RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
BASIC FINANCIAL STATEMENTS
June 30, 2024 and 2023

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RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Basic Financial Statements
June 30, 2024 and 2023

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rio Linda/Elverta Community Water District
Rio Linda, California

Opinion

We have audited the accompanying financial statements of the business-type activities of the Rio Linda/Elverta Community Water District (District), California, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of June 30, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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 for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Report on Summarized Comparative Information

We have previously audited the District's June 30, 2023 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated October 23, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Maze + Associates

Pleasant Hill, California
October 22, 2024

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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The management of the Rio Linda/Elverta Water District (District) presents this Management's Discussion and Analysis to achieve two goals:

1. To comply with the requirements of Governmental Accounting Standards Board Statement 34 (GASB 34) that are designed to provide more and easier-to-understand information about the finances of local government agencies such as the District; and,

2. To provide readers with narrative information that may help in understanding and interpreting the information presented in the District's financial statements for the fiscal year ended June 30, 2024 (FY 2023-24).

Questions or comments regarding this Management's Discussion and Analysis may be directed to the District General Manager via the following methods:

Mailing address:

Rio Linda/Elverta Community Water District

730 L St.

Rio Linda, California 95673

Telephone: (916) 991-1000

E-mail: gm@rlecwd.com

<u>FINANCIAL HIGHLIGHTS</u>

The following items are, in the opinion of District management, among the most significant in assessing the District's overall financial activities and financial position at the close of FY 2023-24.

- The District's assets exceeded its liabilities by $16,700,359 as of June 30, 2024, which is an increase of $1,324,458 compared to June 30, 2023. Total assets increased by $341,441 while total liabilities decreased by $983,017. The deferred outflow decreased $284,306 to $821,741 and deferred inflows increased $8,112 to $150,199 as of June 30, 2024. The District's net investment in capital assets, $10,069,591, is composed of the capital assets of the District net of related debt – the water transmission and distribution system, water production facilities, land, buildings, and equipment belonging to the District. Unrestricted net assets totaled $6,597,084, an increase of $456,775 from the prior FY 2022-23.

- The District's operating revenues were $3,135,392 and non-operating revenues were $1,229,261, totaling $4,364,653. Water sales to customers totaled 69% of all revenues.

- The District's total net long-term liabilities were $6,742,390 and includes the Water Revenue Refunding Bond, State Revolving Fund Loan, Installment Sales Agreement (Surcharge 2 Loan), Unearned revenue, OPEB Liability, and Net Pension Liability.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: (1) Management's Discussion and Analysis; and (2) the financial statements, which includes the notes to financial statements.

The financial statements provide both long-term and short-term information about the District's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses, and Changes in Net Position. All assets and liabilities associated with the operation of the District are included in the Statement of Net Position.

The Statement of Net Position presents the financial position of the District on a full accrual historical cost basis and provides information about the nature and amount of resources and obligations at year-end.

Statement of Net Position

As of June 30, 2024, the total net position of the District was $17,371,901. The following table summarizes assets, liabilities, and net position on June 30, 2024, 2023, and 2022:

	2024	2023	2022
Current Assets, Unrestricted	$3,019,997	$2,574,664	$2,576,162
Restricted Cash and Cash Equivalents	5,939,076	5,778,333	4,894,831
OPEB Asset	4,751	0	0
Capital assets, net	15,540,545	15,809,931	15,961,580
Total Assets	24,504,369	24,162,928	23,432,573
Total Deferred Outflows	821,741	1,106,047	478,923
Total Assets and Deferred Outflows	25,326,110	25,268,975	23,911,496
Current Liabilities	1,061,620	1,188,106	1,031,507
Long-term Liabilities	6,742,390	7,598,921	7,695,556
Total Liabilities	7,804,010	8,787,027	8,727,063
Total Deferred Inflows	150,199	142,087	60,891
Total Liabilities and Deferred Inflows	7,954,209	8,929,114	8,787,954
Net Position			
Net investment in capital assets	10,069,591	9,494,326	8,829,942
Restricted debt service reserves	705,226	705,226	705,226
Unrestricted	6,597,084	6,140,309	5,588,374
Total Net Position	$17,371,901	$16,339,861	$15,123,542

The District's net position reflects Debt Service restrictions imposed as its loan requirements.

Below is a summary analysis of changes:

Summary Analysis of Changes	2024/2023	2023/2022
Total Assets and Deferred Outflows	0.23%	5.68%
Total Liabilities and Deferred Inflows	-10.92%	1.61%
Total Net Position	6.32%	8.04%

Changes in Net Position

The following table summarizes the changes in net position for the fiscal years ended June 30, 2024, 2023, and 2022:

	2024	2023	2022
Operating Revenues:			
Water sales	3,033,043	2,931,440	2,832,861
Other operating revenues	102,349	106,364	145,750
Total Operating Revenues	3,135,392	3,037,804	2,978,611
Operating Expenses:			
Personnel services	1,670,796	1,457,145	220,703
Professional services	95,501	110,585	87,992
Field operations	522,865	460,630	377,740
Conservation	334	-	-
Administration	234,766	243,925	213,456
Depereciation and Amortization	698,601	750,561	754,396
Total Operating Expenses	3,222,863	3,022,846	1,654,287
Net Income from Operations	(87,471)	14,958	1,324,324
Non-Operating Revenues(Expenses)			
Surcharge	971,493	968,683	965,073
Other non-operating revenues	257,768	189,551	167,252
Non-Operating Expenses	(329,688)	(218,007)	(245,342)
Net Non-Operating Revenues	899,573	940,227	886,983
Net Income before capital contributions	812,102	955,185	2,211,307
Capital Contributions			
Capacity Fees	219,938	261,134	78,193
Capital Grants	-	-	-
Total Capital Contributions	219,938	261,134	78,193
Change in net position	1,032,040	1,216,319	2,289,500
Net position, beginning of year	16,339,861	1,032,040	10,057,923
Net positions, end of year	17,371,901	16,339,861	15,123,542

Changes from Fiscal Year 2022-2023 to Fiscal Year 2023-2024:

Total net position increased $1,032,040 or 6.32%.

