



Inverness Public Utility District  
Board Meeting May 26, 2021

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# Agenda Item No. 10

Accept and Approve Fiscal Year 2019-2020 Audit

**DRAFT**

**4/21/2021**

To be used only for management discussion purposes; engagement is incomplete; this draft is subject to final review and possible revision. \*\*Report/Letter date is TENTATIVE-TBD\*\*

**INVERNESS PUBLIC UTILITY DISTRICT  
(A California Special District)**

**INVERNESS, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2020**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Inverness Public Utility District  
Inverness, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Inverness Public Utility District (a California special district), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Inverness Public Utility 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 and the State Controller's *Minimum Audit Requirements for Special Districts*; 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 opinions 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 State Controller's *Minimum Audit Requirements for Special Districts*. 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, we consider internal control relevant to Inverness Public Utility District'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 Inverness Public Utility District's internal control. Accordingly, we express no 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 opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and, where applicable, cash flows of Inverness Public Utility District, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America and the State Controller's *Minimum Audit Requirements for Special Districts*.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-7) and the pension plan information, schedule of change in the net OPEB liability and related ratios, and budgetary comparison information (pages 34-37), as listed in the table of contents, 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.

R. J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California

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Inverness Public Utility District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2020

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Inverness Public Utility District (the District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the Independent Auditor's Report and with the basic financial statements and related notes, which follow this section.

### **Using This Financial Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Activities. These statements measure the success of the District's operations and can be used to determine the District's profitability and credit worthiness.

### **Government-wide Financial Statements**

#### Statement of Net Position and Statement of Activities

One of the most important questions asked about the District's finances is: "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. Think of the District's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources - as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's property tax bases and the types of grants for which the District applies to assess the *overall financial health* of the District.

### **Fund Financial Statements**

#### Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheets and the governmental fund statements of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Inverness Public Utility District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
 June 30, 2020

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 17 through 33.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's budgetary information, pension plan information, and schedule of change in the net OPEB liability and related ratios. Required supplementary information can be found on pages 34 through 37.

Government-wide Financial Analysis - *Governmental Activities*

Statement of Net Position

The following table is a condensed summary of the statements of net position at June 30, 2020, with prior year comparative information:

Table 1  
Governmental Net Position at June 30

	2020	2019
Current assets	\$ 2,171,042	\$ 1,959,098
Capital assets, net of depreciation	16,829	18,572
Total assets	2,187,871	1,977,670
Deferred outflows	40,498	37,267
Current liabilities	94,203	73,350
Long-term liabilities	439,537	286,565
Total liabilities	533,740	359,915
Deferred inflows	13,995	14,199
Net position:		
Invested in capital assets, net of debt	16,829	18,572
Unrestricted	1,663,805	1,622,251
Total net position	\$ 1,680,634	\$ 1,640,823

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$1,680,634 as of June 30, 2020. Compared to the prior year, net position of the District increased \$39,810. The District's net position is made-up of two components: (1) net investment in capital assets, (2) unrestricted net position.

Statement of Activities

The following table is a condensed summary of the statement of activities for the year ended June 30, 2020, with prior year comparative information

Inverness Public Utility District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
 June 30, 2020

Table 2  
Changes in Governmental Net Position

	Governmental Activities 2020	Governmental Activities 2019
<u>Expenses</u>		
General government (operations and fire protection)	\$ 263,730	\$ 322,007
Public safety	<u>425,866</u>	<u>516,804</u>
Total expenses	<u>689,596</u>	<u>838,811</u>
<u>Revenues</u>		
Program revenues:		
Charges for services	-	-
Operating grants and contributions	-	-
Total program revenues	<u>-</u>	<u>-</u>
General revenues:		
Taxes	714,493	618,174
Other revenues	14,913	13,561
Interest income	-	<u>13,457</u>
Total general revenues	<u>729,406</u>	<u>645,192</u>
Total revenues	<u>729,406</u>	<u>645,192</u>
Change in net position	<u>\$ 39,810</u>	<u>\$ (193,619)</u>

Table 3  
Business-type Net Position at June 30

	Business-type 2020	Business-type 2019
Current assets	\$ (511,580)	\$ (546,700)
Capital assets, net of accumulated depreciation	<u>1,638,800</u>	<u>1,670,257</u>
Total assets	<u>1,127,220</u>	<u>1,123,557</u>
Deferred outflows	<u>94,496</u>	<u>86,957</u>
Current liabilities	88,617	74,683
Long-term debt outstanding	<u>1,044,500</u>	<u>697,167</u>
Total liabilities	<u>1,133,117</u>	<u>771,850</u>
Deferred inflows	<u>32,655</u>	<u>33,130</u>
Net position:		
Invested in capital assets	1,638,800	1,670,257
Unrestricted	<u>(1,582,856)</u>	<u>(1,264,723)</u>
Total net position	<u>\$ 55,944</u>	<u>\$ 405,534</u>

Inverness Public Utility District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
 June 30, 2020

Table 4  
Changes in Business-Type Net Position

	Business-Type Activities 2020	Business-Type Activities 2019
<u>Expenses</u>		
Water	\$ 908,864	\$ 1,144,469
Total expenses	<u>908,864</u>	<u>1,144,469</u>
<u>Revenues</u>		
Program revenues:		
Charges for services	534,114	504,463
Total program revenues	<u>534,114</u>	<u>504,463</u>
General revenues:		
Interest income	25,160	13,308
Total general revenues	<u>25,160</u>	<u>13,308</u>
Total revenues	<u>559,274</u>	<u>517,771</u>
Change in net position	<u>\$ (349,590)</u>	<u>\$ (626,698)</u>

Table 5  
Capital Assets at Year-end

	Balance at June 30, 2020	Balance at June 30, 2019
<u>Governmental Activities</u>		
Buildings	\$ 237,515	\$ 237,515
Tankers and vehicles	381,811	381,811
Equipment and furnishings	294,452	286,192
Less: accumulated depreciation	<u>(896,949)</u>	<u>(886,946)</u>
Governmental activity capital assets, net	<u>\$ 16,829</u>	<u>\$ 18,572</u>
<u>Business-type Activities</u>		
Non-depreciable assets	\$ 215,969	\$ 207,809
Wells	71,499	71,499
Plant and equipment	4,025,804	3,964,197
Less: accumulated depreciation	<u>(2,674,472)</u>	<u>(2,573,248)</u>
Business-type activity capital assets, net	<u>\$ 1,638,800</u>	<u>\$ 1,670,257</u>

At June 30, 2020, the District's investment in capital assets amounted to \$1,655,629, net of accumulated depreciation. This investment in capital assets includes land, buildings, fire apparatus, furnishings and equipment, collection and distribution systems, tanks, wells, water treatment facilities and construction-in-process. The capital assets of the District are more fully analyzed in Note 3 to the basic financial statements.

**Conditions Affecting Current Financial Position**

Management is unaware of any conditions which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present and future.

Inverness Public Utility District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2020

**Requests for Information**

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial conditions. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Administrator at P.O Box 469, Inverness, California 94937 or (415) 669-1414.

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Inverness Public Utility District  
STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and investments	\$ 1,452,517	\$ -	\$ 1,452,517
Accounts receivable	32,958	106,795	139,753
Interfund accounts	648,582	(648,582)	-
Prepaid items	36,985	30,207	67,192
Non-depreciable capital assets	-	215,969	215,969
Depreciable capital assets, net	16,829	1,422,831	1,439,660
Total assets	2,187,871	1,127,220	3,315,091
<u>DEFERRED OUTFLOWS</u>			
Deferred outflows related to pensions	40,498	94,496	134,994
<u>LIABILITIES</u>			
Accounts payable	71,400	2,460	73,860
Deposits	-	9,025	9,025
Unearned income	-	77,132	77,132
Compensated absences	22,803	18,913	41,716
Long-term liabilities			
OPEB Liability	316,326	738,095	1,054,421
Net pension liability	123,211	287,492	410,703
Total liabilities	533,740	1,133,117	1,666,857
<u>DEFERRED INFLOWS</u>			
Deferred inflows related to pensions	13,995	32,655	46,650
<u>NET POSITION</u>			
Investment in capital assets, net of related debt	16,829	1,638,800	1,655,629
Unrestricted net position	1,663,805	(1,582,856)	80,949
Total net position	\$ 1,680,634	\$ 55,944	\$ 1,736,578

