2022. Approval of the New Plan, COS study, next five year budget and future rates is scheduled for June 15, 2022.

The COVID-19 pandemic and ensuing financial crisis did not negatively impact water sales or sewer revenue in FY '21. In response to Governor Newsom's mandate, the District suspended shut-offs for non-paying customers in March 2020. Although delinquencies rose slightly, they represent less than 1% of annual billings. The District also suspended late fees in March 2020 impacting revenues slightly. However the District has resumed charging late fees and will reinstitute shut-offs for non-payment in January 2022. The District anticipates being successful in its application requesting COVID relief funds from the state of California's Arrearages program.

**Padre Dam Municipal Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2021 and 2020**

Contacting the District's Financial Manager

This financial report is designed to provide Padre Dam Municipal Water District's customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Padre Dam Municipal Water District Chief Financial Officer.

BASIC FINANCIAL STATEMENTS

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Padre Dam Municipal Water District
Statements of Net Position
June 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 51,066,844	\$ 44,416,321
Investments (Note 3)	49,658,505	49,255,825
Accounts receivable	7,041,823	7,200,328
Property taxes receivable	129,989	135,321
Accounts receivable - other	163,490	547,204
Interest receivable	124,388	295,937
Inventory	1,112,788	962,298
Prepaid expenses	169,555	191,976
Restricted cash and cash equivalents (Note 3 and 4)	655,541	751,847
Total current assets	110,122,923	103,757,057
Noncurrent assets:		
Restricted assets (Note 4):		
Cash and cash equivalents	8,647,324	9,365,803
Investments	6,425,716	6,443,526
Interest receivable	21,951	52,224
Total noncurrent restricted assets	15,094,991	15,861,553
Capital assets (Note 5):		
Capital assets - not being depreciated	5,841,975	43,272,177
Capital assets - being depreciated, net	268,196,756	232,936,674
Capital assets, net	274,038,731	276,208,851
Due from East County Advanced Water Purification JPA (Note 14)	18,692,178	13,386,426
Total noncurrent assets	307,825,900	305,456,830
Total assets	417,948,823	409,213,887
DEFERRED OUTFLOWS OF RESOURCES		
Pension-related deferred outflows of resources (Note 9)	9,821,353	6,442,840
OPEB-related deferred outflows of resources (Note 10)	2,654,145	2,730,558
Deferred amount on refunding	1,374,870	1,456,763
Total deferred outflows of resources	13,850,368	10,630,161

(Continued)

Padre Dam Municipal Water District
Statements of Net Position (Continued)
June 30, 2021 and 2020

	2021	2020
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 7,511,920	\$ 6,399,425
Accrued expenses and other liabilities	788,111	749,425
Interest payable	467,766	496,882
Current portion of long-term debt (Note 6)	3,022,916	2,865,636
Compensated absences (Note 8)	1,700,000	1,500,000
Liabilities payable from restricted assets:		
Deposits and advances on construction	655,540	738,000
Total current liabilities	<u>14,146,253</u>	<u>12,749,368</u>
Noncurrent liabilities:		
Long-term debt, net of current portion (Note 6):		
Certificates of participation	47,071,501	49,456,758
Revenue bonds	1,317,563	1,715,996
Note payable	32,114	464,391
Other long-term debt	471,258	580,920
Total long-term debt, net of current portion	<u>48,892,436</u>	<u>52,218,065</u>
Net pension liability (Note 9)	47,468,749	43,963,767
Net OPEB liability (Note 10)	11,620,751	11,880,267
Compensated absences, net of current portion (Note 8)	534,688	620,207
Restricted prepaid capacity fees (Note 7)	4,152,969	3,953,447
Other noncurrent restricted liabilities	50,574	13,847
Total noncurrent liabilities	<u>112,720,167</u>	<u>112,649,600</u>
Total liabilities	<u>126,866,420</u>	<u>125,398,968</u>
DEFERRED INFLOWS OF RESOURCES		
Pension-related deferred inflows of resources (Note 9)	355,154	1,211,789
OPEB-related deferred inflows of resources (Note 10)	2,430,001	2,973,630
Total deferred inflows of resources	<u>2,785,155</u>	<u>4,185,419</u>
NET POSITION		
Net investment in capital assets	<u>226,184,023</u>	<u>226,878,415</u>
Restricted for:		
Capital projects	8,233,351	7,600,889
Debt service	9,142	10,715
Total restricted	<u>8,242,493</u>	<u>7,611,604</u>
Unrestricted	<u>67,721,100</u>	<u>55,769,642</u>
Total net position	<u>\$ 302,147,616</u>	<u>\$ 290,259,661</u>

(Concluded)

Padre Dam Municipal Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Water sales	\$ 33,071,728	\$ 30,050,059
Sewer revenues	19,266,907	18,740,574
System charges	12,452,691	11,885,429
Park fees	7,116,578	6,177,597
Other income	4,949,762	4,960,946
Total operating revenues	76,857,666	71,814,605
OPERATING EXPENSES		
Water purchases	16,097,318	15,885,483
Treatment costs	5,643,040	6,494,540
Operations	4,240,870	3,918,623
Salaries, benefits, and taxes	21,582,847	19,943,677
Materials, supplies, and utilities	7,588,098	6,734,882
Professional services and administrative expenses	5,355,061	4,558,706
Depreciation	9,133,352	8,560,754
Total operating expenses	69,640,586	66,096,665
Operating income	7,217,080	5,717,940
NONOPERATING REVENUES (EXPENSES)		
Investment income	256,758	2,464,460
Restricted investment income	47,475	557,856
Taxes and assessments	3,599,467	3,428,063
Gain on sale or disposition of assets	3,995	26,142
Other income	-	6,188,367
Interest expense	(1,736,077)	(1,872,810)
Total nonoperating revenues (expenses)	2,171,618	10,792,078
Income before capital contributions	9,388,698	16,510,018
Capital contributions	2,499,257	1,273,835
Changes in net position	11,887,955	17,783,853
Net position, beginning of year	290,259,661	272,475,808
Net position, end of year	\$ 302,147,616	\$ 290,259,661

See accompanying Notes to the Basic Financial Statements.

Padre Dam Municipal Water District
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 77,399,885	\$ 71,180,631
Payments for operating goods and services	(38,022,421)	(35,962,068)
Payments for employee wages, benefits, and related costs	(22,886,578)	(18,357,369)
Net cash provided by operating activities	16,490,886	16,861,194
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes and benefit assessments received	3,604,799	3,412,328
Net cash provided by noncapital financing activities	3,604,799	3,412,328
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(6,963,232)	(14,853,081)
Proceeds from sale of capital assets	3,995	26,142
Proceeds from capital contributions	2,568,721	3,383,196
Principal paid on long-term debt	(2,889,659)	(3,116,571)
Interest paid on long-term debt	(1,407,145)	(2,104,090)
Net cash (used in) capital and related financing activities	(8,687,320)	(16,664,404)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(32,014,418)	(36,833,481)
Proceeds from sale and maturities of investments	31,241,488	35,675,307
Payments made to other governments	(5,305,752)	(7,198,059)
Investment income received	506,055	1,962,760
Net cash (used in) investing activities	(5,572,627)	(6,393,473)
Net increase (decrease) in cash and cash equivalents	5,835,738	(2,784,355)
Cash and cash equivalents, beginning of year	54,533,971	57,318,326
Cash and cash equivalents, end of year	\$ 60,369,709	\$ 54,533,971
FINANCIAL STATEMENT PRESENTATION		
Current assets:		
Cash and cash equivalents	\$ 51,066,844	\$ 44,416,321
Restricted cash and cash equivalents	655,541	751,847
Noncurrent assets:		
Restricted cash and cash equivalents	8,647,324	9,365,803
Total cash and cash equivalents	\$ 60,369,709	\$ 54,533,971

(Continued)

Padre Dam Municipal Water District
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2021 and 2020

	2021	2020
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 7,217,080	\$ 5,717,940
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,133,352	8,560,754
Changes in operating assets and liabilities:		
(Increase) Decrease in assets:		
Accounts receivable	158,505	(720,500)
Accounts receivable - other	383,714	86,526
Inventories	(150,490)	(115,159)
Prepaid expenses	22,421	(20,465)
Deferred outflows of resources from pensions	(3,378,513)	1,368,309
Deferred outflows of resources from OPEB	76,413	131,000
Increase (Decrease) in liabilities:		
Accounts payable	1,112,495	2,014,961
Accrued expenses and other liabilities	38,686	152,958
Deposits and advances on construction	(82,460)	(249,162)
Net pension liability	3,504,982	(3,715,497)
Net OPEB liability	(259,516)	777,063
Compensated absences	114,481	194,561
Deferred inflows of resources from pensions	(856,635)	2,671,964
Deferred inflows of resources from OPEB	(543,629)	5,941
Net cash provided by operating activities	\$ 16,490,886	\$ 16,861,194
 FINANCIAL STATEMENT PRESENTATION		
Cash and cash equivalents		
Current assets:		
Cash and cash equivalents	\$ 51,066,844	\$ 44,416,321
Restricted cash and cash equivalents	655,541	751,847
Noncurrent assets:		
Restricted cash and cash equivalents	8,647,324	9,365,803
Total cash and cash equivalents	60,369,709	54,533,971
Investments		
Current assets:		
Investments	49,658,505	49,255,825
Noncurrent assets:		
Restricted investments	6,425,716	6,443,526
Total investments	56,084,221	55,699,351
Total cash, cash equivalents, and investments	\$ 116,453,930	\$ 110,233,322
 SUPPLEMENTAL DISCLOSURES		
Non-cash investing and financing activities:		
Contributions of capital assets	\$ -	\$ 144,158
Amortization related to long-term debt	\$ 196,797	\$ 196,797
Unrealized gains (losses) on investments	\$ (659,656)	\$ 1,226,583

(Concluded)

See accompanying Notes to the Basic Financial Statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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Padre Dam Municipal Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 1 – Reporting Entity

The Padre Dam Municipal Water District (the District) was organized November 23, 1955, as Rio San Diego Municipal Water District pursuant to the Municipal Water District Law of 1911, Division 20 of the Water Code, as the result of an election held December 2, 1952. The name changed to Padre Dam Municipal Water District effective January 1, 1977.

Santee County Water District (formed in 1956 pursuant to the County Water District Law, Division 12 of the Water Code) operated within the territory of the District. As the result of an election held on November 2, 1976, Santee County Water District dissolved and its functions and operations were assumed by the District on December 31, 1976.

The communities of Alpine, Crest and Harbison Canyon (Eastern Service Area) were annexed to the District in 1961. The area within Crest Public Utility District was annexed in 1985 when that agency dissolved.

The District purchases its water supply from the San Diego County Water Authority.

The District sends its wastewater to City of San Diego METRO for treatment.

The District produces recycled water for construction and irrigation.

The District owns and operates Santee Lakes Recreation Preserve.

The District is composed of two geographically distinct service areas, which are as follows:

Western Service Area:

Western Service Area provides retail potable water, recycled water and sewer services to the community of Santee. The Santee Lakes Recreation Preserve and the Santee Water Reclamation Facility are located within this service area.

Eastern Service Area:

Eastern Service Area provides retail potable water service to the communities of Alpine, Crest and Harbison Canyon.

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting financial reporting purposes. The more significant of the District's accounting policies are described below.

A. Financial Statements

The District's activities are accounted for as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

“Measurement focus” is a term used to describe *which* transactions are recorded within the various financial statements. “Basis of accounting” refers to *when* transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the “economic resources measurement focus,” and the “accrual basis of accounting.” Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent) and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

The District distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services, delivering water and collecting, treating and disposing of wastewater and fees collected from park operations. The District’s principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses and Changes in Net Position.

C. Use of Restricted/Unrestricted Resources

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted - net position in the Statement of Net Position, a flow assumption must be made about the order in which the resources are considered to be applied.

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

D. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents – For purposes of the statement of cash flows, cash and cash equivalents include petty cash, demand deposits with financial institutions, deposits in money market mutual funds (SEC registered), and deposits in external investment pools, and marketable securities that mature within 90 days of purchase. Such marketable securities and deposits in money market funds are carried at fair value.

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Cash, Cash Equivalents, and Investments (Continued)

Risk Disclosures – Certain disclosure requirements, if applicable for deposit and investment risk, are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk

Investment Valuation – GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgement associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 - Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 - Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 - Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

E. Restricted Assets and Liabilities

Certain current liabilities have been classified as current liabilities payable from restricted assets, as they will be funded from restricted assets.

F. Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are from billed and unbilled customer accounts and total \$7,041,823 and \$7,200,328 at June 30, 2021, and June 30, 2020, respectively. The District extends credit to customers in the normal course of operations. Management evaluates all accounts receivable and, if it is determined that they are uncollectible, they are written off as a bad debt expense. Management has evaluated the remaining accounts receivable and has determined that they are collectible.

G. Inventory

Inventory consists primarily of materials and supplies used in the construction and maintenance of capital assets. Inventory is valued at cost using a weighted-average cost method. Inventory items are charged to expense or construction in progress at the time that individual items are withdrawn from inventory or consumed.

H. Prepaid Expenses

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

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

I. Capital Assets, Depreciation and Amortization

The District records the acquisition of capital assets and additions, improvements and other capital outlays that significantly extend the life of an asset at historical cost. Donated capital assets, donated works of art and similar assets and capital assets received in a service concession arrangement are reported at acquisition value. Self-constructed assets are recorded in the amount of direct labor, material and allocated overhead. District policy has set the capitalization threshold for reporting capital assets at \$5,000 and an estimated useful life of greater than five years.

Depreciation is calculated on the straight-line method over the estimated useful life of an asset, which ranges from five to one hundred years as follows:

Water system	10 - 75 years
Wastewater system	10 - 100 years
Water recycling system	5 - 50 years
Park and campgrounds	5 - 30 years
Buildings	20 - 30 years
Equipment	5 - 10 years

J. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners or real estate developers desiring services that require capital expenditures or capacity commitment. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses, and Changes in Net Position.

K. Compensated Absences

Vested or accumulated vacation and sick leave are recorded as expenses and liabilities as benefits accrue to employees. At June 30, 2021 and 2020, accumulated vacation and sick leave totaled \$2,234,688 and \$2,120,207, respectively.

L. Prepaid Capacity Fees

At the time of connection, the District charges customers a capacity fee to buy into the water and wastewater systems and to pay their fair share of costs to construct facilities required for provision of their water and sewer service.

M. Amortization of Deferred Amounts on Refunding, Bond Discounts and Premiums

Deferred amounts from refunding, bond discounts and premiums are being amortized over the periods of debt maturities. Amortization of deferred charges, bond discounts and premiums totaled \$196,797 and \$196,797 for the years ended June 30, 2021 and 2020, respectively, and is included in interest expense on the Statement of Revenues, Expenses and Changes in Net Position.

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

N. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's 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.

O. Other Postemployment 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 OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the District's OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Property Taxes

Property taxes are billed by the County of San Diego to property owners. The District takes into account differences in the property taxes assessed in the two service areas when establishing its water rates for each area. The District's property tax calendar is as follows:

Lien date:	January 1
Levy date:	July 1
Due date:	First installment - November 1 Second installment - February 1
Delinquent date:	First installment - December 10 Second installment - April 10

Q. Net Position

Net position of the District is classified into three components: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. These classifications are defined as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation plus deferred amounts on refunding, and reduced by the outstanding balances of notes or borrowing that are attributable to the acquisition of the asset, 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.

Restricted Net Position – This component of net position consists of net position with constrained use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component of net position consists of net position that does not meet the definition of “net investment in capital assets,” or “restricted net position”.

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

R. Use of Estimates

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates.

S. Implementation of New GASB Pronouncements for the Year Ended June 30, 2021

During fiscal year ended June 30, 2021, the District implemented the following new GASB Pronouncements:

- In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB Statement No. 84), to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities of all state and local governments. It also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Implementation of this statement was not applicable because the District did not have any fiduciary activities.
- In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61* (GASB Statement No. 90), to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Implementation of this statement was not applicable because the District did not have any majority equity interests.

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

T. Upcoming Governmental Accounting Standards Implementation

The District is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

- In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB Statement No. 87 is effective for the District's fiscal year ending June 30, 2022.
- In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB Statement No. 91), to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 is effective for the District's fiscal year ending June 30, 2023.
- In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Application of this statement is effective for the District's fiscal year ending June 30, 2022.
- In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Application of this statement is effective for the District's fiscal year ending June 30, 2022.
- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Application of this statement is effective for the District's fiscal year ending June 30, 2023.

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

T. Upcoming Governmental Accounting Standards Implementation (Continued)

- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Application of this statement is effective for the District’s fiscal year ending June 30, 2023.

- In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Application of this statement is effective for the District’s fiscal year ending June 30, 2022.

Note 3 – Cash, Cash Equivalents, and Investments

Cash and investments at June 30, 2021 and 2020 are classified in the accompanying financial statements as follows:

	2021	2020
Statement of Net Position:		
Current assets:		
Cash and cash equivalents	\$ 51,066,844	\$ 44,416,321
Restricted cash and cash equivalents	655,541	751,847
Investments	49,658,505	49,255,825
Noncurrent assets:		
Restricted cash and cash equivalents	8,647,324	9,365,803
Investments	6,425,716	6,443,526
Total cash and investments	\$ 116,453,930	\$ 110,233,322
Cash and investments consist of the following:		
Cash on hand	\$ 9,050	\$ 4,780
Deposits with financial institutions	35,591,568	25,428,465
Investments	80,853,312	84,800,077
Total cash and investments	\$ 116,453,930	\$ 110,233,322

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

A. Demand Deposits

As of June 30, 2021, the carrying amount of demand deposits was \$35,591,568 and the bank balance was \$35,599,360 compared to \$25,428,465 and \$28,493,747 at June 30, 2020, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in the District's name as discussed below under *Disclosures Relating Custodial Credit Risk*.

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Government Sponsored Entities	5 years	None	None
Municipal Obligations	5 years	15%	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Time Deposits	2 years	15%	None
Placement Service Certificates of Deposit	5 years	30%	None
Repurchase Agreements	90 days	None	None
Reverse Repurchase Agreements	90 days	20% of base value	None
Medium-Term Corporate Notes	5 years	30%	None
Money Market Mutual Funds	N/A	20%	None
Supranational Obligations	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	65% of surplus funds	None
San Diego County Pooled Investment Fund	N/A	\$1 million	None
Mortgage and Asset-backed Securities	5 years	20%	None

C. Investments Authorized by Debt Agreements

Investment of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

D. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations.

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

Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity at June 30, 2021.

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund (LAIF)	\$ 24,769,091	\$ 24,769,091	\$ -	\$ -
U.S. Government Sponsored Entities	12,048,000	-	6,917,036	5,130,964
U.S. Treasury Obligations	17,548,363	321,349	10,093,727	7,133,287
Collateralized Mortgage Obligation	2,331,734	203,133	512,586	1,616,015
Asset-backed Securities	7,092,541	-	412,680	6,679,861
Negotiable Certificates of Deposit	3,322,594	549,916	2,772,678	-
Municipal Obligations	2,704,747	474,918	754,045	1,475,784
Supranational Obligations	1,714,415	-	1,335,507	378,908
Medium-term Corporate Notes	9,321,827	541,252	4,028,789	4,751,786
Total	\$ 80,853,312	\$ 26,859,659	\$ 26,827,048	\$ 27,166,605

Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity at June 30, 2020.

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund (LAIF)	\$ 24,679,654	\$ 24,679,654	\$ -	\$ -
Money Market Mutual Funds	4,421,070	4,421,070	-	-
U.S. Government Sponsored Entities	6,816,254	-	1,109,288	5,706,966
U.S. Treasury Obligations	22,066,906	-	13,957,194	8,109,712
Collateralized Mortgage Obligation	2,661,380	-	352,005	2,309,375
Asset-backed Securities	2,898,928	-	-	2,898,928
Negotiable Certificates of Deposit	5,871,869	3,371,675	548,384	1,951,810
Municipal Obligations	1,663,964	1,086,819	561,638	15,507
Supranational Obligations	1,066,237	507,973	-	558,264
Medium-term Corporate Notes	12,653,815	2,150,557	5,581,038	4,922,220
Total	\$ 84,800,077	\$ 36,217,748	\$ 22,109,547	\$ 26,472,782

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

E. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District’s investment policy or debt agreements and Standard & Poor’s rating as of June 30 for each investment type.

The District’s investment policy and the actual rating as of June 30, 2021, for each investment type is as follows:

Investment Type	Total	Minimum Legal Rating	Exempt from Disclosure	Rating as of Year End				
				AAA	AA+	AA	Other	Not Rated
Local Agency Investment Fund (LAIF)	\$ 24,769,091	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,769,091
Money Market Mutual Funds	-	AAA	-	-	-	-	-	-
U.S. Government Sponsored Entities	12,048,000	N/A	-	-	12,048,000	-	-	-
U.S. Treasury Obligations	17,548,363	N/A	17,548,363	-	-	-	-	-
Collateralized Mortgage Obligation	2,331,734	AA	-	-	2,331,734	-	-	-
Asset-backed Securities	7,092,541	AA	-	5,852,448	-	-	-	1,240,093
Negotiable Certificates of Deposit	3,322,594	A	-	-	-	-	3,322,594	-
Municipal Obligations	2,704,747	A	-	451,155	1,177,676	136,346	939,570	-
Supranational Obligations	1,714,415	AA	-	1,714,415	-	-	-	-
Medium-term Corporate Notes	9,321,827	A	-	-	475,075	1,092,728	7,754,024	-
Total	\$ 80,853,312		\$ 17,548,363	\$ 8,018,018	\$ 16,032,485	\$ 1,229,074	\$ 12,016,188	\$ 26,009,184

The actual ratings for the “Other” category as of June 30, 2021 are as follows:

Investment Type	Total	AA-	A+	A	A-	A-1+	A-1	BBB+/-
Negotiable Certificates of Deposit	\$ 3,322,594	\$ 1,104,433	\$ 1,246,271	\$ 421,973	\$ -	\$ -	\$ 549,917	\$ -
Municipal Obligations	939,570	474,918	464,652	-	-	-	-	-
Medium-term Corporate Notes	7,754,024	116,725	2,430,157	2,042,912	1,772,493	-	-	1,391,737

The District’s investment policy and the actual rating as of June 30, 2020, for each investment type is as follows:

Investment Type	Total	Minimum Legal Rating	Exempt from Disclosure	Rating as of Year End				
				AAA	AA+	AA	Other	Not Rated
Local Agency Investment Fund (LAIF)	\$ 24,679,654	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,679,654
Money Market Mutual Funds	4,421,070	AAA	-	4,421,070	-	-	-	-
U.S. Government Sponsored Entities	6,816,254	N/A	-	-	6,816,254	-	-	-
U.S. Treasury Obligations	22,066,906	N/A	22,066,906	-	-	-	-	-
Collateralized Mortgage Obligation	2,661,380	AA	-	-	2,661,380	-	-	-
Asset-backed Securities	2,898,928	AA	-	-	2,607,271	-	-	291,657
Negotiable Certificates of Deposit	5,871,869	A	-	-	-	-	5,871,869	-
Municipal Obligations	1,663,964	A	-	-	551,340	-	1,112,624	-
Supranational Obligations	1,066,237	AA	-	1,066,237	-	-	-	-
Medium-term Corporate Notes	12,653,815	A	-	-	477,125	1,142,978	10,763,885	269,827
Total	\$ 84,800,077		\$ 22,066,906	\$ 5,487,307	\$ 13,113,370	\$ 1,142,978	\$ 17,748,378	\$ 25,241,138

The actual ratings for the “Other” category as of June 30, 2020 are as follows:

Investment Type	Total	AA-	A+	A	A-	A-1+	A-1	BBB+/-
Negotiable Certificates of Deposit	\$ 5,871,869	\$ 1,117,038	\$ 834,772	\$ 548,394	\$ -	\$ 668,147	\$ 2,703,518	\$ -
Municipal Obligations	1,112,624	1,086,819	25,805	-	-	-	-	-
Medium-term Corporate Notes	10,763,885	1,014,905	2,394,318	3,013,115	2,578,156	-	-	1,763,391

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

E. Disclosures Relating to Credit Risk (Continued)

Concentration of Credit Risk

The investment policy of the District contains various limitations on the amounts that can be invested in any one type or group of investments and in any issuer, beyond that stipulated by the California Government Code, Sections 53600 through 53692. Investments in any one issuer (other than U.S. Treasury securities, money market mutual funds and external investment pools) that represent 5% or more of total District investments as of June 30, 2021 and 2020 are as follows:

Issuer	Investment Type	2021	2020
Federal Home Loan Mortgage Corp	U.S. Govt Sponsored Entities	\$ 7,942,303	\$ -
Federal National Mortgage Association	U.S. Govt Sponsored Entities	\$ 4,105,697	\$ -

F. Disclosures Relating to Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, an entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2021 and 2020, all of the District’s deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

G. Local Agency Investment Fund (LAIF)

The District is a voluntary participant in the Local Agency Investment Fund (“LAIF”) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the District’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The District’s investments with Local Agency Investment Fund (LAIF) include a portion of the pool funds invested in structured notes and asset-backed securities. These investments include the following:

Structured Notes - debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options. They are issued by corporations and by government-sponsored enterprises.

