SWEETWATER SPRINGS WATER DISTRICT

BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

SWEETWATER SPRINGS WATER DISTRICT
FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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FINANCIAL SECTION

MICHAEL A. CELENTANO
Certified Public Accountant
12204 E Camino Loma Vista
707-367-9729 Yuma AZ 85367 maccpa@pacific.net

Board of Directors
Sweetwater Springs Water District
Guerneville, California

Independent Auditor's Report

Qualified Opinions

I have audited the accompanying financial statements of the business-type activities Sweetwater Springs Water District as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Sweetwater Springs Water District's basic financial statements as listed in the table of contents. In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Sweetwater Springs Water District as of June 30, 2024 and 2023 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

Management has not adopted GASB Statement 68 "Accounting and Financial Reporting of Pension Plans." and amendments to GASB 68". Accounting principles generally accepted in the United States of America require that Deferred Inflows/Outflows and Adjusted Pension Expense be recorded currently which would increase the assets and liabilities and change the pension expense. The effect on Deferred Inflows/Outflows and payroll and employee benefits expenses has not been determined. See Footnote 6 for more detail.

Management has not adopted GASB Statement 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions". Accounting principles generally accepted in the United States of America require that Unfunded Postemployment Benefit's Liability, Deferred Inflows/Outflows and Adjusted Employee Benefits Expense be recorded currently which would increase the liabilities and decrease the fund balance and change the employee benefit expense. The amount by which this departure would affect the liabilities by increasing Net OPEB Liability by $201,132 and decreasing fund balance by $201,132. The effect on Deferred Inflows/Outflows and payroll and employee benefit expenses has not been determined. See Footnote 11 for more detail.

.Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinions. 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, I:

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

I am 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 on pages 3-9 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Michael A Celentano
Certified Public Accountant

October 28, 2024

Management Discussion & Analysis (Unaudited)

Management has prepared this financial overview of the activities of the Sweetwater Springs Water District for the fiscal year ended June 30, 2024. It serves as an introduction to the financial statements contained in the Audit Report and a summary of major activities of the District for the fiscal year. Much of the analysis is comparative to last year's activity.

The Discussion begins with a comparison of key financial activities to the prior year, together with a selection of financial activities that management considers worthy of special note for FY 2023-24. The condensed financial statements that follow provide a financial summary of the Audit Report. Following the financial statements are additional details on capital spending, District debt and future plans of the District.

I. SELECTED FINANCIAL ACTIVITIES IN 2023-24

Selected revenues, expenses, and balances:

	FY 2023-24	FY 2022-23
Water Sales:	$3,156,137	$2,926,608
Net Income (Change in Net Position):	$1,591,838	($120,777)
Net Income excluding non-cash rev/exp:	$2,699,059	$1,878,269
Surplus operating income transferred to CIRF:	$535,000	$400,000
Operating Expenses (before depreciation):	$2,169,555	$1,995,951
Capital Improvement expenditures:	$867,465	$1,693,418
Debt Payments (principal + interest):	$781,024	$779,373
Funds available for Capital/Debt spending at FYE:	$2,778,328	$2,676,773
Net Pension Liability (Surplus) (PERS UL):	$328,932	$428,161
Capital Debt:	$8,067,792	$8,625,190

Other Notes for FY 2023-24:

(1) Grants received: FY 2023-24 income includes $915,658 in grant funding.

(2) PERS Unfunded Liability: In FY 2023-24, the District made an extra payment toward PERS Unfunded Liability in the sum of $275,000.

II. BASIC FINANCIAL STATEMENTS

The Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The two statements contained in this Management's Discussion and Analysis are condensed versions of the statements in the Audit Report:

The Statement of Net Position is comparable to a Balance Sheet. It includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations of the District's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

All of the current fiscal year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position, comparable to an Income Statement. This statement measures the success of the District's operations over the past fiscal year and can be used to determine the

District's creditworthiness and whether the District has successfully recovered all its costs through its user fees and other charges.

Not included in this Management's Discussion and Analysis but required in the Audit report is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

STATEMENT OF NET POSITION

A summary of the District's Statement of Net Position in FY 2023-24 compared to FY 2022-23 is presented in Table 1 below. Generally, an increase in the District's net position is a good indicator of whether its financial health is improving or deteriorating. The District's net position increased by $1,591,838 to $16,555,770 at FYE 2024, up from $14,963,932 at FYE 2023 as the District continued to reduce longterm debt while both cash reserves and receivables increased.

Table 1
Condensed Statement of Net Position

	FYE 2024	FYE 2023	$ Change	% Change
Cash	3,931,275	3,227,398	703,877	21.8%
Capital Assets	20,212,248	20,310,844	(98,596)	-0.5%
Receivables/Other Assets	1,305,493	663,542	641,951	96.7%
Total Assets	**25,449,016**	**24,201,784**	**1,247,232**	**5.2%**
Bond & Loan principal debt outstanding	8,067,792	8,625,190	(557,398)	-6.5%
Other long-term liabilities	354,378	441,433	(87,055)	-19.7%
Other short-term liabilities	471,076	171,229	299,847	175.1%
Total Liabilities	**8,893,246**	**9,237,852**	**(344,606)**	**-3.7%**
Net investment in capital assets	12,344,456	11,685,654	658,802	5.6%
Restricted	0	0	0	
Unrestricted	4,211,314	3,278,278	933,036	28.5%
Total Net Position	**16,555,770**	**14,963,932**	**1,591,838**	**10.6%**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position provides additional information concerning this year's revenues and expenses that impacted net position. Table 2 below compares the District's Statement of Revenues, Expenses, and Changes in Net Position in FY 2023-24 versus FY 2022-23. The District's normal sources of revenue and expenses were on the whole slightly better in FY 2023-24 than FY 2022-23: Both revenue and expenses were up, but revenues were up just a bit more. However, one-time revenues (grant funding) and expenses (mostly PERS UL) compared very favorably to last year: In FY 2023-24 the District recorded $716,949 more in grant revenue that in FY 2022-23 while our unrealized expenses (mostly PERS liability expense) went *down* by $917,921.