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

Inverness Public Utility District  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2020

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
<b>Governmental activities:</b>						
General government	\$ 263,730	\$ -	\$ -	\$ (263,730)		\$ (263,730)
Public safety	425,866	-	-	(425,866)		(425,866)
Total governmental activities	<u>689,596</u>	<u>-</u>	<u>-</u>	<u>(689,596)</u>		<u>(689,596)</u>
<b>Business-type activities:</b>						
Water	908,864	534,114	-		\$ (374,750)	(374,750)
Total business-type activities	<u>908,864</u>	<u>534,114</u>	<u>-</u>		<u>(374,750)</u>	<u>(374,750)</u>
<b>Total</b>	<b><u>\$ 1,598,460</u></b>	<b><u>\$ 534,114</u></b>	<b><u>\$ -</u></b>	<b><u>(689,596)</u></b>	<b><u>(374,750)</u></b>	<b><u>(1,064,346)</u></b>
<b>General revenues:</b>						
Property taxes				714,493	-	714,493
Other revenues				14,913	-	14,913
Interest income				-	25,160	25,160
Total general revenues				<u>729,406</u>	<u>25,160</u>	<u>754,566</u>
Change in net position				<u>39,810</u>	<u>(349,590)</u>	<u>(309,780)</u>
Net position beginning of period				<u>1,640,824</u>	<u>405,534</u>	<u>2,046,358</u>
Net position ending of period				<u>\$ 1,680,634</u>	<u>\$ 55,944</u>	<u>\$ 1,736,578</u>

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

Inverness Public Utility District  
 GOVERNMENTAL FUNDS  
BALANCE SHEET  
 June 30, 2020

ASSETS

Cash and investments	\$ 1,452,517
Accounts receivable	32,958
Prepaid items	36,985
Due from other funds	<u>1,385,506</u>
Total assets	<u><u>\$ 2,907,966</u></u>

LIABILITIES

Accounts payable	\$ 71,400
Compensated absences	22,803
Due to other funds	<u>736,924</u>
Total liabilities	<u>831,127</u>

FUND BALANCES

Assigned for:	
Specific purposes	2,448,958
Unassigned	<u>(372,119)</u>
Total fund balances	<u>2,076,839</u>

Total liabilities and fund balances	<u><u>\$ 2,907,966</u></u>
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The accompanying notes are an integral part of these financial statements.

Inverness Public Utility District  
 Reconciliation of the  
GOVERNMENTAL FUNDS - BALANCE SHEET  
 with the Governmental Activities  
STATEMENT OF NET POSITION  
 For the year ended June 30, 2020

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	2,076,839
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Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital Assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.		16,829
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LONG-TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Deferred outflows		40,498
Deferred inflows		(13,995)
OPEB liability		(316,326)
Net pension liability		(123,211)
Non-current portion of compensated absences		-
		-

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>1,680,634</u>
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The accompanying notes are an integral part of these financial statements.

Inverness Public Utility District  
 GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
 For the year ended June 30, 2020

Revenues:	
Taxes	\$ 714,493
Other revenues	14,913
Total revenues	<u>729,406</u>
Expenditures:	
Current:	
General government	271,990
Public safety	284,383
Total expenditures	<u>556,373</u>
Excess (deficit) of revenues over (under) expenditures	173,033
Fund balances, beginning of period	<u>1,903,806</u>
Fund balances, end of period	<u>\$ 2,076,839</u>

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

Inverness Public Utility District  
 Reconciliation of the  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 with the  
STATEMENT OF ACTIVITIES  
 For the year ended June 30, 2020

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	173,033
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>		
CAPITAL ASSETS TRANSACTIONS		
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay		8,260
Depreciation expense is deducted from the fund balance		(10,004)
ACCRUAL OF NON-CURRENT ITEMS		
<p>The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in the governmental funds (net change):</p>		
OPEB expense		(145,842)
Pension expense		(3,695)
Compensated absences		18,058
		18,058
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	39,810

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

Inverness Public Utility District  
 PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
 June 30, 2020

	Water
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ -
Accounts receivable	106,795
Prepaid items	30,207
Total current assets	137,002
Non-current assets:	
Capital assets, net of accumulated depreciation	1,638,800
Total assets	1,775,802
<u>DEFERRED OUTFLOWS</u>	
Deferred outflows related to pensions	94,496
<u>LIABILITIES</u>	
Current liabilities:	
Accrued expenses	2,460
Customer deposits	9,025
Unearned income	77,132
Compensated absences	18,913
Due to other funds	648,582
Total current liabilities	756,112
Long-term liabilities	
OPEB liability	738,095
Net pension liability	287,492
Total liabilities	1,781,699
<u>DEFERRED INFLOWS</u>	
Deferred inflows related to pensions	32,655
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	1,638,800
Unrestricted	(1,582,856)
Total net position	\$ 55,944

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

Inverness Public Utility District  
 PROPRIETARY FUNDS  
STATEMENT OF REVENUES,  
EXPENSES, AND CHANGES IN FUND NET POSITION  
 For the year ended June 30, 2020

	Water
Operating revenues:	
Charges for services	\$ 534,114
Total operating revenues	534,114
Operating expenses:	
Personnel services	663,164
Collection and treatment	42,923
Distribution	79,827
Depreciation	101,226
Administration	21,724
Total operating expenses	908,864
Operating income (loss)	(374,750)
Nonoperating revenues and expenses:	
Interest income	25,160
Change in net position	(349,590)
Net position, beginning of period	405,534
Net position, end of period	\$ 55,944

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

Inverness Public Utility District  
 PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
 For the year ended June 30, 2020

	Business-type Activities <u>Enterprise Funds</u> <u>Water</u>
Cash flows from operating activities:	
Receipts from customers	\$ 519,930
Payments to suppliers	(151,476)
Payments to employees	<u>(323,845)</u>
Net cash provided (used) by operating activities	<u>44,609</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(69,769)</u>
Net cash provided (used) by capital and related financing activities	<u>(69,769)</u>
Cash flows from investing activities:	
Interest income	<u>25,160</u>
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents - beginning of period	<u>-</u>
Cash and cash equivalents - end of period	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:	
Operating income (loss)	<u>\$ (374,750)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	101,226
Changes in certain assets and liabilities:	
Accounts receivable	(14,184)
Prepaid items	(20,737)
Accounts payable	743
Deposits	(64)
Unearned income	13,255
Due to/from other funds	(199)
Compensated absences	(9,604)
OPEB	340,300
Pension expense	<u>8,623</u>
Total adjustments	<u>419,359</u>
Net cash provided (used) by operating activities	<u>\$ 44,609</u>

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

Inverness Public Utility District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Description of District

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

B. The Reporting Entity

The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. The District has no blended or discretely presented component units.

C. Basis of Accounting and Measurement Focus

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Statements: These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting for both governmental and business-like activities. Accordingly, all of the District's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the operating expenses of a given function are offset by operating revenues. Operating expenses are those that are clearly identifiable with a specific function. The types of transactions reported as operating revenues for the District are charges for services directly related to the operations of the District. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes, operating grants and other items not properly included among operating revenues are reported instead as non-operating revenues. Contributed capital and capital grants are included as capital contributions.

Fund Financial Statements: These statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Accompanying these statements is a schedule to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the Government-wide Financial Statements.

Inverness Public Utility District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting and Measurement Focus (concluded)

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are property tax, interest earnings, investment revenue and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule may include principal and interest on debt, which are recognized when due.

The accrual basis of accounting is followed by the proprietary fund. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Unbilled water receivables are recorded at year end.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flows take place. Operating revenues, such as water sales, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as grant funding and investment income, result from non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) value in exchange.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

D. Major Funds

GASB Statement 34 defines major funds and requires that the District's major governmental and business-type funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

Inverness Public Utility District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Major Funds (concluded)

The District reported the following major governmental funds in the accompanying financial statements:

General Fund: This fund accounts for the operations of the District. The General Fund is used for all the general revenues of the District not specifically levied or collected for other District funds and the related expenditures. The General Fund accounts for all financial resources of a governmental unit that are not accounted for in another fund.

Fire Department Fund: This fund accounts for the fire protection activities of the District.

Water Enterprise Fund: This fund accounts for the water operations of the District.