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

G. Local Agency Investment Fund (LAIF (Continued))

Asset-Backed Securities - entitle their purchaser to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's), small business loans or credit card receivables.

LAIF is overseen by the Local Investment Advisory Board, which consists of five members, in accordance with State statute. The fair value of our position in the pool is the same as the value of the pool shares.

As of June 30, 2021 the District had \$24,769,091 invested in LAIF, which had invested 1.10% of the pool investment funds in structured notes and asset-backed securities compared to \$24,679,654 and 3.37% at June 30, 2020. LAIF is part of the State's Pooled Money Investment Account (PMIA). The District valued its investments in LAIF as of June 30 by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 1.00008297 and 1.004912795 as of June 30, 2021 and 2020, respectively.

H. Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices for similar assets in active markets and Level 3 inputs are significant unobservable inputs.

Investments classified in Level 2 are valued using the following inputs:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; or
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

The District has no investments categorized in Level 3. When valuing Level 3 securities, the inputs or methodology are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

H. Fair Value Measurements (Continued)

The following is a summary of the fair value hierarchy of investments held by the District as of June 30, 2021:

	Fair Value Measurement Using	
	Significant Observable Inputs (Level 2)	Other Observable Inputs (Level 2)
	<u>June 30, 2021</u>	<u>June 30, 2021</u>
Investments by fair value level		
U.S. government sponsored entities	\$ 12,048,000	\$ 12,048,000
U.S. Treasury obligations	17,548,363	17,548,363
Collateralized mortgage obligations	2,331,734	2,331,734
Asset-backed securities	7,092,541	7,092,541
Negotiable certificates of deposit	3,322,594	3,322,594
Municipal obligations	2,704,747	2,704,747
Supranational obligations	1,714,415	1,714,415
Medium-term corporate notes	9,321,827	9,321,827
Total investments by fair value level	<u>\$ 56,084,221</u>	<u>56,084,221</u>
Investments not subject to fair value hierarchy:		
Local Agency Investment Fund (LAIF)		24,769,091
Total investments not subject to fair value hierarchy		<u>24,769,091</u>
Total investments		<u>\$ 80,853,312</u>

The following is a summary of the fair value hierarchy of investments held by the District as of June 30, 2020:

	Fair Value Measurement Using	
	Significant Observable Inputs (Level 2)	Other Observable Inputs (Level 2)
	<u>June 30, 2020</u>	<u>June 30, 2020</u>
Investments by fair value level		
U.S. government sponsored entities	\$ 6,816,254	\$ 6,816,254
U.S. Treasury obligations	22,066,906	22,066,906
Collateralized mortgage obligations	2,661,380	2,661,380
Asset-backed securities	2,898,928	2,898,928
Negotiable certificates of deposit	5,871,869	5,871,869
Municipal obligations	1,663,964	1,663,964
Supranational obligations	1,066,237	1,066,237
Medium-term corporate notes	12,653,815	12,653,815
Total Investments by fair value level	<u>\$ 55,699,353</u>	<u>55,699,353</u>
Investments not subject to fair value hierarchy:		
Local Agency Investment Fund (LAIF)		24,679,654
Money market funds		4,421,070
Total investments not subject to fair value hierarchy		<u>29,100,724</u>
Total investments		<u>\$ 84,800,077</u>

Investments securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 4 – Restricted Assets

Restricted assets were provided by, and are to be used for the following, as of June 30, 2021:

Funding Source	Use	Total
Customer and construction deposits	Various	\$ 655,540
Capacity expansion funds and accrued interest receivable	Acquisition and construction	12,386,321
Debt proceeds, capital contributions, and interest earned	Debt service and acquisition and construction	2,694,916
Other	Various	15,755
		<u>\$ 15,752,532</u>

Restricted assets were provided by, and are to be used for the following, as of June 30, 2020:

Funding Source	Use	Total
Customer and construction deposits	Various	\$ 738,000
Capacity expansion funds and accrued interest receivable	Acquisition and construction	11,554,336
Debt proceeds, capital contributions, and interest earned	Debt service and acquisition and construction	4,307,217
Other	Various	13,847
		<u>\$ 16,613,400</u>

Note 5 – Capital Assets

A summary of changes in capital assets for the year ended June 30, 2021, is as follows:

	Balance July 1, 2020	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2021
Capital assets, not being depreciated:					
Land, franchise, and water rights	\$ 1,296,322	\$ -	\$ -	\$ -	\$ 1,296,322
Construction in progress	41,975,855	6,469,332	-	(43,899,534)	4,545,653
Total capital assets, not being depreciated	43,272,177	6,469,332	-	(43,899,534)	5,841,975
Capital assets, being depreciated:					
Water system	224,721,558	101,492	-	35,248,096	260,071,146
Sewer system	58,331,430	53,702	-	-	58,385,132
Water recycling system	28,534,324	47,932	-	-	28,582,256
Park and campgrounds	23,589,735	54,206	-	8,581,579	32,225,520
Buildings	28,732,949	-	-	38,878	28,771,827
Equipment	11,716,455	236,568	(317,462)	30,981	11,666,542
Total capital assets, being depreciated	375,626,451	493,900	(317,462)	43,899,534	419,702,423
Less accumulated depreciation	(142,689,777)	(9,133,352)	317,462	-	(151,505,667)
Total capital assets, being depreciated, net	232,936,674	(8,639,452)	-	43,899,534	268,196,756
Total capital assets, net	<u>\$ 276,208,851</u>	<u>\$ (2,170,120)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,038,731</u>

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 5 – Capital Assets (Continued)

A summary of changes in capital assets for the year ended June 30, 2020, is as follows:

	Balance July 1, 2019	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2020
Capital assets, not being depreciated:					
Land, franchise, and water rights	\$ 1,296,322	\$ -	\$ -	\$ -	\$ 1,296,322
Construction in progress	36,582,064	15,001,029	-	(9,607,238)	41,975,855
Total capital assets, not being depreciated	37,878,386	15,001,029	-	(9,607,238)	43,272,177
Capital assets, being depreciated:					
Water system	220,836,891	-	-	3,884,667	224,721,558
Sewer system	53,319,127	-	(38,966)	5,051,269	58,331,430
Water recycling system	27,897,184	-	-	637,140	28,534,324
Park and campgrounds	23,242,018	347,717	-	-	23,589,735
Buildings	28,556,160	142,627	-	34,162	28,732,949
Equipment	11,539,990	245,184	(68,719)	-	11,716,455
Total capital assets, being depreciated	365,391,370	735,528	(107,685)	9,607,238	375,626,451
Less accumulated depreciation	(134,236,708)	(8,560,754)	107,685	-	(142,689,777)
Total capital assets, being depreciated, net	231,154,662	(7,825,226)	-	9,607,238	232,936,674
Total capital assets, net	\$ 269,033,048	\$ 7,175,803	\$ -	\$ -	\$ 276,208,851

Depreciation totaled \$9,133,352 and \$8,560,754 for the years ended June 30, 2021 and June 30, 2020, respectively. Depreciation expense has been allocated to water operations, wastewater operations and park operations on the Statement of Revenues, Expenses and Changes in Net Position. The allocation of depreciation expense is as follows:

	2021	2020
Water operations	\$ 7,019,355	\$ 6,327,167
Wastewater operations	1,208,581	1,279,899
Park operations	905,416	953,688
Total	\$ 9,133,352	\$ 8,560,754

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 6 – Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year	Due More Than One Year
Publicly-Offered:						
Certificates of Participation (COPs):						
2017 Refunding COPs	\$ 47,170,000	\$ -	\$ (2,055,000)	\$ 45,115,000	\$ 2,160,000	\$ 42,955,000
Plus unamortized bond premium	4,341,758	-	(225,257)	4,116,501	-	4,116,501
COPs, net	51,511,758	-	(2,280,257)	49,231,501	2,160,000	47,071,501
Revenue Bonds:						
2013 Refunding Revenue Bonds	1,810,000	-	(330,000)	1,480,000	345,000	1,135,000
Plus unamortized bond premium	235,996	-	(53,433)	182,563	-	182,563
Revenue Bonds, net	2,045,996	-	(383,433)	1,662,563	345,000	1,317,563
Direct Borrowings and Placements:						
California Bank and Trust note payable	838,448	-	(398,078)	440,370	408,256	32,114
Capital One park cabins loan	687,499	-	(106,581)	580,918	109,660	471,258
Total long-term debt	\$ 55,083,701	\$ -	\$ (3,168,349)	\$ 51,915,352	\$ 3,022,916	\$ 48,892,436

A summary of changes in long-term debt for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year	Due More Than One Year
Publicly-Offered:						
Certificates of Participation (COPs):						
2017 Refunding COPs	\$ 49,125,000	\$ -	\$ (1,955,000)	\$ 47,170,000	\$ 2,055,000	\$ 45,115,000
Plus unamortized bond premium	4,567,015	-	(225,257)	4,341,758	-	4,341,758
COPs, net	53,692,015	-	(2,180,257)	51,511,758	2,055,000	49,456,758
Revenue Bonds:						
2013 Refunding Revenue Bonds	2,130,000	-	(320,000)	1,810,000	330,000	1,480,000
Plus unamortized bond premium	289,429	-	(53,433)	235,996	-	235,996
Revenue Bonds, net	2,419,429	-	(373,433)	2,045,996	330,000	1,715,996
Direct Borrowings and Placements:						
California Bank and Trust note payable	1,232,368	-	(393,920)	838,448	374,057	464,391
Banc of America capital lease	344,065	-	(344,065)	-	-	-
Capital One Park Cabins loan	791,085	-	(103,586)	687,499	106,579	580,920
Total long-term debt	\$ 58,478,962	\$ -	\$ (3,395,261)	\$ 55,083,701	\$ 2,865,636	\$ 52,218,065

2017 Refunding Certificates of Participation (COPs):

On June 15, 2017, the District issued \$53,195,000 of 2017 Capital Improvement and Refunding Project, Series A Certificates of Participation which consist of serial bonds. Serial bonds in the amount of \$45,850,000 mature annually from October 1, 2017 to October 1, 2040, and bear varying interest rates between 3.00% and 5.00%. Serial bonds in the amount of \$7,345,000 mature annually from October 1, 2017 to October 1, 2039, and bear varying interest rates between 3.00% and 5.00%. The COPs were issued in part to defease the COPs issued in 2009 and in part to fund future capital projects. The defeased 2009 Certificates were paid off in October 2019. The savings amount between cash flow required to service the old debt and cash flow required to service the new debt is \$15,856,177 and represents an economic gain on refunding of \$11,892,769.