Total operating revenues increased $97,588 or 3.21%. Operating expenses exceeded operating revenue by $87,471. Operating expenses increased by $200,017, a 6.62% increase.

Changes from Fiscal Year 2021-2022 to Fiscal Year 2022-2023:

Total net position increased $1,216,319 or 8.04%.

Total operating revenues increased $59,193 or 1.99%. Operating revenue exceeded operating expenses by $14,958. Operating expenses increased by $1,368,559, an 82.73% increase that is attributable to the Unfunded Accrued Liability (UAL) pay down in 2021-22. In 2022-23 Personnel costs were $1,457,415 whereas in 2021-22 they were $220,703. The difference is not an actual cost difference, but a year-end adjustment per GASB 68.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2024, the District's net investment in capital assets was $10,069,591 including: the water transmission and distribution system (underground pipelines, water services, water meters, fire hydrants, and other components); water production facilities (groundwater wells); land; buildings and both mobile and fixed equipment.

Additional information on the District's capital assets can be found in Note 3, Capital Assets, of the notes to the basic financial statements.

Debt Administration

The District continues to meet its debt obligations under its Water Revenue Refunding Bonds. Through scheduled debt service payments during 2023-24, principal on its collective debt was reduced by $156,908 during the year. The District's total debt from its 2016 issuance now stands at approximately $1.35 million.

The District continues to meet its debt obligations to the State Water Resource Control Board State Revolving Fund (SRF) Loan through scheduled debt service payments during 2023-24, principal on its collective debt was reduced by $389,231 during the year. The District's total debt from the SRF Loan now stands at approximately $2.51 million.

The District paid in full its debt obligation called the Meter Replacement Loan for the AMR/AMI Meter Program capital improvement project in 2023-24. Principal on its collective debt was reduced by $156,908 during the year. The District's total debt from the Meter Replacement Loan now stands at $0.

During FY 18-19, the District entered into an installment sale agreement (Surcharge 2) with Opus Bank, now Pacific Premier Bank for $3.87 million. During FY 23-24, the District paid the principal $240,000 on this debt. As of June 30, 2024, the District's total debt from the Pacific Premier Bank loan was $2.085 million.

Compensated absences, composed of vacation hours earned by employees that are payable upon termination or retirement, are valued at $81,098 at the end of 2023-24, an increase of $15,415 from the 2022-23 year-end amount of $65,683.

Additional information on debt activity can be found in Note 4, Long-Term Liabilities, of the notes to the basic financial statements.

ECONOMIC FACTORS AND FUTURE BUDGET CONSIDERATIONS

The District adopted a budget for FY 2024-25 ($3.41 M revenue and $2.71 M expenses) with a 4.62% increase in income, a 0.37% decrease in expense, and a 29.91% increase in net income compared with the FY 2023-24 Operating Budget.

The trend of historical levels of inflation experienced in FY 2022-23 have subsided, and the District anticipates a stable rate of inflation to remain below 3%. The current multi-year rate structure operating costs and CalPERS pension costs both assume a maximum inflation of 3%. The District's approach to mitigation for inflation has included cost cutting efforts such as switching to lower cost service providers and/or terminating services and memberships entailing annual dues. The opposing influences to cost reductions are ever-present with new mandates from the state, e.g. new contaminant limits, new reporting requirements and new policies.

The District completed a rate study/cost of service analysis for a multi-year rate restructuring, and the Board adopted the new rates at the public hearing on August 16, 2021. The adoption of new state laws (SB 555, SB 606, AB 1668) has created new requirements for water efficiency and limits on water loss. These laws also influenced the new rate structure. Each calendar year after the August 2021 rate structure change has resulted in significantly lower total water use. The multi-year rate structure adopted by the Board in August 2021 establishes rates adjustments through 2025. Although inflation has stabilized, it is greater than zero. Accordingly, the District needs to consider another multi-year rate adjustment for rates beginning in calendar year 2026.

A significant portion of the District's budget continues to be repayment of the long-term debt including the Water Revenue Bond, Surcharge 1, and Surcharge 2 loans in the amount of approximately $969,000 per year representing principal and interest.

A complex formula and practices deployed by CalPERS results in a lag between events impacting employee pension Unfunded Accrued Liability (UAL) and the CalPERS implementation of increased annual UAL payments. The net effect of these CalPERS formulas/practices is a much higher total interest amount paid by the employers. Furthermore, the ramp up in annual payments is not linear, the increase in the first two years following a change is approximately 2% to 3%. The increase in the subsequent 18-years is in the 15% to 20% range. To illustrate; the increase in the annual payment the District would have paid in July 2021 is at least 16% higher than the $68,000 payment the District paid in July 2020. As such, the District implemented mitigation measures to offset the dramatic annual UAL payments it would otherwise incur. The mitigation was an internal loan from the long-term capital improvement funding to fund an Additional Discretionary Payment to CalPERS to reduce the Unfunded Accrued Liability.

The State Water Board finalized its re-adoption of the Hexavalent Chromium Maximum Contaminant Lever (MCL) The District has expended resources for compliance with the newly re-adopted MCL via engagement of a treatment facilities design engineering firm. Additional expenditures include transitioning to dual-licensed water system operators. Funding for capital improvements for treating Hexavalent Chromium has been established via Surcharge #2. Operating costs associated with Hexavalent Chromium are addressed in the multi-year rate restructuring previously described above and include but are not limited to employment of properly licensed operators, consumable treatment materials and facilities insurance.

Large-scale residential development remains on the horizon, but not in the financial planning range. Contrastingly, large-scale residential development has commenced at Sutter Pointe beyond the District's northern boundary. The impediments to District growth continues to be the Sacramento Planning document, which precludes any net increase in groundwater pumping. Sutter Pointe is in Sutter County and not subject to Sacramento County planning documents. Infill projects in the form of Accessory Dwelling Units and some small commercial developments have continued to materialize.