E. Net Position

Net Position is the excess of all the District's assets over all its liabilities, regardless of fund. Net Position is divided into three captions under GASB Statement 34. These captions apply only to Net Position, which is determined only at the Government-wide level, and are described below:

*Invested in Capital, net of related debt* describes the portion of Net Position that is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued for the acquisition, construction or improvement of those assets.

*Restricted* describes the portion of Net Position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that the District cannot unilaterally alter.

*Unrestricted* describes the portion of Net Position that does not meet the definition of restricted or net investment in capital assets. This may include amounts Board-designated to be reported as being held for a particular purpose.

F. Fund Balance

The financial statements - governmental funds report fund balances as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

*Nonspendable* fund balance includes amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

*Restricted* fund balance includes amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.

*Committed* fund balance includes amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Inverness Public Utility District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Fund Balance (concluded)

*Assigned* fund balance includes amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the District's special revenue funds.

*Unassigned* fund balance is the residual classification for the District's general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Directors establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

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

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

G. Accounts Receivable

The District bills the local residents for water usage on a bi-monthly basis. Estimated unbilled water revenue through June 30 has been accrued at year-end for the Water Enterprise Fund. Management believes all amounts are collectible and, accordingly, there is no provision for uncollectible accounts reflected herein.

H. Deferred Revenue

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. The District bills for its fixed service charge in advance. Therefore, the portion of customers' bills that is for the fixed charge is deferred.

Inverness Public Utility District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

J. Budgetary Policies

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each April, the District's General Manager prepares and submits a capital and operating budget to the Board of Directors for adoption no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1.

The Board of Directors must approve all supplemental appropriations to the budget and transfers between major funds. The legal level of budgetary control is at the fund level. Budget information is presented as required supplementary information for the general fund.

K. Compensated Absences

The District's policy is to permit employees to accumulate an unlimited amount of earned vacation leave. Accumulated vacation time is accrued at year-end to account for the District's obligation to the employees for the amount owed. Sick leave, which is limited to 80 hours per year for full-time employees and is pro-rated for part-time employees, is unearned and does not carry over to the following fiscal year.

Governmental fund types recognize the vested vacation as an expenditure in the current year to the extent it is paid during the year. Accrued vacation relating to governmental funds is included as a long-term liability in the Statement of Net Position as those are payable from future resources and within the Balance Sheet - Water Enterprise Fund for amounts relating to the proprietary fund type.

L. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for recording capital assets at \$1,000 (\$3,000 prior to June 30, 2017). Donated assets are recorded at estimated fair market value at the date of donation and/or historical cost. Upon retirement or other disposition of capital assets, the cost and related accumulation depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

*Governmental Activities*

- Buildings and improvements - 5 to 30 years
- Fire apparatus - 3 to 20 years
- Furnishings and equipment - 3 to 7 years

Inverness Public Utility District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Capital Assets (concluded)

*Business-Type Activities*

- Collection and distribution system - 5 to 50 years
- Tanks - 5 to 40 years
- Water treatment - 5 to 40 years
- Wells - 40 years
- Vehicles and equipment - 5 to 7 years

M. Investments and Investment Policy

The District has adopted an investment policy directing the District's General Manager to deposit funds in financial institutions. Investments are to be made in the following areas:

- Financial institution checking and savings accounts
- California Local Agency Investment Fund (LAIF)

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

*Local Agency Investment Fund* - LAIF is regulated by California Government Code (Code) Section 16429 and is under the management of the State of California Treasurer's Office with oversight provided by the Local Agency Investment Advisory Board.

LAIF is carried at fair value based on the value of each participating dollar as provided by LAIF. The fair value of the District's position in the LAIF is the same as the value of its pooled share. Investment in securities of the U.S. government or its agencies are carried at fair value based on quoted market prices. Bank balances are secured by the pledging of a pool of eligible securities to collateralize the District's deposits with the bank in accordance with the Code.

N. Cash and Cash Equivalents

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

O. Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles, and as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those amounts.

Inverness Public Utility District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

P. 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 Inverness Public Utility District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by 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.

Q. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The District maintains an operating account at Bank of America, and all other funds are on deposit with the California Local Agency Investment Fund (LAIF) investment pool (see Note 1M, Investments and Investment Policy).

These funds have been segregated into various accounts and, at June 30, 2020 the balances were as follows:

Deposits held with LAIF	\$ 1,053,764
Deposits held with financial institutions	<u>398,753</u>
Total cash, cash equivalents, and investments	<u>\$ 1,452,517</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for deposits and investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Inverness Public Utility District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2020

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (concluded)

California Law requires banks and savings and loan associations to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California Law, this collateral is held in the District's name and places the District ahead of general creditors of the institution.

Fair Value Reporting - Investments

The District categorizes the fair value measurements of its investments within the fair value hierarchy established by GAAP. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. These levels are determined by the District's investment manager based on a review of the investment class, structure and what kind of securities are held in the portfolio. The District's holdings are classified in Level 1 of the fair value hierarchy.

NOTE 3 - CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2020:

<i>Governmental Activities</i>	Balance 7/1/19	Additions	Deletions/ Transfers	Balance 6/30/20
<u>Depreciable assets</u>				
Buildings	\$ 237,515	\$ -	\$ -	\$ 237,515
Vehicles	381,811	-	-	381,811
Furnishings and equipment	286,192	8,260	-	294,452
Total depreciable assets	905,518	8,260	-	913,778
Total accumulated depreciation	(886,946)			(896,949)
Total capital assets, net	\$ 18,572			\$ 16,829

Depreciation expense under governmental activities (district operations/fire protection) totaled \$10,004.

<i>Business-Type Activities</i>	Balance 7/1/19	Additions	Deletions/ Transfers	Balance 6/30/20
<u>Non-depreciable assets</u>				
Land	\$ 66,320	\$ -	\$ -	\$ 66,320
Construction in progress	141,489	8,160	-	149,649
Total non-depreciable assets	207,809	8,160	-	215,969
<u>Depreciable assets</u>				
Wells	71,499	-	-	71,499
Collection system	352,967	22,623	-	375,590
Distribution system	1,083,066	-	-	1,083,066
Tanks	1,062,276	-	-	1,062,276
Water treatment	1,371,899	-	-	1,371,899
Vehicles and equipment	93,989	38,984	-	132,973
Total depreciable assets	4,035,696	61,607	-	4,097,303
Total accumulated depreciation	(2,573,248)			(2,674,472)
Total depreciable assets, net	1,462,448			1,422,831
Total capital assets, net	\$ 1,670,257			\$ 1,638,800

Depreciation expense under business-type activities (retail water enterprise) totaled \$101,226.

Inverness Public Utility District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

NOTE 4 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) PREPAID/(PAYABLE)

Plan Description, Benefits

The District offers post-employment medical benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the District's CalPERS medical plan. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

Plan Description, Eligibility

The District pays a portion of the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the District. Membership in the OPEB plan consisted of the following members as of June 30, 2020:

Employees Covered by Benefit Terms

At June 30, 2020 (the census date), the benefit terms covered the following employees:

Active plan members	8
Retirees receiving benefits	<u>3</u>
Total	11

The District passed resolutions to participate in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administrated by CalPERS and is managed by an appointed board not under the control of the Board of Directors. These Trusts are not considered a component unit by the District and have been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709. The trusts assets at June 30, 2020 were equal to the Fiduciary net position of \$478,035.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 30, 2020.

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation: 3.00%

Salary increases: Aggregate salary increases of 3.69%. Individual salary increases based on CalPERS.

Investment rate of return: 3.00%

Healthcare cost trend rates: 4.90% in the first year, trending up to 4.30% over 10 years.