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 6 – Long-Term Debt (Continued)

The total amount outstanding at June 30, 2021, and aggregate maturities of the 2017 Certificates of Participation for the fiscal years subsequent to June 30, 2021, are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 2,160,000	\$ 1,748,481	\$ 3,908,481
2023	1,610,000	1,654,231	3,264,231
2024	1,690,000	1,571,731	3,261,731
2025	1,775,000	1,485,106	3,260,106
2026	1,870,000	1,393,981	3,263,981
2027-2031	10,865,000	5,442,706	16,307,706
2032-2036	13,355,000	2,960,746	16,315,746
2037-2040	11,790,000	750,212	12,540,212
Total	<u>\$ 45,115,000</u>	<u>\$ 17,007,194</u>	<u>\$ 62,122,194</u>

2013 Refunding Revenue Bonds

In April 2013, the 2013 Refunding Revenue Bonds were issued to defease the 2004 Certificates of Participation and the 1995 and 1996 State of California Loans Payable. The bonds were issued with a face value of \$7,225,000 plus an \$831,257 original issue premium. The bonds bear interest at 1% to 5% and are due in annual installments of \$395,000 to \$1,120,000 from December 31, 2013 through December 31, 2024. Future debt service requirements for the revenue bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 345,000	\$ 59,900	\$ 404,900
2023	365,000	43,875	408,875
2024	375,000	27,250	402,250
2025	395,000	9,875	404,875
Total	<u>\$ 1,480,000</u>	<u>\$ 140,900</u>	<u>\$ 1,620,900</u>

Note Payable

In April 1996, the District obtained an unsecured loan from California Bank and Trust, which was refinanced in 2002, 2007, 2012 and again in 2017, in the amount of \$5,000,000. The note bears interest at 61% of the prime rate (1.9825% at June 30, 2021). The note requires monthly interest and principal payments of \$34,585 with the remaining unpaid principal balance due August, 2022. This note is payable from revenues collected by the District for purposes other than the payment of principal and interest of bonded debt and contains a provision that any unpaid principal or interest amount shall bear interest on the unpaid amounts at a rate equal to the Prime Rate plus all amounts including penalties, taxes upon tax, and interest. There is no acceleration clause in the event of default. Future debt service requirements for the California Bank and Trust Note are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 408,256	\$ 5,752	\$ 414,008
2023	32,114	251	32,365
Total	<u>\$ 440,370</u>	<u>\$ 6,003</u>	<u>\$ 446,373</u>

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 6 – Long-Term Debt (Continued)

Park Cabins Loan Payable

On October 1, 2010, the District entered into an installment sale agreement with Capital One to finance the purchase and site work necessary to install seven land-based cabins and three floating cabins at Santee Lakes. The total amount financed, including legal and closing costs, is \$1,415,000. The term of the agreement is 15 years with an effective interest rate of 2.89%. Annual payments of \$126,448 are required and are made with Park fees. The agreement is subordinate to the existing COPs, is secured by a pledge of Park and District net revenues, and contains a provision that, in the event of default, the entire principal amount and accrued interest become immediately due and payable.

Future debt service requirements for the above loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 109,660	\$ 16,788	\$ 126,448
2023	112,829	13,619	126,448
2024	116,089	10,359	126,448
2025	119,445	7,003	126,448
2026	122,895	3,551	126,446
Total	<u>\$ 580,918</u>	<u>\$ 51,320</u>	<u>\$ 632,238</u>

Note 7 – Restricted Prepaid Capacity Fees

The District records capacity fees collected as a liability until its duty to perform has been completed and service has begun at which time these fees are recorded as capital contributions. Following is a summary of the prepaid capacity fee liability at June 30:

	June 30, 2021	June 30, 2020
Balance, beginning of year	\$ 3,953,447	\$ 1,699,928
Add: construction and capacity fees received	3,103,443	3,467,307
Less: water and sewer connections	(2,903,921)	(1,213,500)
Less: refunds	-	(288)
Balance, end of year	<u>\$ 4,152,969</u>	<u>\$ 3,953,447</u>

Note 8 – Compensated Absences

A summary of changed in compensated absences for the fiscal years ending June 30, 2021 and 2020 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
June 30, 2021	\$ 2,120,207	\$ 1,884,239	\$ (1,769,758)	\$ 2,234,688	\$ 1,700,000	\$ 534,688
June 30, 2020	\$ 1,925,646	\$ 1,716,327	\$ (1,521,766)	\$ 2,120,207	\$ 1,500,000	\$ 620,207

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 9 – Pension Plan

A. General Information about the Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District’s Miscellaneous Plan, which are agent multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS) (Plan), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by state statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan 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 (COLA) 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. Classic members under benefit Tiers I and II with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Public Employees’ Pension Reform Act (PEPRA) members under Tier III are eligible to retire at age 52. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each benefit group are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at measurement date June 30, 2020, are summarized as follows:

	Miscellaneous Plan		
	Tier I	Tier II	Tier III - PEPRA
Hire Date	Prior to June 26, 2010	June 26, 2010 to December 31, 2012	On or after January 1, 2013
Benefit Formula	3% @ 60	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 60	50 - 55	52 - 67
Required employee contribution rate	8%	8%	5.5%
Required employer contribution rate	40.542%	40.542%	40.542%

Employees Covered – At measurement date June 30, 2020 (report date June 30, 2021) and 2019 (report date June 30, 2020), the following employees were covered by the benefit terms for the Plan:

	2021	2020
Active employees	135	128
Inactive employees currently receiving benefits	142	138
Inactive employees entitled to, but not yet receiving benefits	62	58
Total	<u>339</u>	<u>324</u>

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 9 – Pension Plan (Continued)

A. General Information about the Pension Plan (Continued)

Contributions - Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan 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. District contribution rates may change if Plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as Plan member contributions requirements are classified as Plan member contributions.

B. Net Pension Liability

The District’s net pension liability is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions - For the measurement period ended June 30, 2020 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019 total pension liability determined in the June 30, 2019 actuarial accounting valuation. The June 30, 2021 and 2020 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous Plans	
	June 30, 2021	June 30, 2020
Valuation Date	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Salary Increases (1)		
Mortality Rate Table (2)		
Post Retirement Benefit Increase (3)		

- (1) Varies by entry age and service.
- (2) The mortality table used was developed based on CalPERS specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvements using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.
- (3) Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 9 – Pension Plan (Continued)

C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

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 (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

The expected real rate of return by asset class is as follows for the valuation dated June 30, 2019 (June 30, 2020 measurement date):

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

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

(b) An expected inflation of 2.92% used for this period

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 9 – Pension Plan (Continued)

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

The expected real rate of return by asset class is as follows for the valuation dated June 30, 2018 (June 30, 2019 measurement date):

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

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

(b) An expected inflation of 2.92% used for this period

Discount Rate - The discount rate used to measure the total pension liability was 7.15% for each Plan and reflects the long-term expected rate of return for each Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website under the GASB 68 section.

Change in Assumptions – GASB 68, paragraph 30 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. In fiscal year 2021, the actuarial report did not have a change of assumption. In fiscal year 2018, the discount rate was reduced from 7.65 percent to 7.15 percent. All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality, and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 9 – Pension Plan (Continued)

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

Changes in the Net Pension Liability:

The changes in the net pension liability for the Miscellaneous Plan as of the June 30, 2020 measurement date are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2019 (Measurement Date)	\$ 125,706,727	\$ 81,742,960	\$ 43,963,767
Changes during the year:			
Service cost	2,101,707	-	2,101,707
Interest on the total pension liability	8,954,306	-	8,954,306
Differences between expected and actual experience	1,457,864	-	1,457,864
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Contributions - employer	-	4,232,328	(4,232,328)
Contributions - employee	-	837,048	(837,048)
Net investment income	-	4,054,757	(4,054,757)
Administrative expenses	-	(115,238)	115,238
Benefit payments	(5,960,775)	(5,960,775)	-
Other miscellaneous income/(expense)	-	-	-
Net changes	6,553,102	3,048,120	3,504,982
Balance at June 30, 2020 (Measurement Date)	\$ 132,259,829	\$ 84,791,080	\$ 47,468,749

The changes in the net pension liability for the Miscellaneous Plan as of the June 30, 2019 measurement date are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2018 (Measurement Date)	\$ 121,013,135	\$ 77,826,431	\$ 43,186,704
Changes during the year:			
Service cost	2,056,387	-	2,056,387
Interest on the total pension liability	8,506,101	-	8,506,101
Differences between expected and actual experience	(280,887)	-	(280,887)
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Contributions - employer	-	3,657,205	(3,657,205)
Contributions - employee	-	862,085	(862,085)
Net investment income	-	5,040,607	(5,040,607)
Administrative expenses	-	(55,539)	55,539
Benefit payments	(5,588,009)	(5,588,009)	-
Other miscellaneous income/(expense)	-	180	(180)
Net changes	4,693,592	3,916,529	777,063
Balance at June 30, 2019 (Measurement Date)	\$ 125,706,727	\$ 81,742,960	\$ 43,963,767

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 9 – Pension Plan (Continued)

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the District’s net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	
	2021	2020
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 64,823,127	\$ 60,621,808
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 47,468,749	\$ 43,963,767
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 33,045,087	\$ 30,136,680

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

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – For the years ended June 30, 2021 and June 30, 2020, the District recognized pension expenses of \$6,877,222 and \$6,495,102, respectively. At June 30, 2021 and June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,705,251	\$ -	\$ 4,232,328	\$ -
Differences between actual and expected experience	1,375,823	(143,869)	1,741,543	(373,813)
Change in assumptions	-	(211,285)	468,969	(487,225)
Net differences between projected and actual earnings on plan investments	740,279	-	-	(350,751)
Total	\$ 9,821,353	\$ (355,154)	\$ 6,442,840	\$ (1,211,789)

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 9 – Pension Plan (Continued)

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

The amounts of \$7,705,251 and \$4,232,328 reported as deferred outflows of resources related to contributions made subsequent to the measurement dates are recognized as a reduction of the net pension liability in the years ending June 30, 2022 and June 30, 2021, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount	Year Ending June 30,	Amount
2022	\$ 19,859	2021	\$ 1,744,574
2023	539,398	2022	(676,263)
2024	783,255	2023	(156,724)
2025	418,436	2024	87,136
2026	-	2025	-
Thereafter	-	Thereafter	-
Total	\$ 1,760,948	Total	\$ 998,723

Payable to the Pension Plan - The District had no outstanding amount of contributions to the pension plan required for the years ended June 30, 2021 or 2020.

Note 10 – Other Postemployment Benefits (OPEB)

Plan Description – The District provides other postemployment benefits (OPEB) through an agent multiple employer defined benefit postemployment healthcare plan. Dependents are eligible to enroll and benefits continue to surviving spouses. A separate financial report is not available for the plan. The District entered into an agreement with California Employers’ Retiree Benefit Trust (CERBT) to prefund the District’s net OPEB liability.

Benefits Provided – Retirees and spouses are eligible for medical benefits if they retire at age 50+ with 5+ years of CalPERS service. The District pays for a percentage of medical premiums based on hire date and years of service. New hire benefit levels are subject to annual caps.

Employees Covered – At the June 30, 2020 measurement date (June 30, 2021 reporting date) and June 30, 2019 measurement date (June 30, 2020 reporting date), the benefit terms covered the following employees:

Category	2021	2020
Active employees	112	112
Inactive employees currently receiving benefits	177	177
Inactive employees entitled to, but not yet receiving benefits	-	-
Total	289	289

Contributions – The District’s contributions are established by District policy and may be amended by the Board of Directors. The District makes contributions based on an actuarially determined rate. For the measurement periods ended June 30, 2020 and 2019, the District’s total contributions were \$1,732,332 and \$2,836,264, respectively, and consisted of cash contributions of \$1,493,703 and \$2,539,486 and implicit subsidy payments of \$238,629 and \$296,778, respectively.

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 10 – Other Postemployment Benefits (OPEB) (Continued)

Net OPEB Liability – The District’s net OPEB liability was measured as of June 30, 2020 for the reporting period ended June 30, 2021 based on an actuarial valuation dated June 30, 2020 and was measured as of June 30, 2019 for the reporting period ended June 30, 2020 based on an actuarial valuation dated June 30, 2019.