BASIC FINANCIAL STATEMENTS

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2024
(WITH COMPARATIVE DATA FOR JUNE 30, 2023)

ASSETS	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	$2,307,238	$1,902,758
Accounts receivable	642,742	601,193
Accrued interest receivable	2,750	2,071
Inventory	48,648	49,574
Prepaid expenses	18,619	19,068
Total current assets	3,019,997	2,574,664
NON-CURRENT ASSETS		
Restricted cash and investments	5,939,076	5,778,333
OPEB Asset	4,751	
Capital assets:		
Nondepreciable	1,701,253	1,449,703
Depreciable, net of accumulated depreciation	13,839,292	14,360,228
Total capital assets, net	15,540,545	15,809,931
Total non-current assets	21,484,372	21,588,264
TOTAL ASSETS	24,504,369	24,162,928
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	817,126	1,097,457
OPEB related	4,615	8,590
TOTAL DEFERRED OUTFLOWS OF RESOURCES	821,741	1,106,047
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	127,748	241,901
Accrued salaries and benefits	44,807	38,538
Accrued interest payable	23,713	26,572
Deposits payable	124,222	121,287
Unearned revenue	49,255	49,255
Accrued compensated absences - current portion	81,098	65,683
Current portion of bonds and loans payable	610,777	644,870
Total current liabilities	1,061,620	1,188,106
NON-CURRENT LIABILITIES		
Unearned revenue	459,522	508,777
Bonds and loans payable	5,336,852	6,228,638
OPEB Liability		37,482
Net pension liability	946,016	824,024
Total non-current liabilities	6,742,390	7,598,921
TOTAL LIABILITIES	7,804,010	8,787,027
DEFERRED INFLOWS OF RESOURCES		
Pension related	112,980	97,916
OPEB related	37,219	44,171
TOTAL DEFERRED INFLOWS OF RESOURCES	150,199	142,087
NET POSITION		
Net investment in capital assets	10,069,591	9,494,326
Restricted for debt service	705,226	705,226
Unrestricted	6,597,084	6,140,309
TOTAL NET POSITION	$17,371,901	$16,339,861

See accompanying notes to financial statements

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2024
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2023)

	2024	2023
OPERATING REVENUES		
Water sales	$3,033,043	$2,931,440
Account service charges	85,085	79,296
Other water service fees	17,264	27,068
Total operating revenues	3,135,392	3,037,804
OPERATING EXPENSES		
Personnel services	1,670,796	1,457,145
Professional services	95,501	110,585
Field operations:		
Transmission and distribution	101,394	128,601
Pumping	270,317	228,008
Transportation	24,165	20,293
Treatment	30,288	31,244
Conservation	334	
Other	96,701	52,484
Administration	234,766	243,925
Depreciation	698,601	750,561
Total operating expenses	3,222,863	3,022,846
OPERATING INCOME (LOSSES)	(87,471)	14,958
NONOPERATING REVENUES (EXPENSES)		
Surcharge	971,493	968,683
Interest income	81,405	22,079
Property tax	127,108	118,217
Rental income	49,255	49,255
(Loss) gain on disposition of assets	(132,892)	
Interest expense	(193,220)	(215,823)
Other non-operating revenues and (expenses)	(3,576)	(2,184)
Total nonoperating revenues (expenses), net	899,573	940,227
INCOME BEFORE CAPITAL CONTRIBUTIONS	812,102	955,185
CAPITAL CONTRIBUTIONS		
Capacity fees	219,938	261,134
Total capital contributions	219,938	261,134
CHANGE IN NET POSITION	1,032,040	1,216,319
NET POSITION, BEGINNING OF YEAR	16,339,861	15,123,542
NET POSITION, END OF YEAR	$17,371,901	$16,339,861

See accompanying notes to financial statements

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2023)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$3,043,909	$3,116,505
Payments to suppliers	(963,309)	(675,046)
Payments to employees and related benefits	(1,276,935)	(1,202,752)
Net cash provided by operating activities	803,665	1,238,707
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt of taxes	127,108	118,217
Net cash provided by noncapital financing activities	127,108	118,217
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Surcharge revenue received	971,493	968,683
Capacity fees	219,938	261,134
Payments on long-term debt	(925,879)	(815,982)
Purchase and construction of capital assets	(556,346)	(598,912)
Retirement of utility plant and equipment	(5,761)	
Interest and fees paid on long-term debt	(199,655)	(218,007)
Net cash used for capital and related financing activities	(496,210)	(403,084)
CASH FLOWS FROM INVESTING ACTIVITIES		
Rental income	49,255	49,255
Interest received	81,405	(22,079)
Net cash provided by investing activities	130,660	27,176
NET INCREASE (DECREASE) IN CASH	565,223	981,016
Cash, beginning of year	7,681,091	6,700,075
Cash, end of year	$8,246,314	$7,681,091
Cash and cash equivalents consist of the following:		
Unrestricted	$2,307,238	$1,902,758
Restricted	5,939,076	5,778,333
	$8,246,314	$7,681,091

(Continued)

See accompanying notes to financial statements

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2023)

	2024	2023
Reconciliation of operating (loss) to net cash provided by operating activities:		
Operating income (losses)	($87,471)	$14,958
Adjustments to reconcile operating losses to cash flows from operating activities:		
Depreciation	698,601	750,561
Changes in assets and liabilities:		
Receivables, net	(42,228)	78,701
Inventory	926	3,053
Prepaid expenses	449	9,516
Net OPEB Asset	(45,210)	
Accounts payable	(114,153)	134,584
Accrued payroll and related expenses	6,269	1,873
Refundable deposits	2,935	(7,059)
Unearned revenue	(49,255)	
Compensated absences	15,415	8,681
Net pension liability	417,387	285,363
Net OPEB liability		(41,524)
Net cash provided (used) by operating activities	$803,665	$1,238,707

See accompanying notes to financial statements

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NOTES TO BASIC FINANCIAL STATEMENTS

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NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Rio Linda/Elverta Community Water District (District) have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In addition, the District applies Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District was formed on November 9, 1948, and provided water and sewer services. Sewer services were transferred to Sacramento County in 1976. The District no longer provides sewer service. The District currently provides domestic water service and fire flows to approximately 4,685 metered accounts, including procurement, quality, and distribution. The District is governed by a Board of Directors consisting of five directors elected by residents of the District.