Mortality rates were based on Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.00%. 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 was projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

Inverness Public Utility District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2020

NOTE 4 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) PREPAID/(PAYABLE) (concluded)

Changes in the Net OPEB Liability

	Increases (Decreases)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/Asset
	(a)	(b)	(c)
Service cost	\$ 40,072	\$ -	\$ 40,072
Interest	30,388	-	30,388
Effects of economic/demographic gains or losses	669,466	-	669,466
Contributions	-	38,840	(38,840)
Net investment income	-	24,739	(24,739)
Benefits payments, including refunds of employee contributions	(38,885)	(38,885)	-
Administrative expenses	-	(228)	228
Effects of Assumptions changes or inputs	(160,751)	-	(160,751)
Net change in total OPEB liability	540,290	24,466	515,824
Total OPEB liability – beginning of year	992,166	453,569	538,597
Total OPEB liability – end of year	<u>\$ 1,532,456</u>	<u>\$ 478,035</u>	<u>\$ 1,054,421</u>

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

The net OPEB Asset of the District, as well as what the District's net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (3.214%) or one percentage point higher (5.214%) follows:

Plan's Net OPEB Liability/(Asset)		
1% Decrease (3.214%)	Current Discount Rate (4.214%)	1% Increase (5.214%)
\$ 1,202,503	\$ 1,054,421	\$ 922,469

Sensitivity of the net OPEB asset to changes in the healthcare cost trend rates. The net OPEB asset of the District, as well as what the District's net OPEB asset would be if it were calculated using healthcare cost trend rates that are one percentage point lower (-1.00%) or one percentage point higher (1.00%) than current healthcare cost trend rates follows:

Plan's Net OPEB Liability/(Asset)		
1% Decrease	Current Discount Rate	1% Increase
\$ 903,518	\$ 1,054,421	\$ 1,228,086

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

For the year ended June 30, 2020, the District recognized an OPEB expense of \$554,664. At June 30, 2020, the District reported no deferred outflows of resources and deferred inflows of resources related to OPEB.

Inverness Public Utility District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2020

NOTE 5 - PENSION PLANS

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District's separate Safety (fire) and Miscellaneous (all other) Employee Pension Plans, cost sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

The Plan provisions and benefits in effect at June 30, 2020, are summarized as follows:

	District Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52
Monthly benefits, as a % of eligible compensation	1.092% to 2.418%	1.092% to 2.418%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	6.709%	6.533%
	District Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55
Monthly benefits, as a % of eligible compensation	1.426% to 2.0%	1.426% to 2.0%
Required employee contribution rates	7%	9.5%
Required employer contribution rates	11.530%	9.513%

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

Inverness Public Utility District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2020

NOTE 5 - PENSION PLANS (continued)

For the year ended June 30, 2020, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Safety
Contributions - employer	\$ 51,495	\$ 22,259

As of June 30, 2020, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Miscellaneous and Safety Plans as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 271,534
Safety	139,169
Total Net Pension Liability	\$ 410,703

The District's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2019 and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2019 and 2020 was as follows:

<u>All Plans</u>	Miscellaneous	Safety
Proportion - June 30, 2019	0.7070%	0.2050%
Proportion - June 30, 2020	0.6780%	0.0223%
Change – Increase (Decrease)	0.0029%	(0.0018%)

For the year ended June 30, 2020, the District recognized pension expense of \$1,395,894. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 73,754	\$ -
Differences between actual and expected experience	27,946	1,461
Changes in assumptions	18,652	5,703
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	1,700	25,144
Net differences between projected and actual earnings on plan investments	-	6,662
Change in proportion and differences between actual contributions and proportionate share of contributions	12,942	7,680
Total	\$ 134,994	\$ 46,650

Inverness Public Utility District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2020

NOTE 5 - PENSION PLANS (continued)

\$73,754 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

<u>Year Ended June 30</u>	
2021	\$ 22,103
2022	(10,367)
2023	1,523
2024	1,332
Thereafter	-

Actuarial Assumptions - The total pension liabilities for the fiscal year ended June 30, 2019 were derived from the June 30, 2018 funding valuation report and were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power Protection allowance floor on power applies, 2.5% thereafter

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the CalPERS 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) available on CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 7.15% for each Plan. 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, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees' Retirement Fund (PERF). 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.

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. Using 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 (11-60 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.

Inverness Public Utility District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2020

NOTE 5 - PENSION PLANS (concluded)

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

The 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.

<u>Asset Class</u> <sup>(1)</sup>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10</u> <sup>(2)</sup>	<u>Real Return Years 11+</u> <sup>(3)</sup>
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92)%
Total	<u>100%</u>		

- (1) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (2) An expected inflation of 2.0% used for this period.
- (3) An expected inflation of 2.92% used for this period.

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

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

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.15%	6.15%
Net Pension Liability	\$442,310	\$221,412
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$271,534	\$139,169
1% Increase	8.15%	8.15%
Net Pension Liability	\$130,570	\$71,743

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

NOTE 6 - PROPERTY TAXES

Property taxes are assessed, collected and distributed by the County of Marin in accordance with legislation. Secured property taxes are attached as an enforceable lien on real property located in the County of Marin as of March 1. Secured property taxes are levied each November 1 on the assessed value of the real property as of prior March 1. Taxes are due in two equal installments on December 10 and April 10 following the levy date.

Inverness Public Utility District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

NOTE 6 - PROPERTY TAXES (concluded)

Under California law, secured property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. The property taxes are pooled and then allocated to the District based upon complex formulas.

Unsecured property taxes are levied throughout the year beginning March 1 on the assessed value of personal property as of March 1. For unsecured property tax bills issued between March 1 and June 30, the amount is payable by August 31. For unsecured property tax bills issued after June 30, the amount of the tax is due 30 days after the bill is issued, but no later than February 28/29. Special assessment charges are incorporated on the property tax bill, and therefore are attached as an enforceable lien on real property located within the District.

Special assessment charges are due in two installments on December 10 and April 10 following the assessment date. The special assessments are collected and distributed to the District by the County of Marin.

Effective July 1, 1993, the District, in addition to other districts, entered into an agreement (hereafter known as the "Teeter Plan") with the County of Marin whereby the County agreed to purchase without recourse all previously outstanding (net of all adjustments) secured delinquent property tax and special assessment receivables, penalties and interest of the districts as of June 30, 1993. Additionally, the County agreed to advance each district its share of the annual gross levy of secured property taxes and special assessments (net of adjustments) billed through the County's Tax Collector for the fiscal year ended June 30, 1996, and for each subsequent fiscal year of the agreement. In consideration, the District gives the County of Marin its right to penalties and interest on delinquent property tax receivables and actual proceeds collected. This agreement is still operational as of the fiscal year ended June 30, 2020.

NOTE 7 - RELATED PARTY TRANSACTIONS

The District employs a relative of a member of management staff. This transaction is approved annually by the Board of Directors as part of the budget process. For the year ended June 30, 2020, \$86,483 was paid in salaries under his employment.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs from California Special Districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2020, the District participated in the liability and property programs of the SDRMA as follows:

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

Inverness Public Utility District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

NOTE 8 - RISK MANAGEMENT (concluded)

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

- Employee dishonesty coverage up to \$400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$1.0 billion per occurrence, subject to a \$2,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible per occurrence.
- Public officials' personal liability up to \$500,000 each occurrence, with an annual aggregate of \$100,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim. Workers' compensation insurance up to \$100 million per occurrence and Employer's Liability Coverage up to \$5 million.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years.

There were no reductions in insurance coverage in fiscal years 2020 and 2019. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2020.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Nuclear Free Zone -The Board of Directors of Inverness Public Utility District adopted an ordinance on November 6, 1990, declaring the District as a Nuclear Free Zone and thereby joined in with other Nuclear Free Zone communities in eliminating the profit incentive for nuclear weapons makers by means of an economic boycott. As a result of this ordinance, the District shall purchase no product or service of or from any nuclear weapon maker, except that the District may purchase such a product or service where required by law or where no other product or service can be found in sufficient quality or suitability and at a low enough price to be consistent with good management practice and safety. The District shall include a copy of the ordinance with all requests for proposals and all purchase orders. The Board of Directors of the District shall meet annually to review the investment options and determine if the transfer of District funds to a financial institution that makes no investments in nuclear weapons makers ("Nuclear Free Fund") is consistent with State law and prudent management.

Marin Emergency Radio Authority - During fiscal year 1999, the District became a member of the Marin Emergency Radio Authority (Authority). The Authority is a joint exercise of powers agency created on February 28, 1998, pursuant to the California Government Code and a Joint Powers Agreement, by and among the County of Marin and twenty-five local agencies within the County (collectively, the "Members"). The Authority's purpose is to plan, finance, implement, manage, own and operate a multi-jurisdictional and County-wide public safety and emergency radio system. During 1999, the Authority issued bonds to finance the acquisition and installation of a County-wide public safety and emergency radio system (the "Project"), to fund a reserve fund, to fund capitalized interest on the 1999 bonds and to pay the costs incurred in issuing the 1999 bonds. The Project will be owned and operated by the Authority. The Members will use the radio service provided by the Project to carry out public safety and emergency functions in their individual service areas.