Actuarial Assumptions – The total OPEB liabilities in the June 30, 2020 and June 30, 2019 actuarial valuations were determined using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified:

	OPEB Plan	
	June 30, 2021	June 30, 2020
Valuation date	June 30, 2019	June 30, 2019
Measurement date	June 30, 2020	June 30, 2019
Actuarial cost method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial assumptions:		
Discount rate	7.61%	7.58%
Inflation	2.50%	2.50%
Projected salary increases	2.75%	2.75%
Expected long-term investment rate of return	7.61%	7.58%
Healthcare cost trend rate	6%, trending down to 3.84%	7%, trending down to 3.84%
Mortality	Based on CalPERS table	Based on CalPERS table

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. The asset class percentages are taken from the current composition of CERBT and the expected yields are taken from a recent CalPERS publication for the pension fund as follows:

Asset Class	New Strategic Allocation	Long-Term Expected Real Rate of Return
Global Equity	59.00%	6.80%
Fixed Income	25.00%	3.10%
TIPS	5.00%	2.25%
Commodities	3.00%	3.50%
REITs	8.00%	5.50%
Total	<u>100.00%</u>	

Discount Rate - The discount rates used to measure the total OPEB liability as of June 30, 2020 and June 30, 2019 were 7.61% and 7.58%, respectively. This is the expected long-term rate of return on District assets using investment strategy 2 within the California Employers’ Retiree Benefit Trust (CERBT). The projection of cash flows used to determine the discount rate assumed that the District contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position is projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 10 – Other Postemployment Benefits (OPEB) (Continued)

Changes in the Net OPEB Liability – The changes in the net OPEB liability for the June 30, 2020 measurement date are as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019 (Measurement Date)	\$ 27,374,557	\$ 15,494,290	\$ 11,880,267
Changes during the year:			
Service cost	251,975	-	251,975
Interest on the total OPEB liability	2,040,868	-	2,040,868
Differences between expected and actual experience	(190,651)	-	(190,651)
Changes in assumptions	(86,332)	-	(86,332)
Changes in benefit terms	-	-	-
Contributions - employer - District's contribution	-	1,493,703	(1,493,703)
Contributions - employer - implicit subsidy	-	238,629	(238,629)
Net investment income	-	550,617	(550,617)
Administrative expenses	-	(7,573)	7,573
Implicit rate subsidy fulfilled	(238,629)	(238,629)	-
Benefit payments	(1,165,672)	(1,165,672)	-
Net changes	611,559	871,075	(259,516)
Balance at June 30, 2020 (Measurement Date)	\$ 27,986,116	\$ 16,365,365	\$ 11,620,751

The changes in the net OPEB liability for the June 30, 2019 measurement date are as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018 (Measurement Date)	\$ 28,810,216	\$ 13,214,452	\$ 15,595,764
Changes during the year:			
Service cost	315,023	-	315,023
Interest on the total OPEB liability	2,067,729	-	2,067,729
Differences between expected and actual experience	1,211,543	-	1,211,543
Changes in assumptions	(3,585,215)	-	(3,585,215)
Changes in benefit terms	-	-	-
Contributions - employer - District's contribution	-	2,539,486	(2,539,486)
Contributions - employer - implicit subsidy	-	296,778	(296,778)
Net investment income	-	891,335	(891,335)
Administrative expenses	-	(3,022)	3,022
Implicit rate subsidy fulfilled	(296,778)	(296,778)	-
Benefit payments	(1,147,961)	(1,147,961)	-
Net changes	(1,435,659)	2,279,838	(3,715,497)
Balance at June 30, 2019 (Measurement Date)	\$ 27,374,557	\$ 15,494,290	\$ 11,880,267

Changes in Assumptions – For the measurement period ended June 30, 2020, the discount rate was changed from 7.58% to 7.61%. For the measurement period ended June 30, 2019, the discount rate was changed from 7.28% to 7.58%.

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 10 – Other Postemployment Benefits (OPEB) (Continued)

Changes in Benefit Terms – For the measurement periods ended June 30, 2020 and June 30, 2019, there were no changes in benefit terms.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, calculated using the discount rate for the plan, 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 rate:

	2021	2020
1% Decrease	6.61%	6.58%
Net OPEB Liability	\$ 14,749,434	\$ 15,014,747
Current Discount Rate	7.61%	7.58%
Net OPEB Liability	\$ 11,620,751	\$ 11,880,267
1% Increase	8.61%	8.58%
Net OPEB Liability	\$ 8,974,158	\$ 9,236,200

Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates - Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates is the net OPEB liability of the District, as well as what the District’s net 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 current healthcare cost trend rates as follows:

	2021	2020
1% Decrease (5% decreasing to 2.84%)		
Net OPEB Liability	\$ 8,883,549	\$ 9,358,101
Current Discount Rate (6% decreasing to 3.84%)		
Net OPEB Liability	\$ 11,620,751	\$ 11,880,267
1% Increase (7% decreasing to 4.84%)		
Net OPEB Liability	\$ 14,889,436	\$ 14,890,822

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 10 – Other Postemployment Benefits (OPEB) (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB - For the years ended June 30, 2021 and June 30, 2020, the District recognized OPEB expenses of \$865,488 and \$819,806, respectively. At June 30, 2021 and June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 1,592,221	\$ -	\$ 1,732,332	\$ -
Differences between actual and expected experience	745,564	(153,987)	978,554	-
Change in assumptions	14,050	(2,276,014)	19,672	(2,895,750)
Net differences between projected and actual earnings on plan investments	302,310	-	-	(77,880)
Total	<u>\$ 2,654,145</u>	<u>\$ (2,430,001)</u>	<u>\$ 2,730,558</u>	<u>\$ (2,973,630)</u>

Amounts of \$1,592,221 and \$1,732,332, respectively, reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022 and June 30, 2021. Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount	Year Ending June 30,	Amount
2022	\$ (485,040)	2021	\$ (511,629)
2023	(413,196)	2022	(511,629)
2024	(394,482)	2023	(439,781)
2025	(64,711)	2024	(421,069)
2026	(10,648)	2025	(91,296)
Thereafter	-	Thereafter	-
Total	<u>\$ (1,368,077)</u>	Total	<u>\$ (1,975,404)</u>

Payable to the OPEB Plan - At June 30, 2021 and June 30, 2020, the District had no outstanding amount of contributions payable to the OPEB plan.

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 11 – Commitments and Contingencies

Leases - The District entered into a 25-year agreement in 1976 with the City of San Diego (City) for the use of a portion of a major water transmission line. The lease was extended for an additional 10 years in December 2002 and another 10 years in November 2011. The minimum annual payments under the terms of the agreement are \$33,339 through December 2021. Rent expense under these noncancelable leases was \$33,339 and \$33,339 for the years ended June 30, 2021 and June 30, 2020, respectively.

In September 2021, the District notified the City that it is interested in purchasing the leased segment of the pipeline. It is possible that negotiations may extend beyond December 31, 2021, the end of the current lease term. Consequently, the District has elected to extend the Lease Agreement with the existing terms and conditions for a to-be-agreed-upon time period while the parties complete negotiations. If the parties are not able to agree upon terms for pipeline acquisition, the District has requested that the Lease Agreement be extended for two 5-year installments running through December 31, 2031 (3rd Lease Extension).

Future minimum lease payments are as follows:

	2021	2020
2021	\$ -	\$ 33,339
2022	33,339	16,670
Total	\$ 33,339	\$ 50,009

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

Reimbursement Contracts - The District has historically entered into reimbursement contracts with developers who have made contributions to the District to aid in the construction of water and sewer facilities. These contracts are to be repaid as new connections are made to the related water and sewer facilities. The District’s liability is limited to collecting the applicable connection fees and payment of the fees to the developers. The District currently has no liability related to active reimbursement contracts.

Construction Contracts - The District has entered into various contracts for the purchase of material and construction of facilities. The amounts contracted are based on the contractors’ estimated cost of construction. At June 30, 2021 and June 30, 2020, the total unpaid amount on these contracts was approximately \$4,612,000 and \$4,600,000, respectively.

Note 12 – Certification of Rate Covenant Requirements

In connection with the execution and delivery of the outstanding Certificates of Participation and Revenue Bonds, the District agreed to meet certain covenants to maintain and collect gross revenues sufficient in each fiscal year to provide District net revenues that meet or exceed required ratios, as defined in the Rate Covenant section of the Official Statements. The District has complied with the Rate Covenants as outlined in the 2017 Certificates of Participation agreement and the 2013 Refunding Revenue Bonds for the years ended June 30, 2021 and 2020. In connection with the execution and delivery of the California Bank and Trust Note, the District agreed to meet certain covenants to meet or exceed required ratios, as defined in the Rate Covenant section of the Note Agreement. The District has complied with the Rate Covenants as outlined in the Note Agreement for the years ended June 30, 2021 and June 30, 2020.

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 13 – Risk Management

The District is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions and natural disasters. The District participates in an insurance pool through the Special District Risk Management Authority (SDRMA). SDRMA is a not-for-profit public agency formed under California Government Code Sections 6500 et seq. SDRMA is governed by a board composed of members from participating agencies. The mission of SDRMA is to provide renewable, efficiently priced risk financing and risk management services through a financially sound pool. The District pays an annual premium to SDRMA for commercial insurance covering general liability, excess liability, property, automobile, public employee dishonesty and various other risks. Accordingly, the District retains no risk of loss. Separate financial statements of SDRMA may be obtained at Special District Risk Management Authority, 1112 “I” Street, Suite 300, Sacramento, CA 95814. During its membership, the following policies are in effect:

General and Auto Liability - Public Officials’ and Employees’ Errors and Omissions and Employment Practices Liability: Total risk financing limits of \$10 million, combined single limit at \$10 million per occurrence, subject to the following deductibles:

- \$50,000 per occurrence for third party general liability property damage.
- \$10,000 per occurrence for third party auto liability property damage.
- 50% co-insurance of cost expended by SDRMA in excess of \$10,000 up to \$50,000 per occurrence for employment related claims. However, 100% of the obligation may be waived if certain criteria are met.

Employee Dishonesty Coverage - Total of \$1 million per loss includes public employee dishonesty, forgery or alteration and theft and disappearance and destruction.

Property Loss - Replacement cost for property on file, if replaced, and if not replaced within two years after the loss, paid on an actual cash value basis, to a combined total of \$1 billion per occurrence, subject to \$1,000 deductible per occurrence.

Boiler and Machinery - Replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible.

Comprehensive and Collision - On selected vehicles, with deductibles of \$250/\$500 or \$500/\$1,000, as elected; ACV limits, fully self-funded by SDRMA.

Public Officials’ Personal Liability - \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverages, deductible of \$1,000 per claim.

Workers’ Compensation & Employer’s Liability – Statutory limits per occurrence for workers’ compensation and \$5 million for employer’s liability coverage.

Members are subject to dividends and/or assessments in accordance with the Sixth Amended Joint Powers Agreement and amendments thereto. No such dividends have been declared nor have any assessments been levied. Presently, there are no known refunds or credits due to the District.

During the past three fiscal years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

Padre Dam Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 14 – East County Advanced Water Purification Joint Powers Authority

In November 2019, the District entered into a joint powers agreement with the City of El Cajon and the San Diego County Sanitation District to form East County Advanced Water Purification (East County AWP) Joint Powers Authority (JPA). The purpose of the JPA is to plan for, design, construct, own, lease, operate, maintain, repair, and replace the Advanced Water Purification project; receive, convey, treat, and dispose of wastewater and produce; and deliver Product Water and Title 22 Water.

Pursuant to the terms of the JPA agreement, the District serves as the Interim Administrator, performing all services necessary for the management and administration of the JPA, until such time that a long-term Administrator Agreement can be developed.

JPA activities are currently funded through a separate interim funding agreement signed by the JPA members and the Helix Water District on July 29, 2019. Section 6 of the agreement provides that each party will be reimbursed by the JPA at the close of financing for contributions made by each agency retroactive to March 2014. In December 2019, the JPA secured a \$101 million Clean State Revolving Fund Loan. As of June 30, 2021 and June 30, 2020, the District had \$18,692,178 and \$13,386,426, respectively, due from the JPA.

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REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

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Padre Dam Municipal Water District
Required Supplementary Information (Unaudited)
For the Years Ended June 30, 2021 and 2020

Schedule of Changes in the Net Pension Liability and Related Ratios

Fiscal year ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability							
Service cost	\$ 2,101,707	\$ 2,056,387	\$ 1,995,282	\$ 1,942,588	\$ 1,667,007	\$ 1,708,536	\$ 1,792,911
Interest on total pension liability	8,954,306	8,506,101	8,189,528	7,846,202	7,620,341	7,268,299	6,967,691
Changes in assumptions	-	-	(698,869)	6,574,735	-	(1,810,650)	-
Differences between expected and actual experience	1,457,864	(280,887)	876,769	(1,099,394)	29,468	(705,311)	-
Changes in benefit terms	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(5,960,775)	(5,588,009)	(5,425,780)	(4,956,734)	(4,594,669)	(4,172,721)	(4,016,332)
Net change in total pension liability	6,553,102	4,693,592	4,936,930	10,307,397	4,722,147	2,288,153	4,744,270
Total pension liability - beginning	125,706,727	121,013,135	116,076,205	105,768,808	101,046,661	98,758,508	94,014,238
Total pension liability - ending (a)	\$ 132,259,829	\$ 125,706,727	\$ 121,013,135	\$ 116,076,205	\$ 105,768,808	\$ 101,046,661	\$ 98,758,508
Plan fiduciary net position							
Contributions - employer	\$ 4,232,328	\$ 3,657,205	\$ 3,194,446	\$ 2,998,803	\$ 2,509,483	\$ 2,277,997	\$ 2,023,175
Contributions - employee	837,048	862,085	819,972	888,519	819,151	819,055	877,391
Investment income (net of administrative expenses)	4,054,757	5,040,607	6,141,707	7,474,696	353,874	1,516,313	10,094,956
Benefit payments	(5,960,775)	(5,588,009)	(5,425,780)	(4,956,734)	(4,594,669)	(4,172,721)	(4,016,332)
Plan to plan resource movement	-	180	(180)	-	-	-	-
Administrative expenses	(115,238)	(55,539)	(331,708)	(99,101)	(41,488)	(76,726)	-
Net change in plan fiduciary net position	3,048,120	3,916,529	4,398,457	6,306,183	(953,649)	363,918	8,979,190
Plan fiduciary net position - beginning	81,742,960	77,826,431	73,427,974	67,121,791	68,075,440	67,711,522	58,732,332
Plan fiduciary net position - ending (b)	\$ 84,791,080	\$ 81,742,960	\$ 77,826,431	\$ 73,427,974	\$ 67,121,791	\$ 68,075,440	\$ 67,711,522
Net pension liability - ending (a)-(b)	\$ 47,468,749	\$ 43,963,767	\$ 43,186,704	\$ 42,648,231	\$ 38,647,017	\$ 32,971,221	\$ 31,046,986
Plan fiduciary net position as a percentage of the total pension liability	64.11%	65.03%	64.31%	63.26%	63.46%	67.37%	68.56%
Covered payroll	\$ 11,478,465	\$ 10,860,288	\$ 10,444,059	\$ 10,314,259	\$ 10,100,905	\$ 9,921,986	\$ 9,812,967
Net pension liability as a percentage of covered-employee payroll	413.55%	404.81%	413.50%	413.49%	382.61%	332.30%	316.39%

Notes to Schedule:

Benefit changes: There were no changes in benefits.