B. Basis of Presentation – Fund Accounting

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

C. Basis of Accounting

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

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

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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

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

D. Use of Estimates

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

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents held include bank deposits, Local Agency Investment Fund (LAIF), an investment pool managed by the State of California, and money market mutual funds.

F. Restricted Assets

Certain proceeds of the District's long-term debt are classified as restricted investments on the balance sheet because their use is limited by applicable debt covenants and ordinances. In addition, proceeds from the surcharge levied on customer accounts are restricted for capital improvements. Certain other amounts received by the District are restricted for other purposes.

G. Investments

Investments are stated at their fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

H. Inventory

Inventory consists primarily of materials used in the construction and maintenance of the water distribution facilities and is valued on a first-in, first-out basis.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

Capital assets are recorded at historical cost. Donated assets are valued at acquisition value on the date received. Self-constructed assets are recorded based on the amount of direct labor, material, and certain overhead charged to the asset construction. Depreciation is calculated using the straight-line method over estimated useful lives of 8 to 60 years for transmission and distribution, and 3 to 50 years for general plant assets. Maintenance and repairs are charged to operations when incurred. It is the District's policy to capitalize all capital assets with an initial cost of more than $5,000 and an estimated useful life in excess of one year. Costs of assets sold or retired (and the related amounts of accumulated depreciation) are eliminated from the balance sheet in the year of sale or retirement, and the resulting gain or loss is recognized in operations.

J. Accounts Receivable

The District issues water invoices bi-monthly based on meter readings. Delinquent water invoices may have a lien placed on the property. The District does not provide for an allowance for uncollectible accounts due to the lien process.

K. 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. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

L. Unearned Revenues

Unearned revenue represents funds received for future rental income on various cell tower leases.

M. Contributed Facilities

The District receives facilities (hydrant, pipes, valves, etc.), from developers resulting from developers preparing the sites to connect to the District. The District records these items as capital assets and depreciates them over their estimated useful life.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Property Taxes

Property tax revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Sacramento levies, bills, and collects property taxes and special assessments for the District. Under the County's "Teeter Plan", the County remits the entire amount levied and handles all delinquencies, retaining interest, and penalties. Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on July 1. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

O. Compensated Absences

The District has a policy whereby employees can accrue up to a maximum of 300 hours of vacation leave. All accrued vacation leave will be paid to the employee on termination of employment. Accumulated unpaid vacation leave is accrued when earned. Employees accrue sick leave, but any remaining balance at termination of employment is not paid out to the employee; thus, the District does not accrue a liability for sick leave.

P. Lease Accounting

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. The District does not currently have any leases that meet the definition under GASB 87.

Q. Prior Year Summarized Comparative Information

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statement for the year ended June 30, 2023 from which the summarized information was derived.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2024 and 2023, are classified in the accompanying financial statements as follows:

	2024	2023
Cash and cash equivalents	$2,307,238	$1,902,758
Restricted cash and cash equivalents	5,939,076	5,778,333
Total District Cash and Investments	$8,246,314	$7,681,091

Cash and investments as of June 30, 2024 and 2023, consisted of the following:

	2024	2023
Deposits with financial institutions		
Total Cash	$6,777,278	$6,363,353
Local Agency Investment Fund	939,074	813,182
Held by Bond Trustee:		
Money Market Mutual Fund	71,298	44,108
Negotiable Certificates of Deposit	140,947	135,109
Government Agency Securities	317,717	325,339
Total Investments	1,469,036	1,317,738
Total District Cash and Investments	$8,246,314	$7,681,091

A. Investment Policy

California statutes authorize districts to invest idle, surplus, or reserve funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The list below identifies the investment types that are authorized by the District's investment policy.

This table does not address investments of debt proceeds held by the bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy. During the year ended June 30, 2024, the District's permissible investments included the following instruments:

- Investment pool authorized under $50 million Liquid CA Account Statues governed by Government Code Sections 16429.1-16429.4 AKA Local Agency Investment Fund of LAIF.
- California Employers Retiree Benefit Trust (CERBT).
- Money Market Mutual Funds governed by Government Code Sections 53601.6(b).

The District complied with the provisions of the California Government Code pertaining to the types of investments held, the institutions in which deposits were made, and the security requirements. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments Authorized by Debt Agreements

Investments of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The Water Revenues Refunding Bond agreements contain certain provisions that address interest rate risk and credit risk, but not concentration of credit risk.

C. Interest Rate Risk

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

Information about the sensitivity of the fair value of the District's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
Local Agency Investment Fund	$939,074			$939,074
Held by Bond Trustee:				
Money Market Mutual Fund	71,298			71,298
Negotiable Certificates of Deposit	93,432	$47,515		140,947
Government Agency Securities	97,020	84,774	$135,923	317,717
Total Investments	$1,200,824	$132,289	$135,923	$1,469,036

D. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

	Minimum Legal Rating	Total	Ratings as of Year End	
			AAA	Not Rated
Local Agency Investment Fund	N/A	$939,074		$939,074
Held by Bond Trustee				
Money Market Mutual Fund	N/A	71,298		71,298
Negotiable Certificates of Deposit	N/A	140,947		140,947
Government Agency Securities	A	317,717	$317,717	
Total Investments		$1,469,036	$317,717	$1,151,319