Inverness Public Utility District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

NOTE 9 - COMMITMENTS AND CONTINGENCIES (concluded)

The 1999 bonds are special obligations of the Authority payable solely from revenues consisting generally of the service payments to be made by the County and the Members within the County under an operating agreement. Scheduled payments began in August 2001. In addition, the District is obligated to pay a share of the Authority's annual operating costs. For the year ended June 30, 2020, the debt service costs associated with the District's participation in the Authority were \$12,010.

A copy of the Authority's financial statements is available upon request from the Marin County Administrator's office at 3501 Civic Center Drive, Room 325, San Rafael, CA 94903.

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

Coronavirus Pandemic - In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread among various countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including California, have declared a state of emergency and issued shelter-in-place orders in response to the outbreak. The immediate impact to the District's operations includes restrictions on employees' and volunteers' ability to work, and it is anticipated that the impacts from this pandemic will continue for some time. As of the report date, the financial impact of the coronavirus outbreak cannot be measured.

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

Inverness Public Utility District  
Required Supplemental Information  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
Budget and Actual  
For the year ended June 30, 2020  
(Unaudited)

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 747,100	\$ 747,100	\$ 714,493	\$ (32,607)
Use of money and property	16,000	16,000	-	(16,000)
Other revenues	<u>20,740</u>	<u>20,740</u>	<u>14,913</u>	<u>(5,827)</u>
Total revenues	<u>783,840</u>	<u>783,840</u>	<u>729,406</u>	<u>(54,434)</u>
Expenditures:				
Current:				
General government	227,833	227,833	271,990	(44,157)
Public safety	<u>278,480</u>	<u>278,480</u>	<u>284,383</u>	<u>(5,903)</u>
Total expenditures	<u>506,313</u>	<u>506,313</u>	<u>556,373</u>	<u>(50,060)</u>
Excess of revenues over (under) expenditures	<u>\$ 277,527</u>	<u>\$ 277,527</u>	173,033	<u>\$ (104,494)</u>
Fund balance, beginning of period			<u>1,903,806</u>	
Fund balance, end of period			<u>\$ 2,076,839</u>	

Inverness Public Utility District

As of June 30, 2020

\*Last 6 Years\*

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY

Schedule of the Proportionate Share  
of the Net Pension Liability

(Measurement Date)

Safety Plan

	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.2230%	0.2050%	0.7070%	0.0027%	0.0027%	0.0015%
Proportionate share of the net pension liability	\$ 139,169	\$ 120,488	\$ 120,488	\$ 106,929	\$ 76,909	\$ 90,873
Covered - employee payroll	\$ 138,419	\$ 128,841	\$ 128,841	\$ 218,410	\$ 44,712	\$ 87,737
Proportionate share of the net pension liability as a percentage of covered-employee payroll	100.54%	93.52%	93.52%	48.96%	172.01%	103.57%
Plan fiduciary net position as a percentage of the total pension liability	76.81%	76.81%	76.81%	78.72%	84.31%	81.46%

Schedule of the Proportionate Share  
of the Net Pension Liability

(Measurement Date)

Misc. Plan

	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.6780%	0.7070%	0.2090%	0.0071%	0.0070%	0.0037%
Proportionate share of the net pension liability	\$ 271,534	\$ 266,448	\$ 266,448	\$ 246,696	\$ 200,453	\$ 231,036
Covered - employee payroll	\$ 308,500	\$ 270,881	\$ 270,881	\$ 93,762	\$ 236,606	\$ 257,863
Proportionate share of the net pension liability as a percentage of covered-employee payroll	88.02%	98.36%	98.36%	263.11%	84.72%	89.60%
Plan fiduciary net position as a percentage of the total pension liability	75.39%	75.39%	75.39%	75.76%	78.89%	74.15%

NOTES TO SCHEDULE:

\*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Inverness Public Utility District  
As of June 30, 2020  
\*Last 6 Years\*  
SCHEDULE OF CONTRIBUTIONS

SCHEDULE OF CONTRIBUTIONS

<u>Fiscal Year End</u>	<u>Safety Plan</u>					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 22,259	\$ 10,770	\$ 4,216	\$ 23,601	\$ 12,041	\$ 6,663
Contributions in relation to the actuarially determined contributions	<u>(22,259)</u>	<u>(10,770)</u>	<u>(4,216)</u>	<u>(23,601)</u>	<u>(12,041)</u>	<u>(6,663)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll during the fiscal year	\$ 109,225	\$ 138,419	\$ 128,841	\$ 218,410	\$ 44,712	\$ 87,737
Contributions as a percentage of covered-employee payroll	20.38%	7.78%	3.27%	10.81%	26.93%	7.59%

<u>Fiscal Year End</u>	<u>Misc.</u>					
	<u>Plan</u> <u>2020</u>	<u>Plan</u> <u>2019</u>	<u>Plan</u> <u>2018</u>	<u>Plan</u> <u>2017</u>	<u>Plan</u> <u>2016</u>	<u>Plan</u> <u>2015</u>
Contractually required contribution (actuarially determined)	\$ 51,495	\$ 40,249	\$ 20,942	\$ 8,518	\$ 54,094	\$ 31,622
Contributions in relation to the actuarially determined contributions	<u>(51,495)</u>	<u>(40,249)</u>	<u>(20,942)</u>	<u>(8,518)</u>	<u>(54,094)</u>	<u>(31,622)</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Covered-employee payroll during the fiscal year	\$ 333,080	\$ 308,500	\$ 270,881	\$ 93,762	\$ 236,606	\$ 257,863
Contributions as a percentage of covered-employee payroll	15.46%	13.05%	7.73%	9.08%	22.86%	12.26%

NOTES TO SCHEDULE:

\*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Inverness Public Utility District  
SCHEDULE OF CHANGE IN THE NET OPEB LIABILITY  
AND RELATED RATIOS  
For the year ended June 30, 2020

<b>Total OPEB Liability</b>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 40,072	\$ 34,947	\$ 34,947
Interest	30,388	8,327	8,327
Effects of economic/demographic gains or losses	669,466	688,136	688,136
Benefit payments, included refunds of employee contributions	(38,885)	(37,284)	(37,284)
Effects of Assumptions changes or inputs	<u>(160,751)</u>	<u>(101,900)</u>	<u>(101,900)</u>
<b>Net change in total OPEB liability</b>	540,290	592,226	592,226
<b>Total OPEB liability - beginning of year</b>	<u>992,166</u>	<u>399,940</u>	<u>399,940</u>
<b>Total OPEB liability - end of year</b>	<u>\$ 1,532,456</u>	<u>\$ 992,166</u>	<u>\$ 992,166</u>
<b>Plan Fiduciary Net Position</b>			
Net investment income	\$ 24,739	\$ 24,686	\$ 24,686
Contributions			
Employer - explicit subsidy	38,840	37,284	37,284
Employer - implicit subsidy	-	-	-
Benefit payments, included refunds of employee contributions	(38,885)	(37,284)	(37,284)
Implicit rate subsidy fulfilled	-	-	-
Administrative expense	<u>(228)</u>	<u>(739)</u>	<u>(739)</u>
<b>Net change in plan fiduciary net position</b>	24,466	23,947	23,947
<b>Plan fiduciary net position - beginning of year</b>	<u>453,569</u>	<u>399,940</u>	<u>399,940</u>
<b>Plan fiduciary net position - end of year</b>	<u>\$ 478,035</u>	<u>\$ 423,887</u>	<u>\$ 423,887</u>
<b>District's net OPEB liability - end of year</b>	<u>\$ 1,054,421</u>	<u>\$ 568,279</u>	<u>\$ 568,279</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	31.19%	42.72%	42.72%
<b>Covered-employee payroll</b>	\$ 446,919	\$ 446,919	\$ 397,830
<b>Net OPEB liability as a percentage of covered-employee payroll</b>	235.93%	127.15%	142.84%

The schedules present information to illustrate changes in the District's changes in the net OPEB liability over a ten-year period when the information is available.