Changes in assumptions: In 2020, there were no changes. In 2019, there were no changes. In 2018, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2017, there were no changes. In 2016, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expenses) to 7.65 percent (without a reduction for pension plan administrative expense).

Historical information is presented only for measurement periods for which GASB 68 is implemented.

Padre Dam Municipal Water District
Required Supplementary Information (Unaudited)
For the Years Ended June 30, 2021 and 2020

Schedule of Contributions – Defined Benefit Pension Plans

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 4,705,692	\$ 4,232,328	\$ 3,657,205	\$ 3,194,446	\$ 2,998,803	\$ 2,509,483	\$ 2,277,997
Contributions in relation to the actuarially determined contributions	<u>(7,705,251)</u>	<u>(4,232,328)</u>	<u>(3,657,205)</u>	<u>(3,194,446)</u>	<u>(2,998,803)</u>	<u>(2,509,483)</u>	<u>(2,277,997)</u>
Contribution deficiency (excess)	<u>\$ (2,999,559)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 11,171,255	\$ 11,478,465	\$ 10,860,288	\$ 10,444,059	\$ 10,314,259	\$ 10,100,905	\$ 9,921,986
Contributions as a percentage of covered payroll	68.97%	36.87%	33.68%	30.59%	29.07%	24.84%	22.96%

Notes to Schedule:

Valuation Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	15 year smoothed market
Inflation	2.625%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.25% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) The probabilities of retirement are based on the CalPERS 2014 Experience Study for the period from 1997 to 2011

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* Historical information is only available for periods where GASB 68 is applicable.

Padre Dam Municipal Water District
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2021 and 2020

Schedule of Changes in the Net OPEB Liability and Related Ratios

Fiscal year end	6/30/2021 ¹	6/30/2020 ¹	6/30/2019 ¹	6/30/2018 ¹
Measurement date	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Total OPEB liability				
Service cost	\$ 251,975	\$ 315,023	\$ 309,358	\$ 300,713
Interest	2,040,868	2,067,729	1,990,082	1,907,223
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(190,651)	1,211,533	-	-
Changes of assumptions	(86,332)	(3,585,205)	30,916	-
Implicit rate subsidy fulfilled	(238,629)	(296,778)	(266,471)	(248,388)
Benefit payments, including refunds of member contributions	(1,165,672)	(1,147,961)	(765,851)	(917,448)
Net change in total OPEB liability	611,559	(1,435,659)	1,298,034	1,042,100
Total OPEB liability - beginning	27,374,557	28,810,216	27,512,182	26,470,082
Total OPEB liability - ending (a)	\$ 27,986,116	\$ 27,374,557	\$ 28,810,216	\$ 27,512,182
OPEB fiduciary net position				
Contributions - employer	\$ 1,493,703	\$ 2,539,486	\$ 309,281	\$ 1,237,125
Contributions - employer - implicit subsidy	238,629	296,778	266,471	248,388
Net investment income	550,617	891,335	1,012,805	1,214,057
Benefit payments, including refunds of member contributions	(1,165,672)	(1,147,961)	(765,851)	(917,448)
Implicit rate subsidy fulfilled	(238,629)	(296,778)	(266,471)	(248,388)
Administrative expense	(7,573)	(3,022)	(6,778)	(6,162)
Net change in plan fiduciary net position	871,075	2,279,838	549,457	1,527,572
Plan fiduciary net position - beginning	15,494,290	13,214,452	12,664,995	11,137,423
Plan fiduciary net position - ending (b)	16,365,365	15,494,290	13,214,452	12,664,995
Plan net OPEB liability - ending (a) - (b)	\$ 11,620,751	\$ 11,880,267	\$ 15,595,764	\$ 14,847,187
Plan fiduciary net position as a percentage of the total OPEB liability	58.48%	56.60%	45.87%	46.03%
Covered payroll	\$ 10,382,389	\$ 10,104,515	\$ 10,573,952	\$ 10,776,917
Plan net OPEB liability as a percentage of covered payroll	111.93%	117.57%	147.49%	137.77%

Changes in assumptions: The salary discount rate decreased from 2.865% to 2.75% during measurement period ended June 30, 2018. Discount rate increased from 7.28% to 7.58% during measurement period ended June 30, 2019. The discount rate changed from 7.58% to 7.61% during measurement period ended June 30, 2020.

¹ Historical information is presented only for periods for which GASB 75 is implemented.

Padre Dam Municipal Water District
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2021 and 2020

Schedule of Contributions – OPEB

Report Date	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Actuarially determined contribution	\$ 1,329,756	\$ 1,384,943	\$ 1,475,544	\$ 1,512,400
Contributions in relation to the actuarially determined contributions	<u>(1,592,221)</u>	<u>(1,732,332)</u>	<u>(2,836,264)</u>	<u>(1,485,513)</u>
Contribution deficiency (excess)	<u>\$ (262,465)</u>	<u>\$ (347,389)</u>	<u>\$ (1,360,720)</u>	<u>\$ 26,887</u>
Covered payroll	\$ 10,382,389	\$ 10,104,515	\$ 10,573,952	\$ 10,776,917
Contributions as a percentage of covered payroll	15.34%	17.14%	26.82%	13.78%

Notes to Schedule:

Valuation Date	6/30/2019	6/30/2019	6/30/2017	6/30/2017
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal, level percentage of pay
Amortization method	Closed period, level percentage of pay
Amortization period	20 years
Inflation	2.50%
Assumed payroll growth	2.75%
Healthcare trend rates	6.00% trending down to 3.84%
Rate of return on assets	7.61%
Mortality rates	Derived from CalPERS pension plan updated to reflect most recent experience study

¹ Historical information is only available for periods where GASB 75 is applicable.

OTHER INFORMATION
(Unaudited)

Padre Dam Municipal Water District
Schedule of Income (Loss) Before Contributions by Fund Services (Unaudited)
For the Year Ended June 30, 2021

	Water	Sewer	Park	Other	Restricted	Total
OPERATING REVENUES						
Water sales	\$ 33,071,728	\$ -	\$ -	\$ -	\$ -	\$ 33,071,728
Sewer revenues	-	19,266,907	-	-	-	19,266,907
System charges	12,452,691	-	-	-	-	12,452,691
Park fees	-	-	7,116,578	-	-	7,116,578
Other income	4,912,178	32,630	4,954	-	-	4,949,762
Total operating revenues	50,436,597	19,299,537	7,121,532	-	-	76,857,666
OPERATING EXPENSES						
Direct Expenses:						
Water purchases	16,097,318	-	-	-	-	16,097,318
Sewer METRO costs	-	5,643,040	-	-	-	5,643,040
Other operating expenses	2,807,654	1,269,016	164,200	-	-	4,240,870
Internal Expenses:						
Salary and wages	8,926,611	3,551,179	1,370,304	-	-	13,848,094
Employee benefits	7,305,757	3,074,251	876,111	-	-	11,256,119
Professional services	2,283,665	889,996	380,454	-	-	3,554,115
Materials, supplies, vehicles, and building rent	3,073,251	1,778,739	830,003	-	-	5,681,993
Administrative expenses	1,194,463	471,157	135,326	-	-	1,800,946
Utilities	383,689	625,487	896,929	-	-	1,906,105
Depreciation	6,771,703	1,380,605	981,044	-	-	9,133,352
Billing credits	(3,508,314)	(13,052)	-	-	-	(3,521,366)
Total operating expenses	45,335,797	18,670,418	5,634,371	-	-	69,640,586
Operating income (loss)	5,100,800	629,119	1,487,161	-	-	7,217,080
NONOPERATING REVENUES (EXPENSES)						
Investment income (loss)	431,957	352,948	32,560	(560,707)	-	256,758
Restricted investment income (loss)	-	-	-	-	47,475	47,475
Taxes and assessments	3,599,467	-	-	-	-	3,599,467
Gain on sale or disposition of assets	-	-	-	3,995	-	3,995
Interest expense	(1,065,571)	-	(247,380)	-	(423,126)	(1,736,077)
Other income (expense)	(100,000)	-	100,000	-	-	-
Total nonoperating revenues (expenses)	2,865,853	352,948	(114,820)	(556,712)	(375,651)	2,171,618
Income before capital contributions	\$ 7,966,653	\$ 982,067	\$ 1,372,341	\$ (556,712)	\$ (375,651)	\$ 9,388,698

Padre Dam Municipal Water District
Schedule of Income (Loss) Before Contributions by Fund Services (Unaudited)
For the Year Ended June 30, 2020

	Water	Sewer	Park	Other	Restricted	Total
OPERATING REVENUES						
Water sales	\$ 30,050,059	\$ -	\$ -	\$ -	\$ -	\$ 30,050,059
Sewer revenues	-	18,740,574	-	-	-	18,740,574
System charges	11,885,429	-	-	-	-	11,885,429
Park fees	-	-	6,177,597	-	-	6,177,597
Other income	4,939,561	15,750	5,635	-	-	4,960,946
Total operating revenues	46,875,049	18,756,324	6,183,232	-	-	71,814,605
OPERATING EXPENSES						
Direct Expenses:						
Water purchases	15,885,483	-	-	-	-	15,885,483
Sewer METRO costs	-	6,494,540	-	-	-	6,494,540
Other operating expenses	2,432,885	1,269,016	216,722	-	-	3,918,623
Internal Expenses:						
Salary and wages	8,716,105	3,467,437	1,331,817	-	-	13,515,359
Employee benefits	6,804,505	2,863,325	830,546	-	-	10,498,376
Professional services	2,047,956	798,119	296,030	-	-	3,142,105
Materials, supplies, vehicles, and building rent	2,734,743	1,582,818	690,138	-	-	5,007,699
Administrative expenses	948,208	374,021	94,372	-	-	1,416,601
Utilities	349,751	570,162	807,270	-	-	1,727,183
Depreciation	6,327,167	1,279,899	953,688	-	-	8,560,754
Billing credits	(3,994,654)	(61,856)	(13,548)	-	-	(4,070,058)
Total operating expenses	42,252,149	18,637,481	5,207,035	-	-	66,096,665
Operating income (loss)	4,622,900	118,843	976,197	-	-	5,717,940
NONOPERATING REVENUES (EXPENSES)						
Investment income (loss)	740,972	605,435	55,852	1,062,201	-	2,464,460
Restricted investment income (loss)	-	-	-	-	557,856	557,856
Taxes and assessments	3,428,063	-	-	-	-	3,428,063
Gain on sale or disposition of assets	-	-	-	26,142	-	26,142
Interest expense	(1,149,557)	-	(276,358)	-	(446,895)	(1,872,810)
Other income (expense)	4,452,976	1,735,391	-	-	-	6,188,367
Total nonoperating revenues (expenses)	7,472,454	2,340,826	(220,506)	1,088,343	110,961	10,792,078
Income before capital contributions	\$ 12,095,354	\$ 2,459,669	\$ 755,691	\$ 1,088,343	\$ 110,961	\$ 16,510,018

Padre Dam Municipal Water District
Schedule of Income (Loss) Before Contributions (Budget to Actual) (Unaudited)
For the Year Ended June 30, 2021