NOTE 2 – CASH AND INVESTMENTS (Continued)

E. Custodial Credit Risk

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

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

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

At June 30, 2024, the carrying amount of the District's deposits were $6,777,278. Of that balance, $750,000 was covered and $6,027,278 was not covered by federal depository insurance. As of June 30, 2024, District investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the District to buy the securities:

Reported Investment Type	Amount
Money Market Mutual Funds	$71,298
Negotiable Certificates of Deposit	140,947
Government Agency Securities	317,717

F. Investment in LAIF

LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. At June 30, 2024, the average life on investments funds invested by LAIF was 217 days.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, was as follows:

	Balance at June 30, 2023	Additions	Deletions	Balance at June 30, 2024
Nondepreciable:				
Land	$576,673			$576,673
Construction in progress	873,030	$378,681	($127,131)	1,124,580
Total nondepreciable assets	1,449,703	378,681	(127,131)	1,701,253
Depreciable:				
Water system facilities	25,140,030	310,556	(127,131)	25,323,455
General plant assets	685,385		($31,420)	653,965
Intangible assets	383,083			383,083
Total capital assets being depreciated	26,208,498	310,556	(158,551)	26,360,503
Less: Accumulated depreciation				
Water system facilities	(11,073,905)	(645,117)		(11,719,022)
General plant assets	(492,829)	(34,766)	25,660	(501,935)
Intangible assets	(281,536)	(18,718)		(300,254)
Total accumulated depreciation	(11,848,270)	(698,601)	25,660	(12,521,211)
Net capital assets being depreciated	14,360,228	(388,045)	(132,891)	13,839,292
Total capital assets	$15,809,931	($9,364)	($260,022)	$15,540,545

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance at June 30, 2022	Additions	Deletions	Balance at June 30, 2023
Nondepreciable:				
Land	$576,673			$576,673
Construction in progress	424,288	$448,742		873,030
Total nondepreciable assets	1,000,961	448,742		1,449,703
Depreciable:				
Water system facilities	25,039,860	100,170		25,140,030
General plant assets	685,857			685,857
Intangible assets	373,043	50,000		423,043
Total capital assets being depreciated	26,098,760	150,170		26,248,930
Less: Accumulated depreciation				
Water system facilities	(10,383,905)	(690,472)		(11,074,377)
General plant assets	(450,909)	(41,920)		(492,829)
Intangible assets	(303,327)	(18,169)		(321,496)
Total accumulated depreciation	(11,138,141)	(750,561)		(11,888,702)
Net capital assets being depreciated	14,960,619	(600,391)		14,360,228
Business-type activities capital assets, net	$15,961,580	($151,649)		$15,809,931

Depreciation expense in the amount of $698,601 and $750,561 was recorded for the years ended June 30, 2024 and 2023, respectively, and is included with depreciation expense on the Statement of Revenues, Expenses, and Changes in Net Position.

NOTE 4 – LONG-TERM LIABILITIES

Safe Drinking Water State Revolving Fund Loan – Direct Borrowing: On June 30, 2011, the District finalized the Safe Drinking Water Loan funding agreement in the amount of $7,499,045 at an interest rate of 2.57% to be paid over 20 years. The loan proceeds will assist the District in complying with the State safe drinking water standards. The project was completed in June 2015, and the actual borrowed by the District was only $7,179,073. Semi-annual loan payments of $230,677 are due on January 1 and July 1, through July 1, 2035. As of June 30, 2024, the District's loan balance was $2,513,073.

2015 Water Revenue Refunding Bonds – Direct Borrowing: On April 1, 2015, the District entered into a loan agreement with Umpqua Bank to issue Series 2015 Water Revenue Refunding Bonds at an interest rate of 3.61%, the proceeds of which were used to provide financing for the refunding and defeasance of the District's 2003 Water Revenue Refunding Bonds. These 2003 Bonds were issued to refund debt used to finance certain capital improvements to the District's water system. Semi-annual principal payments, ranging from $48,776 to $136,000, and semi-annual interest payments, ranging from $1,210 to $40,642, are due on May 1 and November 1, through November 1, 2031. As of June 30, 2024, the District's loan balance was $1,349,516.

Water Meter Replacement Loan – Direct Borrowing: In July 2015, the District entered into an installment purchase agreement with Holman Capital Corporation for $499,835 at an interest rate of 3.10% to be paid over 10 years. The agreement is for the acquisition and installation of 813 meters and solar-powered data collectors that will electronically connect to the existing automatic meter reading system, and installation of a dashboard system that will provide water data analytics to detect leaks, high water users, and overall system performance. Semi-annual loan payments of $29,257 are due on January 23 and July 23, through July 23, 2025. As of June 30, 2024, the loan was fully paid off.

Installment Sale Agreement – Direct Borrowing: On March 1, 2018, the District entered into an installment sale agreement with Pacific Premier Bank, formerly Opus Bank, for $3,870,000 at an interest rate of 3.28%. Proceeds from the agreement are for the construction of Well 16 and future wellhead treatment. Semi-annual principal payments, ranging from $120,000 to $155,000, and semi-annual interest payments, ranging from $36,163 to $49,201, are due on April 1 and October 1, through April 1, 2032. As of June 30, 2024, the District's loan balance was $2,085,040.