Inverness Public Utility District  
Board Meeting May 26, 2021

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## Agenda Item No. 11

Accept and Approve 2019-2020 Audit Management  
Report Recommendations Response



*Inverness Public Utility District*

## **Board Agenda Item Staff Report**

Subject: 2019-2020 Audit Management Letter Response  
Meeting Date: May 26, 2021  
Date Prepared: April 28, 2021  
Prepared by: Shelley Redding, Administrator  
Attachments: R.J. Ricciardi, CPA Management Letter; IPUD Draft Response Letter

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**Recommended Action:** Approve Draft Response Letter

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The 2019-20 Audit Management letter was presented to the Board at the April 22, 2020 Board meeting for review along with the final Audit Financial Report. Staff has reviewed the management letter and prepared a response letter on behalf of the Board of Directors.

Staff recommends the attached response to the items reported as implemented when feasible or not implemented at the time of the Audit.

**DRAFT**

**4/21/2021**

To be used only for management discussion purposes; engagement is incomplete; this draft is subject to final review and possible revision. **\*\*Report/Letter date is TENTATIVE-TBD\*\***

**INVERNESS PUBLIC UTILITY DISTRICT**

**BOARD OF DIRECTORS  
&  
MANAGEMENT REPORT**

**For the Year Ended  
JUNE 30, 2020**

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DRAFT

Board of Directors  
Inverness Public Utility District  
Inverness, California

In planning and performing our audit of the basic financial statements of Inverness Public Utility District for the fiscal year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of Inverness Public Utility District's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above. We did not identify any deficiencies in internal control that we consider material weaknesses, as defined above.

During our audit, we noted certain matters involving internal controls and other operational matters that are presented for your consideration in this report. We will review the status of these comments during our next engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are not intended to be all-inclusive, but rather represent those matters that we considered worthy of your consideration. Our comments and recommendations are submitted as constructive suggestions to assist you in strengthening controls and procedures; they are not intended to reflect on the honesty or integrity of any employee. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist Inverness Public Utility District in implementing the recommendations.

This report is intended solely for the information and use of management and Board of Directors of Inverness Public Utility District and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

We thank Inverness Public Utility District's staff for its cooperation during our audit.

R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California

Board of Directors  
Inverness Public Utility District  
Inverness, California

We have audited the basic financial statements of Inverness Public Utility District for the year ended June 30, 2020. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 5, 2020, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Inverness Public Utility District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Inverness Public Utility District are described in Note 1 to the basic financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no transactions entered into by Inverness Public Utility District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the basic financial statements taken as a whole. The most sensitive estimate(s) affecting the basic financial statements were:

- Accrual and disclosure of compensated absences;
- Capital asset lives and depreciation expense;
- Actuarial assumptions for pension and retiree health plan disclosure;
- Accrual and disclosure of leases;
- Fair value of investments and financial instruments.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Of the 10 audit adjustments detected as a result of audit procedures and approved by management, most were material, either individually or in the aggregate, to the financial statements taken as a whole.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors’ report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated April XX, 2021.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to Inverness Public Utility District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Inverness Public Utility District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to the Management’s Discussion and Analysis, the Pension Plan information, Schedule of Change in Net OPEB Liability and Related Ratios, and Budgetary Comparison Schedule for the General Fund, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This report is intended solely for the information and use of management and Board of Directors of Inverness Public Utility District and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Inverness Public Utility District  
BOARD OF DIRECTORS & MANAGEMENT REPORT  
For the Year Ended June 30, 2020

**Current Year Observations**

There were no current year observations.

**Prior Year Observations**

1) Separation of Duties

Observation:

During the course of the audit we noted that Inverness Public Utility District's (the District's) accountant and General Manager is the same person. The General Manager/Accountant is also a check signer.

Recommendation:

We recommended District checks be signed by Board Members whenever possible to reduce the risk of fraud and error.

Status:

This recommendation is being implemented when feasible.

2) Review of Bank Statements

Observation:

During the course of the audit we noted that monthly bank statements and reconciliations of the District are not reviewed by someone other than the preparer.

Recommendation:

We recommended bank statements and related reconciliations be reviewed by a knowledgeable District staff or Board member each month and that this individual document the review by initialing the statements and reconciliations.

Status:

Board Treasurer reviews the bank statements and reconciliations quarterly.

3) Fund Accounting

Observation:

During our audit we noted the District's Water, Fire and General Funds do not balance. The transactions for these funds should be recorded in separate self-balancing funds. The District's accountant does record some transactions separately but should set up completely separate funds or departments. The allocation of District expenses between the General and Water Fund could be inaccurate.

Inverness Public Utility District  
BOARD OF DIRECTORS & MANAGEMENT REPORT  
For the Year Ended June 30, 2020

Recommendation:

We recommended the District set up completely separate self-balancing funds or departments in Quickbooks for the General, Fire and Water funds.

Status:

This recommendation is being implemented when feasible.

4) Payroll Tax Return Reconciliation

Observation:

During the course of our audit we noted the District does not reconcile salary and tax amounts on the quarterly payroll tax returns to the general ledger.

Recommendation:

We recommended the District reconcile salary and tax amounts on the quarterly payroll tax returns to the general ledger on a quarterly basis.

Status:

This recommendation was implemented

5) Accounts Receivable Summary, Vendor Invoices and Credit Card Statements Approval

Observation:

During the course of our audit we noted the District's accounts payable invoices, credit card bills and accounts receivable summary were not initialed by a supervisor or Department Head.

Recommendation:

We recommended the supervisory approval of the above noted documents be documented by initialing the related documents.

Status:

This recommendation has not been implemented



# INVERNESS PUBLIC UTILITY DISTRICT

FIRE DEPARTMENT & WATER SYSTEM

POST OFFICE BOX 469

INVERNESS, CA 94937-0469

50 INVERNESS WAY NO. & (415) 669-1414 & FAX (415) 669-1010

ADMIN@INVERNESSPUD.ORG & WWW.INVERNESSPUD.ORG

May 26, 2021

R.J. Ricciardi, C.P.A.  
Attn: Michael O'Connor  
1101 Fifth Ave.  
Suite 360  
San Rafael, CA 94901

Dear Mr. O'Connor,

We have reviewed the Management Report for the 2020 Audit and have the following responses to your recommendations:

## Prior Year Observations

### 1) Fund Balance:

- a. **Recommendation:** District set up completely self-balancing funds or department in QuickBooks for the General, Fire and Water funds.
- b. **Response:** Staff is researching Fund Accounting Software other than QuickBooks that will be able to report the District Financials and facilitate a faster Audit.

### 2) Accounts Receivable Summary, Vendor Invoices and Credit Card Statements Approval

- a. **Recommendation:** Supervisory approval of the above documents by initialing related documents.

- a. **Response:**

- i. Accounts Receivable: Customer Services Manager performs all A/R transactions, and they are now reviewed and initialed by the administrator prior to entry into QuickBooks.
- ii. Accounts payable: invoices that relate to Fire or Water expenditures are reviewed and approved with initials by the Chief of Operations. The Administrator reviews and initials District invoices. The Board reviews monthly expenses and approves by vote at each Board Meeting. The vote is recorded in the Board meeting minutes.
- iii. Credit Card Statements: The Board reviews and approves them by vote at each Board Meeting. The vote is recorded in the Board meeting minutes.

Sincerely,

Shelley Redding  
Administrator

BOARD OF DIRECTORS: KENNETH J. EMANUELS, PRESIDENT • DAKOTA WHITNEY, VICE PRESIDENT  
KATHRYN DONOHUE, TREASURER • BRENT JOHNSON • DAVID PRESS



SHELLEY REDDING, ADMINISTRATOR • JAMES K. FOX, CHIEF OF OPERATIONS (FIRE CHIEF, WATER SUPERINTENDENT)



Inverness Public Utility District  
Board Meeting May 26, 2021

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## Agenda Item No. 12

Approve Auditor Engagement for 6/30/2021

May 7, 2021

Mr. Kenneth Emanuels  
Board President  
Inverness Public Utility District  
50 Inverness Way North  
Inverness, CA 94937

Dear Mr. Emanuels:

We are pleased to confirm our understanding of the services we are to provide Inverness Public Utility District for the year ending June 30, 2021. We will audit the financial statements of the governmental-type and business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of Inverness Public Utility District as of and for the year ending June 30, 2021. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Inverness Public Utility District's 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. As part of our engagement, we will apply certain limited procedures to Inverness Public Utility District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis.
2. Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – for the General Fund.
3. Proportionate Share of Net Pension Liability (Asset).
4. Schedule of Contributions.
5. Schedule of Changes in Net Other-Post Employment Benefits Liability and Related Ratios.
6. Schedule of Contributions – OPEB.