	Prior Year	Current Year				Current Year Actual Favorable/(Unfavorable)			
	Actual	Actual		Budget		Budget		Prior Year	
	\$	\$	%	\$	%	\$	%	\$	%
OPERATING REVENUES									
Water sales	\$ 30,050,059	\$ 33,071,728	43.0%	\$ 30,260,241	41.8%	\$ 2,811,487	9.3%	\$ 3,021,669	10.1%
Infrastructure access charge	1,077,525	1,281,129	1.7%	1,259,211	1.7%	21,918	1.7%	203,604	18.9%
Energy billings	1,338,449	1,460,189	1.9%	1,409,225	1.9%	50,964	3.6%	121,740	9.1%
CWA/MWD credits	133,700	170,000	0.2%	133,000	0.2%	37,000	27.8%	36,300	27.2%
Padre Dam sewer processing fee	1,269,016	1,269,016	1.7%	1,269,016	1.8%	-	0.0%	-	-
Sewer revenues	18,740,574	19,266,907	25.1%	18,856,918	26.0%	409,989	2.2%	526,333	2.8%
System charges	11,885,429	12,452,691	16.2%	12,581,339	17.4%	(128,648)	-1.0%	567,262	4.8%
Park fees	6,177,597	7,116,578	9.3%	5,793,892	8.0%	1,322,686	22.8%	938,981	15.2%
Other revenues	1,142,256	769,428	1.0%	826,020	1.1%	(56,592)	-6.9%	(372,828)	-32.6%
Total operating revenues	71,814,605	76,857,666	100%	72,388,862	100%	4,468,804	6.2%	5,043,061	7.0%
OPERATING EXPENSES									
Direct Expenses:									
Water purchases	15,885,483	16,097,318	20.9%	16,229,512	22.4%	132,194	0.8%	(211,835)	-1.3%
Infrastructure access charge	1,068,720	1,275,216	1.7%	1,259,211	1.7%	(16,005)	-1.3%	(206,496)	-19.3%
Energy purchases	1,364,165	1,532,438	2.0%	1,409,225	1.9%	(123,213)	-8.7%	(168,273)	-12.3%
Sewer METRO costs	6,494,540	5,643,040	7.3%	5,548,350	7.7%	(94,690)	-1.7%	851,500	13.1%
Padre Dam sewer treatment	1,269,016	1,269,016	1.7%	1,269,016	1.8%	-	0.0%	-	0.0%
Fish stock, propane, and retail	216,722	164,200	0.2%	207,460	0.3%	43,260	20.9%	52,522	24.2%
Total direct expenses	26,298,646	25,981,228	33.8%	25,922,774	35.8%	(58,454)	-0.2%	317,418	1.2%
Internal Expenses:									
Salary and wages	13,515,359	13,848,094	18.0%	14,465,718	20.0%	617,624	4.3%	(332,735)	-2.5%
Employee benefits	10,498,376	11,256,119	14.6%	11,543,688	15.9%	287,569	2.5%	(757,743)	-7.2%
Professional services	3,142,105	3,554,115	4.6%	7,296,582	10.1%	3,742,467	51.3%	(412,010)	-13.1%
Materials, supplies, vehicles, and building	5,007,699	5,681,993	7.4%	5,605,938	7.7%	(76,055)	-1.4%	(674,294)	-13.5%
Administrative expenses	1,416,601	1,800,946	2.3%	1,994,265	2.8%	193,319	9.7%	(384,345)	-27.1%
Utilities	1,727,183	1,906,105	2.5%	1,963,835	2.7%	57,730	2.9%	(178,922)	-10.4%
Billing credits	(4,070,058)	(3,521,366)	-4.6%	(1,601,515)	-2.2%	1,919,851	119.9%	(548,692)	-13.5%
Depreciation	8,560,754	9,133,352	11.9%	8,718,088	12.0%	(415,264)	-4.8%	(572,598)	-6.7%
Total internal expenses	39,798,019	43,659,358	56.8%	49,986,599	69.1%	6,327,241	12.7%	(3,861,339)	-9.7%
Total operating expenses	66,096,665	69,640,586	90.6%	75,909,373	104.9%	6,268,787	8.3%	(3,543,921)	-5.4%
Operating income (loss)	5,717,940	7,217,080	9.4%	(3,520,511)	-4.9%	10,737,591	305.0%	1,499,140	26.2%
NONOPERATING REVENUES (EXPENSES)									
Investment income (designated)	1,402,259	817,465	1.1%	1,504,462	2.1%	(686,997)	-45.7%	(584,794)	-41.7%
Investment income (restricted)	370,409	146,423	0.2%	468,339	0.6%	(321,916)	-68.7%	(223,986)	-60.5%
Gain (loss) on investments	1,249,648	(659,655)	-0.9%	-	0.0%	(659,655)	N/A	(1,909,303)	-152.8%
Taxes and assessments	3,428,063	3,599,467	4.7%	3,411,457	4.7%	188,010	5.5%	171,404	5.0%
Gain on sale or disposition of assets	26,142	3,995	0.0%	-	0.0%	3,995	N/A	(22,147)	-84.7%
Interest expense	(1,872,810)	(1,736,077)	-2.3%	(1,966,981)	-2.7%	230,904	11.7%	136,733	7.3%
Other income (expense)	6,188,367	-	0.0%	-	0.0%	-	N/A	(6,188,367)	-100.0%
Total nonoperating revenues (expenses)	10,792,078	2,171,618	2.8%	3,417,277	4.7%	(1,245,659)	-36.5%	(8,620,460)	-79.9%
Income before capital contributions	\$ 16,510,018	\$ 9,388,698	12.2%	\$ (103,234)	-0.1%	\$ 9,491,932	9194.6%	\$ (7,121,320)	-43.1%

Padre Dam Municipal Water District
Schedule of Income (Loss) Before Contributions (Budget to Actual) (Unaudited)
For the Year Ended June 30, 2020

	Prior Year Actual \$	Current Year				Current Year Actual Favorable/(Unfavorable)			
		Actual		Budget		Budget		Prior Year	
		\$	%	\$	%	\$	%	\$	%
OPERATING REVENUES									
Water sales	\$ 28,111,096	\$ 30,050,059	41.8%	\$ 29,605,254	41.5%	\$ 444,805	1.5%	\$ 1,938,963	6.9%
Infrastructure access charge	976,716	1,077,525	1.5%	1,155,216	1.6%	(77,691)	-6.7%	100,809	10.3%
Energy billings	1,262,115	1,338,449	1.9%	1,349,439	1.9%	(10,990)	-0.8%	76,334	6.0%
CWA/MWD credits	157,960	133,700	0.2%	170,508	0.2%	(36,808)	-21.6%	(24,260)	-15.4%
Padre Dam sewer processing fee	1,159,306	1,269,016	1.8%	1,269,016	1.8%	-	0.0%	109,710	9.5%
Sewer revenues	18,285,344	18,740,574	26.1%	18,723,940	26.2%	16,634	0.1%	455,230	2.5%
System charges	11,499,473	11,885,429	16.6%	11,652,965	16.3%	232,464	2.0%	385,956	3.4%
Park fees	6,407,067	6,177,597	8.6%	6,428,396	9.0%	(250,799)	-3.9%	(229,470)	-3.6%
Other revenues	3,011,393	1,142,256	1.6%	1,045,000	1.5%	97,256	9.3%	(1,869,137)	-62.1%
Total operating revenues	70,870,470	71,814,605	100%	71,399,734	100%	414,871	0.6%	944,135	1.3%
OPERATING EXPENSES									
Direct Expenses:									
Water purchases	15,346,781	15,885,483	22.1%	15,671,934	21.9%	(213,549)	-1.4%	(538,702)	-3.5%
Infrastructure access charge	955,986	1,068,720	1.5%	1,056,720	1.5%	(12,000)	-1.1%	(112,734)	-11.8%
Energy purchases	1,489,738	1,364,165	1.9%	1,349,439	1.9%	(14,726)	-1.1%	125,573	8.4%
Sewer METRO costs	4,950,058	6,494,540	9.0%	5,513,541	7.7%	(980,999)	-17.8%	(1,544,482)	-31.2%
Padre Dam sewer treatment	1,159,306	1,269,016	1.8%	1,269,016	1.8%	-	0.0%	(109,710)	-9.5%
Fish stock, propane, and retail	309,864	216,722	0.3%	311,509	0.4%	94,787	30.4%	93,142	30.1%
Total direct expenses	24,211,733	26,298,646	36.6%	25,172,159	35.3%	(1,126,487)	-4.5%	(2,086,913)	-8.6%
Internal Expenses:									
Salary and wages	12,504,686	13,515,359	18.8%	13,700,326	19.2%	184,967	1.4%	(1,010,673)	-8.1%
Employee benefits	9,409,319	10,498,376	14.6%	10,025,092	14.0%	(473,284)	-4.7%	(1,089,057)	-11.6%
Professional services	4,833,255	3,142,105	4.4%	6,379,484	8.9%	3,237,379	50.7%	1,691,150	35.0%
Materials, supplies, vehicles, and building	5,722,830	5,007,699	7.0%	5,773,123	8.1%	765,424	13.3%	715,131	12.5%
Administrative expenses	1,468,969	1,416,601	2.0%	1,787,205	2.5%	370,604	20.7%	52,368	3.6%
Utilities	1,605,836	1,727,183	2.4%	1,948,028	2.7%	220,845	11.3%	(121,347)	-7.6%
Billing credits	(2,612,148)	(4,070,058)	-5.7%	(1,570,369)	-2.2%	2,499,689	159.2%	1,457,910	55.8%
Depreciation	8,228,608	8,560,754	11.9%	9,079,612	12.7%	518,858	5.7%	(332,146)	-4.0%
Total internal expenses	41,161,355	39,798,019	55.4%	47,122,501	66.0%	7,324,482	15.5%	1,363,336	3.3%
Total operating expenses	65,373,088	66,096,665	92.0%	72,294,660	101.3%	6,197,995	8.6%	(723,577)	-1.1%
Operating income (loss)	5,497,382	5,717,940	8.0%	(894,926)	-1.3%	6,612,866	738.9%	220,558	4.0%
NONOPERATING REVENUES (EXPENSES)									
Investment income (designated)	1,364,592	1,402,259	2.0%	1,353,048	1.9%	49,211	3.6%	37,667	2.8%
Investment income (restricted)	437,900	370,409	0.5%	238,774	0.3%	131,635	55.1%	(67,491)	-15.4%
Gain (loss) on investments	1,226,582	1,249,648	1.7%	-	0.0%	1,249,648	N/A	23,066	1.9%
Taxes and assessments	3,278,984	3,428,063	4.8%	3,227,522	4.5%	200,541	6.2%	149,079	4.5%
Gain on sale or disposition of assets	34,269	26,142	0.0%	-	0.0%	26,142	N/A	(8,127)	-23.7%
Interest expense	(1,825,544)	(1,872,810)	-2.6%	(2,096,211)	-2.9%	223,401	10.7%	(47,266)	-2.6%
Other income (expense)	-	6,188,367	8.6%	-	0.0%	6,188,367	N/A	6,188,367	N/A
Total nonoperating revenues (expenses)	4,516,783	10,792,078	15.0%	2,723,133	3.8%	8,068,945	296.3%	6,275,295	138.9%
Income before capital contributions	\$ 10,014,165	\$ 16,510,018	23.0%	\$ 1,828,207	2.6%	\$ 14,681,811	803.1%	\$ 6,495,853	64.9%

Padre Dam Municipal Water District
Schedule of Change in Cash, Cash Equivalents, and Investments (Unaudited)
For the Year Ended June 30, 2021