NOTE 4 – LONG-TERM LIABILITIES (Continued)

The activity of the District's long-term liabilities during the year ended June 30, 2024, was as follows:

	Balance June 30, 2023	Additions	Retirements	Balance June 30, 2024	Amount due within one year
State Safe Drinking Water Loan	$2,902,303		($389,230)	$2,513,073	$198,362
2015 Water Revenue Refunding Bond	1,506,424		(156,908)	1,349,516	162,415
Water Meter Replacement Loan	139,741		(139,741)		
Pacific Premier Bank Loan	2,325,040		(240,000)	2,085,040	250,000
Total bonds and loans payable	6,873,508		(925,879)	5,947,629	610,777
Compensated Absences	65,683	$57,584	(42,169)	81,098	81,098
Net Pension Liability	824,024	121,992		946,016	
Other Post-Employment Benefits	37,482		(37,482)	-	
Total long-term debt, net	$7,800,697	$179,576	($79,651)	$6,974,743	$691,875

The activity of the District's long-term liabilities during the year ended June 30, 2023, was as follows:

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Amount due within one year
State Safe Drinking Water Loan	$3,282,681		($380,378)	$2,902,303	$193,360
2015 Water Revenue Refunding Bond	1,658,697		(152,273)	1,506,424	156,908
Water Meter Replacement Loan	193,072		(53,331)	139,741	54,602
Pacific Premier Bank Loan	2,555,040		(230,000)	2,325,040	240,000
Total bonds and loans payable	7,689,490		(815,982)	6,873,508	644,870
Compensated Absences	57,002	$50,850	(42,169)	65,683	65,683
Net Pension Liability	4,903	819,121		824,024	
Other Post-Employment Benefits	66,836		(29,354)	37,482	
Total long-term debt, net	$7,818,231	$869,971	($71,523)	$7,800,697	$710,553

The annual requirements to amortize the outstanding debt as of June 30, 2024 are as follows:

For the Year Ending June 30	Principal	Interest	Total
2025	$811,689	$167,763	$979,452
2026	834,245	144,258	978,503
2027	858,811	120,184	978,995
2028	885,500	95,305	980,805
2029	916,186	69,632	985,818
2030 - 2032	1,641,198	67,189	1,708,387
Totals	$5,947,629	$664,331	$6,611,960

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Pledged Revenue: The District pledged future water system revenues, net of specified expenses, to repay the 2015 Water Revenue Refunding Bonds in the original amount of $2,688,622. Proceeds of the refunded bonds funded the acquisition and construction of certain facilities, as indicated above. The Bonds are payable solely from water customer net revenues and are payable through November 2031. Annual principal and interest payments on the Bonds are expected to require less than 80% of net revenues. Total principal and interest remaining to be paid on the Bonds was $1,516,843 and $1,717,838 at June 30, 2024 and 2023, respectively.

The District pledged surcharge fee revenues, to repay the 2011 State Safe Drinking Water Loan in the amount up to $7,299,045. Annual principal and interest payments on the Loan are expected to be fully recovered by the surcharge fees from customers. Total principal and interest paid on the loan from surcharge fees was $461,380 and $462,343 for the years ended June 30, 2024 and 2023, respectively. The total surcharge fee revenues were $530,409 and $528,927 for the years ended June 30, 2024 and 2023, respectively. The District is required to maintain net revenues at least 1.2 times total annual debt service. The District's surcharge revenues exceeded this requirement at June 30, 2024 and 2023. Total principal and interest remaining to be paid on the Bonds was $2,725,152 and $3,186,532 at June 30, 2024 and 2023, respectively.

The District pledged surcharge fee revenues, to repay the installment sale agreement with Pacific Premier Bank in the amount up to $4,094,662. Annual principal and interest payments on the Loan are expected to be fully recovered by the surcharge fees from customers. Total principal and interest paid on the loan from surcharge fees was $314,294 and $311,920 for the years ended June 30, 2024 and 2023, respectively. The total surcharge fee revenues were $441,084 and $439,756 for the years ended June 30, 2024 and 2023, respectively. The District is required to maintain net revenues at least 1.25 times total annual debt service. The District's surcharge revenues exceeded this requirement at June 30, 2024 and 2023. Total principal and interest remaining to be paid on the Bonds was $2,369,965 and $2,684,259 at June 30, 2024 and 2023, respectively.

Arbitrage Rebate Liability: Section 148(f) of the Internal Revenue Code requires issuers of tax-exempt state and local bonds to remit to the federal government amounts equal to (a) the excess of the actual amounts earned on all "Non-Purpose Investments" allocable to "Gross Proceeds" of an issue of municipal obligations less the amount that would have been earned if the investments bore a rate equal to the amount that would have been earned if the investments bore a rate equal to the yield on the issue, plus (b) all income attributable to the excess. Issuers must make rebate payments at least once every five years and upon final retirement or redemption of the bonds. There was no arbitrage liability at June 30, 2024 and 2023.

NOTE 5 – UNEARNED REVENUE

In August 2014, the District assigned the right to receive rental income on various cell tower leases for a period of 20 years to Wireless Capital Partners, LLC, in exchange for $985,101 of cash. The District is also entitled to receive 50% of any rental increases after the expiration of the current leases. The District will recognize the revenue from this agreement over a period of 20 years, or $49,255 annually. The balance of unearned revenue at June 30, 2024, was $508,777.

NOTE 6 – NET POSITION

Restrictions: Restricted net position consist of constraints placed on net position use through external requirements imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or constraints by law through constitutional provisions or enabling legislation. Restricted net position consisted of the following at June 30:

	2024	2023
Debt service reserve on 2015 Water Revenue Refunding Bonds	$243,871	$243,871
Debt service reserve on State Loan	461,355	461,355
Total Investments	$705,226	$705,226

The restrictions for debt service represent debt service and other reserves required by the related debt covenants. The restriction for State Loan repayment represents surcharges collected under Ordinance No. 2009-03 passed by the Board in May 2009 to fund projects to comply with a State of California Department of Public Health Compliance Order and to repay the State Loan per the loan agreement.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

Plan Description – The District contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public employers within the State of California. PERS require agencies with less than 100 active members in the plan to participate in the risk pool. All full and part-time District employees working at least 1,000 hours per year are eligible to participate in PERS. Under PERS, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor times the monthly average salary of their highest twelve consecutive months, full-time equivalent, monthly pay. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The Plan selects optional benefit provisions from the benefit menu by a contract with PERS and adopts those benefits through District resolution. PERS issues a separate annual comprehensive financial report. Copies of the PERS' annual financial report may be obtained from the PERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy – The District has two tiers of participants, classic and PEPRA. Active classic plan members were required to contribute 7% of their annual covered salary. Starting in December 2011, the District contributed 3.5% on behalf of the employees. Active PEPRA plan members are required pay all of their employee share currently at 6.75%. The District is required to contribute at an actuarially determined rate. The required employer contribution rate for the classic plan for fiscal year 2023/2024 and 2022/2023 was 11.84%. The required employer contribution rate for the PEPRA plan for fiscal year 2023/2024 and 2021/2022 was 7.68%. The contribution requirements of the plan members and the District are established and may be amended by PERS. The District's contributions for the years June 30, 2024 and 2023, were $124,286 and $123,604, respectively, which were equal to the required contributions each year.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

At June 30, 2024, the District reported a liability of $946,016 in the Statement of Net Position for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long- term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, which was actuarially determined.