### **Audit Objectives**

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles, and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America, and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of Inverness Public Utility District's financial statements. Our report will be addressed to the Board of Directors of Inverness Public Utility District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or may withdraw from this engagement.

### **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

### **Audit Procedures—Internal Control**

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance, internal control related matters that are required to be communicated under AICPA professional standards.

### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Inverness Public Utility District's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion.

### **Other Services**

We will also prepare the financial statements of Inverness Public Utility District in conformity with U.S. generally accepted accounting principles based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

## **Management Responsibilities**

Management is responsible for designing, implementing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You agree to assume all management responsibilities for financial statement preparation services and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

## **Engagement Administration, Fees, and Other**

We may from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party

service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing. Further, we understand that your employees will prepare all information we request in our Client Participation List in the format requested and send it to us 30 days prior to scheduling the audit field work. If you have insufficient personnel or time to prepare these items we can assist you in this area and we will discuss with you the additional time required and estimated fee for these services.

Michael O'Connor is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our estimated fees for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our estimated fee, including expenses will be \$10,200 and \$1,000 for preparation of the State Controller's Report. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes thirty days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination.

The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If additional time is needed for us to assist Inverness Public Utility District in the resolution or investigation of accounting errors, discrepancies, or reconciliation issues, assistance in the preparation of schedules, or to reflect in our workpapers corrections to Inverness Public Utility District's accounting records made after the start of the engagement, we will perform such additional work at our standard hourly rates indicated below:

Director \$180

Manager \$130-150

Senior Accountant \$100-125

Staff Accountants \$70-85

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

The audit documentation for this engagement is the property of R.J. Ricciardi, Inc. and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to regulatory agencies or their designees. We will notify you of any such request. If requested, access to such audit documentation will be provided under supervision of R.J. Ricciardi, Inc.'s personnel.

In addition to the estimated fees noted above, we reserve the right to invoice Inverness Public Utility District at our standard hourly rates for time incurred providing information to successor auditors in compliance with SAS. No. 84. Our invoices and related fees for this service will be payable upon presentation.

We reserve the right to suspend or terminate our work if you have failed to fulfill your responsibilities set forth in this engagement letter, and such failure materially interferes with our work. If our work is suspended or terminated because of your failure to fulfill your responsibilities set forth in this engagement letter, you agree that we will not be responsible for your failure to meet government and other deadlines, for any penalties or interest that may be assessed against you resulting from your failure to meet such deadlines, and for any damages (including consequential damages) incurred as a result of the suspension or termination of our work.

**R. J. RICCIARDI, INC.**

We appreciate the opportunity to be of service to Inverness Public Utility District, and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

*R. J. Ricciardi, Inc.*

R.J. Ricciardi, Inc.  
Certified Public Accountants

RESPONSE:

This letter correctly sets forth the understanding of the Inverness Public Utility District:

Officer signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



Inverness Public Utility District  
Board Meeting May 26, 2021

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## Agenda Item No. 13

### **Review and Approve Expenditures**

- **April 2021 Expenditures**
- **April 2021 Credit Card Charges**

8:30 AM

05/23/21

Accrual Basis

**Inverness PUD**  
**Monthly Expense Ledger Report**  
**April 2021**

Date	Num	Name	Memo	Amount
<b>Apr 21</b>				
04/07/2021	14078	American Water Works Association	Membership (06/01/21 - 05/31/22)/ Member...	-459.00
04/07/2021	14079	Horizon Cable TV Inc.	005-003907	-90.79
04/07/2021	14080	Point Reyes Light Publishing Co., LC	VOID: Annual Subscription Renewal	0.00
04/07/2021	14081	R.J. Ricciardi, Inc., CPAs	Audit FY 2019-2020 Billing through March 2...	-3,160.00
04/07/2021	14082	Streamline	April 2021 Website w/Engage	-260.00
04/07/2021	14083	Bauer Associates	Tenney Tank - Geotechnical Reporting	-2,607.00
04/07/2021	14084	Building Supply Center	Supplies	-313.46
04/07/2021	14085	Hach Company	Water Treatment Supplies	-473.80
04/07/2021	14086	John's Dairy Equipment & Supply, Inc.	Liquid Chlorine	-80.10
04/07/2021	14087	Petaluma Auto Parts	Acct# 3450 Inverness Public Utility	-51.07
04/07/2021	14088	U. S. Bank Corporate Payment Systems	Cal Card	-1,108.13
04/07/2021	14089	Good & Clean, Inc.	Janitorial Services - March	-220.00
04/07/2021	EFT	Bank of America	Mar 2021 Statement Analysis Fees	-730.51
04/08/2021	EFT	CalPERS Health	April 2021 Health	-11,815.71
04/08/2021	14090	Barcomm Communications	Replacement Antenna whips for CW54 Low...	-66.54
04/08/2021	14091	Brelje and Race Laboratories, Inc.	March 2021 sampling	-302.40
04/08/2021	14092	L. N. Curtis & Sons	Tools	-317.14
04/08/2021	14093	Marin County Central Collections	Fuel Charges January & February	-1,431.15
04/08/2021	14094	Point Reyes Light Publishing Co., LC	Annual Subscription Renewal	-80.00
04/08/2021	14095	Quill Corporation	Office Supplies	-116.79
04/08/2021	14096	Vallejo Fire Extinguisher	SCBA Hydrostatic & Air Cylinder Replacem...	-243.84
04/08/2021	14097	AT&T CalNet	Telemetry and Phone	-474.54
04/10/2021	Auto	Diversified Technology	Billing Service	-684.00
04/15/2021	PR 1		Payroll Tax Payment	-7,207.72
04/15/2021	PR 1		Payroll Direct Deposit	-17,075.97
04/15/2021	EFT	BB & T- CPS Operations	AR Box Fee	-11.44
04/15/2021	EFT	Paychex	Payroll Processing Fee	-189.60
04/16/2021	EFT	Paychex	S125 Monthly Fee	-40.00
04/21/2021	14098	AT&T CalNet	Telemetry and Phone	-461.67
04/21/2021	14099	Alpha Analytical Laboratories, Inc.	Project 2110001 1st Qtr TOC	-300.00
04/21/2021	14100	Brelje & Race Engineers	Professional Services Tenney Tank	-1,712.50
04/21/2021	14101	CORE	March 2021 services	-90.00
04/21/2021	14102	Grainger	Account # 836141895	-96.42
04/21/2021	14103	McPhail Fuel Co.	Account INVPUD 143814	-1,291.09
04/21/2021	14104	Recology	Acct 1812095651 04/1/21 - 6/30/21	-130.41
04/21/2021	14105	Riley F. Hurd III	Legal Fees IA/IF Tax Proposal	-4,560.00
04/21/2021	14106	Verizon Wireless	Account 942336110-00001	-163.38
04/23/2021	14107	Roche {Employee}, John	Final Paycheck 48 hours + 32.08 Vacation ...	-1,884.39
04/28/2021	EFT	CalPERS - Retirement	March 2021 Retirement	-5,126.60
04/30/2021	EFT	AT&T U-verse	Acct 139584573	-69.55
04/30/2021	PR 2		Payroll Tax Payment	-7,337.09
04/30/2021	PR 2		Payroll Direct Deposit	-14,766.34
04/30/2021	PR 2	Roche {Employee}, John	Final Paycheck	-1,884.39
04/30/2021	EFT	Paychex	Payroll Processing Fee	-184.65
<b>Apr 21</b>				<b>-89,669.18</b>

4:40 PM

05/03/21

# Inverness PUD Reconciliation Summary

XX-7757 · Redding, S Cal Card, Period Ending 04/30/2021

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	<u>Apr 30, 21</u>	
Beginning Balance		0.00
Cleared Transactions		
Charges and Cash Advances - 4 items	<u>-242.42</u>	
Total Cleared Transactions	<u>-242.42</u>	
Cleared Balance		<u><b>242.42</b></u>
Register Balance as of 04/30/2021		242.42
Ending Balance		242.42