	Retail	Water Recycling	Sewer	Park	Total Designated
Cash Flows from Operating Activities					
Operating income (loss)	\$ 3,862,452	\$ 1,238,348	\$ 629,119	\$ 1,487,161	\$ 7,217,080
Depreciation	5,849,891	921,812	1,380,605	981,044	9,133,352
Accounts receivable	*	102,741	15,062	40,702	-
Accounts receivable - other	*	248,719	36,462	98,533	-
Inventories	*	(97,546)	(14,300)	(38,644)	-
Prepaid expenses	*	14,533	2,131	5,757	-
Deferred outflows of resources from pensions	*	(2,189,919)	(321,035)	(867,559)	-
Deferred outflows of resources from OPEB	*	49,530	7,261	19,622	-
Accounts payable	*	721,108	105,712	285,675	-
Accrued expenses and other liabilities	*	25,076	3,676	9,934	-
Deposits and advances on construction	*	(53,449)	(7,836)	(21,175)	-
Net pension liability	*	2,271,894	333,053	900,035	-
Net OPEB liability	*	(168,216)	(24,660)	(66,640)	-
Compensated absences	*	74,206	10,878	29,397	-
Deferred inflows of resources from pensions	*	(555,262)	(81,400)	(219,973)	-
Deferred inflows of resources from OPEB	*	(352,375)	(51,657)	(139,597)	-
Net cash provided by operating activities	9,803,383	2,173,507	2,045,791	2,468,205	16,490,886
Cash Flows from Noncapital Financing Activities					
Property taxes and benefit assessments received	3,604,799	-	-	-	3,604,799
Net cash provided by noncapital and related financing activities	3,604,799	-	-	-	3,604,799
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(3,652,527)	(46,824)	(266,852)	(2,959,250)	(6,925,453)
Proceeds from sale of capital assets	-	-	-	-	-
Proceeds from capital contributions	-	-	-	-	-
Principal paid on long-term debt	(2,081,854)	(146,226)	-	(661,579)	(2,889,659)
Interest paid on long-term debt	(833,071)	96,427	-	(247,380)	(984,024)
Net cash (used in) capital and related financing activities	(6,567,452)	(96,623)	(266,852)	(3,868,209)	(10,799,136)
Cash Flows from Investing Activities					
Payments made to other governments	*	(3,439,136)	(504,166)	(1,362,450)	-
Investment income received	(5,497)	109,619	239,677	32,560	376,359
Net cash provided by (used in) investing activities	(3,444,633)	(394,547)	(1,122,773)	32,560	(4,929,393)
Transfers					
Transfers	(360,855)	(52,900)	(142,957)	-	(556,712)
Transfers COP & Energy	1,422,727	-	-	-	1,422,727
Transfers Park Loan	-	-	-	191,737	191,737
Transfers Other	1,131,079	(10,140)	531,044	(23,690)	1,628,293
Net Transfers	2,192,951	(63,040)	388,087	168,047	2,686,045
Net increase in cash and cash equivalents	5,589,048	1,619,297	1,044,253	(1,199,397)	7,053,201
Cash and cash equivalents, beginning of year	45,570,388	16,905,440	24,421,626	6,035,811	92,933,265
Cash and cash equivalents, end of year	\$ 51,159,436	\$ 18,524,737	\$ 25,465,879	\$ 4,836,414	\$ 99,986,466

* Note: For Retail, Water Recycling, Sewer, and Park, an allocation of changes in receivables/payables/other assets is based upon a constant percentage (overhead allocation percentage) applied throughout the year.

Padre Dam Municipal Water District
Schedule of Change in Cash, Cash Equivalents, and Investments (Unaudited) (Continued)
For the Year Ended June 30, 2021

	Restricted CEF/ Other	Restricted COP	Non-Operating Woodside & LWD	Non-Operating METRO	Grand Total
Cash Flows from Operating Activities					
Operating income (loss)	\$ -	\$ -	\$ -	\$ -	\$ 7,217,080
Depreciation	-	-	-	-	9,133,352
Accounts receivable	-	-	-	-	158,505
Accounts receivable - other	-	-	-	-	383,714
Inventories	-	-	-	-	(150,490)
Prepaid expenses	-	-	-	-	22,421
Deferred outflows of resources from pensions	-	-	-	-	(3,378,513)
Deferred outflows of resources from OPEB	-	-	-	-	76,413
Accounts payable	-	-	-	-	1,112,495
Accrued expenses and other liabilities	-	-	-	-	38,686
Deposits and advances on construction	-	-	-	-	(82,460)
Net pension liability	-	-	-	-	3,504,982
Net OPEB liability	-	-	-	-	(259,516)
Compensated absences	-	-	-	-	114,481
Deferred inflows of resources from pensions	-	-	-	-	(856,635)
Deferred inflows of resources from OPEB	-	-	-	-	(543,629)
Net cash provided by operating activities	-	-	-	-	16,490,886
Cash Flows from Noncapital Financing Activities					
Property taxes and benefit assessments received	-	-	-	-	3,604,799
Net cash provided by noncapital and related financing activities	-	-	-	-	3,604,799
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(37,779)	-	-	-	(6,963,232)
Proceeds from sale of capital assets	-	-	3,995	-	3,995
Proceeds from capital contributions	2,568,721	-	-	-	2,568,721
Principal paid on long-term debt	-	-	-	-	(2,889,659)
Interest paid on long-term debt	(423,121)	-	-	-	(1,407,145)
Net cash (used in) capital and related financing activities	2,107,821	-	3,995	-	(8,687,320)
Cash Flows from Investing Activities					
Payments made to other governments	-	-	-	-	(5,305,752)
Investment income received	127,532	2,164	-	-	506,055
Net cash provided by (used in) investing activities	127,532	2,164	-	-	(4,799,697)
Transfers					
Transfers	-	-	556,712	-	-
Transfers COP & Energy	-	(1,422,727)	-	-	-
Transfers Park Loan	-	(191,737)	-	-	-
Transfers Other	(1,455,646)	-	(560,707)	-	(388,060)
Net Transfers	(1,455,646)	(1,614,464)	(3,995)	-	(388,060)
Net increase in cash and cash equivalents	779,707	(1,612,300)	-	-	6,220,608
Cash and cash equivalents, beginning of year	12,253,959	4,307,217	-	738,881	110,233,322
Cash and cash equivalents, end of year	\$ 13,033,666	\$ 2,694,917	\$ -	\$ 738,881	\$ 116,453,930

Padre Dam Municipal Water District
Schedule of Change in Cash, Cash Equivalents, and Investments (Unaudited)
For the Year Ended June 30, 2020

	Retail	Water Recycling	Sewer	Park	Total Designated
Cash Flows from Operating Activities					
Operating income (loss)	\$ 3,835,248	\$ 787,652	\$ 118,843	\$ 976,197	\$ 5,717,940
Depreciation	5,437,472	889,695	1,279,899	953,688	8,560,754
Accounts receivable	*	(467,021)	(68,464)	(185,015)	-
Accounts receivable - other	*	56,085	8,222	22,219	-
Inventories	*	(74,645)	(10,943)	(29,571)	-
Prepaid expenses	*	(13,265)	(1,945)	(5,255)	-
Deferred outflows of resources from pensions	*	886,925	130,020	351,364	-
Deferred outflows of resources from OPEB	*	84,913	12,448	33,639	-
Accounts payable	*	1,306,078	191,467	517,416	-
Accrued expenses and other liabilities	*	99,147	14,534	39,277	-
Deposits and advances on construction	*	(161,504)	(23,676)	(63,982)	-
Net pension liability	*	(2,408,348)	(353,056)	(954,093)	-
Net OPEB liability	*	503,684	73,839	199,540	-
Compensated absences	*	126,112	18,488	49,961	-
Deferred inflows of resources from pensions	*	1,731,940	253,897	686,127	-
Deferred inflows of resources from OPEB	*	3,850	565	1,526	-
Net cash provided by operating activities	10,946,671	1,922,743	2,061,895	1,929,885	16,861,194
Cash Flows from Noncapital Financing Activities					
Property taxes and benefit assessments received	3,412,328	-	-	-	3,412,328
Net cash provided by noncapital and related financing activities	3,412,328	-	-	-	3,412,328
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(8,514,947)	297,568	(1,671,452)	(4,684,477)	(14,573,308)
Proceeds from sale of capital assets	-	-	-	-	-
Proceeds from capital contributions	-	-	-	-	-
Principal paid on long-term debt	(2,319,004)	(173,873)	14,892	(638,586)	(3,116,571)
Interest paid on long-term debt	(1,272,802)	(108,035)	-	(276,358)	(1,657,195)
Net cash (used in) capital and related financing activities	(12,106,753)	15,660	(1,656,560)	(5,599,421)	(19,347,074)
Cash Flows from Investing Activities					
Payments made to other governments	*	(4,665,711)	(683,978)	(1,848,370)	-
Investment income received	619,066	280,171	660,117	55,852	1,615,206
Net cash provided by (used in) investing activities	(4,046,645)	(403,807)	(1,188,253)	55,852	(5,582,853)
Transfers					
Transfers	705,453	103,417	279,473	-	1,088,343
Transfers COP & Energy	-	-	-	29,604	29,604
Transfers Park Loan	-	-	-	4,975,524	4,975,524
Transfers (METRO)	(5,338,865)	(369,730)	(2,224,725)	-	(7,933,320)
Transfers Other	10,346,748	847,530	4,299,882	-	15,494,160
Net Transfers	5,713,336	581,217	2,354,630	5,005,128	13,654,311
Net increase in cash and cash equivalents	3,918,937	2,115,813	1,571,712	1,391,444	8,997,906
Cash and cash equivalents, beginning of year	41,651,451	14,789,627	22,849,914	4,644,367	83,935,359
Cash and cash equivalents, end of year	\$ 45,570,388	\$ 16,905,440	\$ 24,421,626	\$ 6,035,811	\$ 92,933,265

* Note: For Retail, Water Recycling, Sewer, and Park, an allocation of changes in receivables/payables/other assets is based upon a constant percentage (overhead allocation percentage) applied throughout the year.

Padre Dam Municipal Water District
Schedule of Change in Cash, Cash Equivalents, and Investments (Unaudited) (Continued)
For the Year Ended June 30, 2020

	Restricted CEF/ Other	Restricted COP	Non-Operating Woodside & LWD	Non-Operating METRO	Grand Total
Cash Flows from Operating Activities					
Operating income (loss)	\$ -	\$ -	\$ -	\$ -	\$ 5,717,940
Depreciation	-	-	-	-	8,560,754
Accounts receivable	-	-	-	-	(720,500)
Accounts receivable - other	-	-	-	-	86,526
Inventories	-	-	-	-	(115,159)
Prepaid expenses	-	-	-	-	(20,465)
Deferred outflows of resources from pensions	-	-	-	-	1,368,309
Deferred outflows of resources from OPEB	-	-	-	-	131,000
Accounts payable	-	-	-	-	2,014,961
Accrued expenses and other liabilities	-	-	-	-	152,958
Deposits and advances on construction	-	-	-	-	(249,162)
Net pension liability	-	-	-	-	(3,715,497)
Net OPEB liability	-	-	-	-	777,063
Compensated absences	-	-	-	-	194,561
Deferred inflows of resources from pensions	-	-	-	-	2,671,964
Deferred inflows of resources from OPEB	-	-	-	-	5,941
Net cash provided by operating activities	-	-	-	-	16,861,194
Cash Flows from Noncapital Financing Activities					
Property taxes and benefit assessments received	-	-	-	-	3,412,328
Net cash provided by noncapital and related financing activities	-	-	-	-	3,412,328
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(279,773)	-	-	-	(14,853,081)
Proceeds from sale of capital assets	-	-	26,142	-	26,142
Proceeds from capital contributions	3,383,196	-	-	-	3,383,196
Principal paid on long-term debt	-	-	-	-	(3,116,571)
Interest paid on long-term debt	(446,895)	-	-	-	(2,104,090)
Net cash (used in) capital and related financing activities	2,656,528	-	26,142	-	(16,664,404)
Cash Flows from Investing Activities					
Payments made to other governments	-	-	-	-	(7,198,059)
Investment income received	227,284	120,270	-	-	1,962,760
Net cash provided by (used in) investing activities	227,284	120,270	-	-	(5,235,299)
Transfers					
Transfers	-	-	(1,088,343)	-	-
Transfers COP & Energy	(29,604)	-	-	-	-
Transfers Park Loan	-	(4,975,524)	-	-	-
Transfers (METRO)	-	-	-	7,933,320	-
Transfers Other	(2,002,550)	2,681	1,062,201	(13,386,426)	1,170,066
Net Transfers	(2,032,154)	(4,972,843)	(26,142)	(5,453,106)	1,170,066
Net increase in cash and cash equivalents	851,658	(4,852,573)	-	(5,453,106)	(456,115)
Cash and cash equivalents, beginning of year	11,402,301	9,159,790	-	6,191,987	110,689,437
Cash and cash equivalents, end of year	\$ 12,253,959	\$ 4,307,217	\$ -	\$ 738,881	\$110,233,322

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**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***

Independent Auditors' Report

Board of Directors
Padre Dam Municipal Water District
Santee, 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 Padre Dam Municipal Water District, California (the "District"), which comprise the statement of net position as of June 30, 2021, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the basic financial statements and have issued our report thereon dated October 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

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Purpose of this Report

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

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

San Diego, California
October 27, 2021