The Plan's provisions and benefits in effect at June 30, 2024, are summarized as follows:

	Miscellaneous	
	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	1.426% - 2.418%	1.000% - 2.50%
Required employee contribution rates	7.00%	6.75%
Required employer contribution rates	11.84%	7.68%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates from all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by the 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. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements are classified as plan member contributions.

For the year ended June 30, 2024, the District's total contributions to the plan were $124,286

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to 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 Plan and additions to/reductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported as fair value.

As of June 30, 2024, the District reported net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$946,016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2023, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The District's proportionate share of the net pension liability for the Plan as of the June 30, 2022 and 2023 was as follows:

	Miscellaneous
Proportion - June 30, 2022	0.0176%
Proportion - June 30, 2023	0.0189%
Change - Increase (Decrease)	0.0013%

At June 30, 2024, the District recognized pension expense of $417,387 as of June 30, 2024, 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	$124,286	
Differences between expected and actual experience	48,328	($7,497)
Changes of assumptions	57,115	
Change in proportion and differences between employer contributions and proportionate share of contributions	434,228	(105,483)
Net difference between projected and actual earnings on pension plan investments	153,169	
Total	$817,126	($112,980)

$124,286 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Annual Amortization
2025	$313,908
2026	152,020
2027	109,536
2028	4,396

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2023, the total pension liability was determined by rolling forward the June 30, 2022 total pension liability. The June 30, 2024 total pension liabilities were based on the following actuarial methods and assumptions for all benefit tiers:

	Miscellaneous
Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	3.00%
Projected Salary Increases	Varies by Entry-Age and Service
Investment Rate of Return	6.90%
Mortality Rate Table[1]	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2021 valuation were based on the results of a November 2021 actuarial experience study for the period 2001 to 2019. Further details of the Experience study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability for the plan was 6.90%. The projections of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted for assumed administrative expenses of 10 basis points.

The expected real rates of return by asset class are as follows:

Asset Class (a)	New Strategic Allocation	Real Return (a,b)
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emergeing Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100%	

(a) An expected inflation of 2.30% used for this period.

(b) Figures are based on the 2021 Asset Liability Management study.

Changes of Assumptions – Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

***Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes to the Discount Rate* –** The following presents what the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the 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:

	Miscellaneous
1% Decrease	5.90%
Net Pension Liability	$1,700,419
Current Discount Rate	6.90%
Net Pension Liability	$946,016
1% Increase	7.90%
Net Pension Liability	$325,078

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

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB) ASSET

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation date	July 1, 2022
Measurement date	June 30, 2023
Measurement period	July 1, 2022 - June 30, 2023

A. Plan Description

The District provides funding in varying amounts to eligible retirees to assist eligible retirees with their cost of maintaining healthcare insurance through a cost sharing plan administered by California Employer's Retirement Benefit Trust (CERBT). The District's retiree healthcare benefit is not subject to the Public Employees' Medical & Hospital Care Act (PEMHCA) and the plan does not issue a stand-alone financial report. Retiree health benefits are secured through outside providers and premiums are reimbursed by the District according to the rules and to the extent described below. Because retirees do not remain on the District's group health plans, there is no implicit rate subsidy.

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB) ASSET (Continued)

A. Plan Description (Continued)

Retiree health benefits vary by tier, which is based on date of hire, as follows:

Tier 1: Hired prior to January 1, 2003: Eligible for District-paid retiree health benefits after the later of age 50 and 5 years of service. Coverage will be for retiree and one eligible dependent, up to $600/month for retiree and $800/month for retiree plus one coverage.

Tier 2: Hired on or after January 1, 2003 but prior to May 1, 2004: Eligible employees who have attained the age of fifty (50) and have at least 10 years of service with the District earn a benefit in retirement. The District contributes a percentage of the premium for retiree and one eligible dependent, up to a maximum of $600/month for retiree and $800/month for retiree plus one coverage, based on years of service at retirement, as follows:

Years of Service	District Share	Retiree Share
10	50% ($300/$400)	50%
11	55% ($330/$440)	45%
12	60% ($360/$480)	40%
13	65% ($390/$520)	35%
14	70% ($420/$560)	30%
15	75% ($450/$600)	25%
16	80% ($480/$640)	20%
17	85% ($510/$680)	15%
18	90% ($540/$720)	10%
19	95% ($570/$760)	5%
20+	100% ($600/$800)	0%

Tier 3: Hired on or after May 1, 2004 and before January 1, 2013: Eligible for District-paid benefits after the later of age 50 and 5 years of service. Benefit of $300/month for the retiree only.

Tier 4: Hired on or after January 1, 2013: Eligible for District-paid benefits after the later of age 62 and 20 years of service. Benefits limited to $300/month for the retiree only.

Benefits for all tiers end at eligibility for Medicare (age 65). Benefits are reduced for employees working less than full-time for the 3-year period before retirement.

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB) ASSET (Continued)

A. Plan Description (Continued)

One retired General Manager is receiving District-paid benefits of $300/month until age 65. One retired Manager is receiving District-paid lifetime benefits, under a special contract, not to exceed $1,050/month for retiree and spouse coverage. Current Board members will not be entitled to District-paid retiree health benefits upon retirement.