4:41 PM

05/03/21

# Inverness PUD Reconciliation Detail

XX-7757 · Redding, S Cal Card, Period Ending 04/30/2021

Type	Date	Num	Name	Memo	Clr	Split	Amount	Balance
<b>Beginning Balance</b>								0.00
<b>Cleared Transactions</b>								
<b>Charges and Cash Advances - 4 items</b>								
Credit Card Charge	04/07/2021	70626...	Amazon	Replacement Battery (2)	X	830-02 · Commo Supplies	-38.80	-38.80
Credit Card Charge	04/10/2021		Canva	Monthly Subscription	X	870-05 · Office Supplies, Postage, Fees	-12.95	-51.75
Credit Card Charge	04/14/2021	765383	Signs.com	3 Tenney Tank Construction Notice Signs	X	1371-22 · Tenney Tank Replacement	-85.67	-137.42
Credit Card Charge	04/17/2021	68510...	American Water W...	Membership Fee - Jacob Leyva	X	870-02 · Dues & Publications	-105.00	-242.42
Total Charges and Cash Advances							-242.42	-242.42
Total Cleared Transactions							-242.42	-242.42
Cleared Balance							242.42	242.42
Register Balance as of 04/30/2021							242.42	242.42
<b>Ending Balance</b>							<b>242.42</b>	<b>242.42</b>

11:57 AM

05/05/21

**Inverness PUD**  
**Reconciliation Summary**  
XX-6591 · Fox, Jim - Cal Card, Period Ending 04/22/2021

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	<u>Apr 22, 21</u>
Beginning Balance	484.79
Cleared Transactions	
Charges and Cash Advances - 8 items	-812.23
Payments and Credits - 1 item	484.79
Total Cleared Transactions	<u>-327.44</u>
Cleared Balance	<u><u>812.23</u></u>
Register Balance as of 04/22/2021	812.23
Ending Balance	812.23

11:58 AM

05/05/21

## Inverness PUD Reconciliation Detail

XX-6591 · Fox, Jim - Cal Card, Period Ending 04/22/2021

Type	Date	Num	Name	Memo	Clr	Split	Amount	Balance
<b>Beginning Balance</b>								484.79
<b>Cleared Transactions</b>								
<b>Charges and Cash Advances - 8 items</b>								
Credit Card Charge	03/30/2021		Inverness Store	Volunteer Training/Drills	X	850-01 · Volunteer Training	-22.46	-22.46
Credit Card Charge	04/09/2021	366140859	Carparts.com	76 Ford Tail Lamps	X	860-02 · Repairs & Service	-39.42	-61.88
Credit Card Charge	04/10/2021	366140859	Carparts.com	76 Ford Tail Lamps	X	860-02 · Repairs & Service	-39.40	-101.28
Credit Card Charge	04/11/2021		Palace Market	Volunteer Training/Drill	X	850-01 · Volunteer Training	-59.00	-160.28
Credit Card Charge	04/11/2021	004831	Bovine Bakery	Volunteer Training/Drills	X	850-01 · Volunteer Training	-24.30	-184.58
Credit Card Charge	04/12/2021	3333825	Amazon	Pumpsaver Plus Low Yield Water Welol Pump Protection (2)	X	840-05 · Collection & Treat...	-443.80	-628.38
Credit Card Charge	04/12/2021	1979457	Amazon	Trail Camera (2)	X	845-01 · Supplies and Inve...	-158.86	-787.24
Credit Card Charge	04/13/2021	1386422437	Adobe	Adobe Acrobat Pro Software Monthly Fee	X	870-05 · Office Supplies, P...	-24.99	-812.23
Total Charges and Cash Advances							-812.23	-812.23
<b>Payments and Credits - 1 item</b>								
Bill	03/20/2021		U. S. Bank Corporate P...	XX-6591	X	20000 · Accounts Payable	484.79	484.79
Total Cleared Transactions							-327.44	-327.44
Cleared Balance							327.44	812.23
Register Balance as of 04/22/2021							327.44	812.23
<b>Ending Balance</b>							<b>327.44</b>	<b>812.23</b>



Inverness Public Utility District  
Board Meeting May 26, 2021

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## Agenda Item No. 14

**Proposal for Creation of Committee to study  
Possible Parcel Tax Measure**

**From:** [Gerald Meral](#)  
**To:** [Ken Emanuels](#)  
**Cc:** [info](#); [Jim Fox](#); [Wade Holland](#)  
**Subject:** proposed IPUD agenda item  
**Date:** Monday, April 19, 2021 5:58:54 PM  
**Attachments:** [IPUD IA advisory committee proposal.docx](#)

---

Hi Ken

Would you be willing to place this item on the IPUD Board agenda for discussion at the meeting next week? Thanks.

best regards

Jerry

--

Jerry Meral

[jerrymeral@gmail.com](mailto:jerrymeral@gmail.com)  
415-717-8412

President Emanuels suggested that IPUD and the Inverness Foundation form a study group to recommend a possible ballot measure for fire and water purposes. This is a suggestion as to how such a group could form and function.

The work of the committee could be accomplished in 6 two-hour meetings. Once the committee is appointed, they would review and modify these questions.

### **State parks, Point Reyes National Seashore**

1. Will State Parks have sufficient funding in the foreseeable future to pay to implement the restoration recommended in Tom Gaman's report? While the State Parks consultant report will specify an exact amount, what is the current ballpark estimate? Does this include Tomales Bay State Park lands to the west of Inverness?
2. Does Point Reyes National Seashore see the need for shaded fuel breaks near the IPUD border? Is there a need for habitat restoration? Is there a need for fuel reduction?

### **Marin Fire Department, CalFire, MWPA**

1. What is the level of risk for wildlife inside the IPUD boundaries?
2. What is the fire-fighting value of consumer rainwater water storage in the range of 5,000-20,000 gallons fitted with fire department hose outlets?
3. Will MWPA provide funds to pay for Park restoration outside of the shaded fuel break? State Parks is unlikely to call this project fuel reduction. To them, it is habitat restoration.
4. Do other jurisdictions in Marin or elsewhere cost share the removal of dead trees on private property? Should the cost share come with a requirement for maintenance of defensible space, based on Marin Fire biennial inspection? Would MWPA help pay for this program?
5. Would Marin Fire carry out a fuel reduction program on public land paid for by IPUD? Would they implement the dead tree removal program inside IPUD on private property?
6. Should IPUD install lines to serve hydrants along Highland and Vision Road, including emergency generators and pumps if needed, to fight fires in those areas not currently served by IPUD water service?

### **North Marin Water District. NMWD would meet with IPUD staff in advance to obtain data necessary to answer these questions.**

1. Does IPUD need to implement a more aggressive program of finding leaks in the distribution system?
2. What consumer water conservation and leak detection programs does North Marin Water District in their service area? Examples include replacement of inefficient fixtures and appliances, irrigation system replacement, leak detection and other conservation measures? Are these programs cost effective? Do they save much water?

3. Should IPUD institute a more steeply inclined ascending rate structure for large water users? Should IPUD institute higher rates for those at higher elevation when pumping is required?
4. Should IPUD replace meters with those that can be read remotely by IPUD and the consumers and detect leaks? Is this the practice in other Marin County water districts?
5. Would consumer use of stored rainwater or graywater for irrigation reduce demand on IPUDs supply during periods when rationing is not imposed, but supplies are low? Would it be cost effective for IPUD to cost share such storage if the consumer agreed to use the storage during such periods?
6. Is it practical for a district the size of IPUD to carry out the requirements of the Urban Water Management Act and other water conservation legislation which exempts IPUD due to the size of the district?

**IPUD engineering consultants.**

1. How much additional storage of treated water does IPUD need? What would it cost? What benefits would come from each increment of one hundred thousand gallons? Where would it best be placed? Are sites available?
2. What are IPUD's minimum capital outlay needs by project or program over the next 10 years for the water system? What are the optimal needs?

**California Insurance Commissioner representative**

Would insurance companies be more likely to renew policies if the fuel reduction and water storage concepts were implemented inside IPUD boundaries?

**Question to the committee**

What would be an appropriate level of parcel tax to pay for committee recommended programs? Should it decline over 10 years, and then stabilize for maintenance?

Should IPUD run a line for hydrant service up Highland and Vision? How should property owners be treated who do not have water service, in light of the legal opinion recently received?



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# Agenda Item No. 15

## **Committee Meetings/Reports**

- **Personnel Committee**

### **Closed Session**

#### **Public Employee Appointment**

**(Fire Chief Position) pursuant to Gov. Code Section 54957**



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# Agenda Item No. 16

## **Reconvene in Open Session**



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# Agenda Item No.17

**Announcements,  
Next Meeting,  
Adjournment**