Current Board members and the General Manager will not be entitled to District-paid retiree health benefits upon retirement.

Plan membership as of July 1, 2023 consisted of the following:

Active employees	9
Inactive employees or beneficiaries currently receiving benefit payments	2
Total	11

Contributions: The contribution requirements of Plan members and the District are established and amended by the District. Assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. Contributions made on behalf of the plan members for the year ended June 30, 2024 were $36,200.

Net OPEB Liability: The District's net OPEB liability was measured as of June 30, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2023. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB) ASSET (Continued)

Actuarial Assumptions: The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	Actuarial Assumptions
Valuation Date	July 1, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024
Actuarial Assumptions:	
Asset Valuation Method	Fair value of assets
Discount Rate	5.75%
Inflation	2.50% annually
Salary Increases	3.00% per year
Investment Rate of Return	5.75% net of OPEB plan investment expense
Mortality Rate	Pre-retirement Mortality Rates for Public Agency Miscellaneous from 2000-2019 CalPERS Experience Study. Post-retirement Mortality Rates for Public Agency Miscellaneous from 2000-2019 CalPERS Experience Study.
Healthcare Trend Rate	5.50% for 2024, 5.25% for 2025-2029, 5.00% for 2030-2039, 4.75% for 2040-2049, 4.50% for 2050-2069, and 4.00% for 2070 and later years; Medicare ages: 4.50% for 2024-2029 and 4.00% for 2030 and later years.

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the July 1, 2023 valuation were based on a review of plan experience during the period July 1, 2021 to June 30, 2023.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

Asset Class	Assumed Asset Allocation	Rate of Return
Global Equity	34.0%	4.80%
Fixed Income	41.0%	1.80%
Treasury Inflation Protected Securities	5.0%	1.60%
Real Estate	17.0%	3.70%
Commodities	3.0%	1.90%
Total	100.0%	

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB) ASSET (Continued)

Discount rate: GASB 75 requires a discount rate that reflects the following:

a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District's Total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long-Term Expected Rate of Plan Investments	Fidelity GO AA 20 Years Municipal Index	Discount Rate
June 30, 2023	June 30, 2023	5.75%	3.86%	5.75%
June 30, 2024	June 30, 2024	5.75%	3.97%	5.75%

B. Changes in the Net OPEB Asset

The table below shows the changes in the total OPEB liability, the Plan Fiduciary Net Position, and the net OPEB Asset during the measurement period ending on June 30, 2024 for the District.

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability/(Asset) (a) - (b)**
Balance at June 30, 2022 (June 30, 2022 Measurement Date)	$138,390	$100,908	$37,482
Changes Recognized for the Measurement Period:			
Service Cost	1,136		1,136
Interest on the total OPEB liability	7,210		7,210
Changes in benefit terms			
Differences between expected and actual experience	(5,041)		(5,041)
Changes of assumptions	(1,106)		(1,106)
Contributions from the employer		36,200	(36,200)
Other income - adjustment			
Net investment income		8,320	(8,320)
Benefit payments	(16,200)	(16,200)	
Trustee fees		(37)	37
Administrative expenses		(51)	51
Net changes	(14,001)	28,232	(42,233)
Balance at June 30, 2023 (June 30, 2023 Measurement Date)	$124,389	$129,140	($4,751)

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB) ASSET (Continued)

C. Sensitivity of the District's Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB asset would be if it were calculated using a discount rate that is 1- percentage point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current discount rate:

Net OPEB Liability/(Asset)		
Discount Rate -1%	Discount Rate	Discount Rate +1%
4.75%	5.75%	6.75%
$1,663	($4,751)	($10,728)

D. Sensitivity of the District's Net OPEB Asset to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB asset, as well as what the net OPEB asset would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.75 percent decreasing to 4.75 percent) or 1- percentage-point higher (5.75 percent decreasing to 6.75 percent) than the current healthcare cost trend rates:

Net OPEB Liability/(Asset)		
	Healthcare Trend Rate	
1% Decrease	Current Trend	1% Increase
($6,899)	($4,751)	($2,920)

E. Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2024, the District's deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		($27,423)
Changes of assumptions	$1,295	(9,796)
Net differences between projected and actual earnings on plan investments	3,320	
Total	$4,615	($37,219)

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB) ASSET (Continued)

F. Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss.

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30	Annual Amortization
2025	($10,187)
2026	(7,893)
2027	(8,747)
2028	(4,360)
2029	(946)
Thereafter	(471)
Total	($32,604)

G. Net OPEB Expense

For the year ended June 30, 2024, the District's OPEB expense was ($9,010). Detail of the expense is shown below:

Service Cost	$1,136
Interest Cost	7,210
Expected return on assets	(5,844)
Administrative expense	51
Recognition of deferred outflows and inflows:	
Differences between expected and actual experience	(7,586)
Changes of assumptions	(5,173)
Differences between projected and actual investment	1,196
Total recognition of deferred outflows and inflows	(11,563)
Net OPEB expense	($9,010)

NOTE 9 – INSURANCE

The District participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA), a public entity risk pool of California water agencies, for general and auto liability, public official's liability, employment practices liability, property damage and fidelity insurance. ACWA/JPIA provides insurance through the pool up to a certain level, beyond which the group purchases commercial excess insurance.

The District pays an annual premium to ACWA/JPIA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the ACWA/JPIA. The District's deductibles and maximum coverage are as follows:

Type of Coverage	ACWA/JPIA Self- Insured Retention	Re-Insurance/ Excess Commercial Insurance	Deductible
Liability – General, Auto, & Public Officials Errors & Omissions	$5,000,000	$5,000,000 - 55,000,000	None
Property Program	10,000,000	2,500,000 - 500,000,000	$1,000 - $100,000
Crime Program	100,000	N/A	1,000

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