Table 2
Condensed Statement of Revenues, Expenses, and Changes in Net Position

	FYE 2024	FYE 2023	$ Change	% Change
Water Sales	3,156,137	2,926,608	229,529	7.8%
Total Operating Revenues	**3,156,137**	**2,926,608**	**229,529**	**7.8%**
Operating Expenses:				
Salaries & Benefits	1,467,349	1,288,451	178,898	13.9%
Services & Supplies	702,206	707,500	(5,294)	-0.7%
*Depreciation Expense (unrealized)**	972,870	933,062	39,808	-
Total Operating Expenses	**3,142,425**	**2,929,013**	**213,412**	**7.3%**
Net Operating Income (Loss)	**13,712**	**(2,405)**	**16,117**	**670.1%**
Non-Operating Revenue	1,028,237	982,312	45,925	4.7%
Non-Operating Expenses:	(217,706)	(233,409)	15,703	-6.7%
Capital Project Grants	915,658	198,709	716,949	360.8%
*Unrealized Non-Operating Revenue (Expense)**	(148,063)	(1,065,984)	917,921	-86.1%
Total Non-Operating Revenue (Expenses)	**1,578,126**	**(118,372)**	**1,696,498**	**-1433.2%**
Net Income (Loss) or Change in Net Position	**1,591,838**	**(120,777)**	**1,712,615**	**-1418.0%**

** Unrealized income/expenses do not affect the District's FY cash flow*

Total **operating and non-operating revenues** were $4,184,374, 7.0% more than last year. Operating revenue (Water Sales) was up 7.8% from last year; water rates were increased by 7.5%. Non-operating revenue is primarily flat charge revenue and (this year) grants. Flat charge revenue is collected via property tax bills and is expected to remain constant from year to year at around $750,000, this year it came in at $773,695. In FY 2023-24, the District received $915,658 in grant funding, up from $198,709 last year.

On the expense side, total **operating and non-operating expenses (including depreciation expense)** were $3,360,131, 6.3% more than last year. Most of this increase was in Salaries & Benefits, as existing District staff gained experience and all open positions were filled. Separate from the District's normal operating expense is the unrealized non-operating expense, which in FY 2023-24 consists mostly of increases to our PERS unfunded liability and – to a smaller extent – to investment losses on our PARS funds. We discuss this line item separately not only because PERS unfunded liability changes can swing widely from year to year, significantly skewing overall numbers, but also because they are a non-cash expense. Depreciation expense is also an unrealized, non-cash expense, but is much more stable from year-to-year.

III. CAPITAL SPENDING

In FY 2023-24, the District completed the Moscow Road Emergency project and the Neeley Road Emergency project, plus continued/started other projects as noted on the next page:

Project	Project Description	Amount spent FY 2022-23	% complete at FYE 2023
Moscow Road	Relocate 200 lf 8" C-900 line with 8" ductile on the river side	$1,103	100% complete. This became a County -funded project. Est. at $150,000 Project Total: $9,000
Moscow Road Emergency Project 2023	Install 150 lf of 8" c-900 main damaged by mudslide. Install 475 lf 8" water main outside the slide area to mitigate a future slide.	$371	100% complete Project Total: $197,898
Neeley Road project	Replace 1200 lf 2" galvanized water main and 17 water services with 6-inch C-900 pipe, plus one fire hydrant.	$42,164	100% complete Project Total: $382,024
Lower Harrison Tank Replacement	Removed old tank and replace with new 125,000 gallon tank	$748,375	85% complete Est. $586,000 (underbudgeted)
Wright Drive project	Replace 6500 lf 2" and 6" galvanized ad asbestos line with 6" HDPE, including 65 water services plus 22 fire hydrants; replace Edghill booster station	$33,800	1% complete As of FYE construction portion not yet out to bid Est. $3,100,000

In addition to these capital projects, $36,871 was spent on In-House Tanks/Facilities projects, and work began on a District Master Plan estimated to cost $220,000.

IV. DISTRICT DEBT/SOURCES OF DEBT REPAYMENT

At the beginning of FY 2023-24, the District owed a total of $8,625,190 in bond debt and a private placement loan. During the year the District made $557,398 in principal payments. With interest, debt payments totaled $781,024. No new debt was taken out in FY 2023-24. At FYE, the District owed a total of $8,067,792 in borrowed funds.

The table below summarizes activity on the bonds and loans in FY 2023-24:

DEBT TYPE	ORIGINAL PRINCIPAL	PRINCIPAL OWED JULY 1, 2023	PRINCIPAL PAID FY 2023-24	PRINCIPAL OWED FYE 2024
USDA G.O. Bonds	$1,647,875 (2014)	$1,429,161	$30,341	$1,398,820
USDA G.O. Bonds	$1,535,000 (2019)	$1,458,000	$27,000	$1,431,000
Capital One Bonds	7,993,000 (2013)	$4,653,092	$316,200	$4,336,892
Private Placement Loan	$3,000,000 (2008)	$1,084,937	$183,857	$901,080
		$8,625,190	$557,398	$8,067,792

V. DISTRICT RESERVES AND RESERVES ABOVE POLICY

The District adopted a Reserve Policy in 2009 that calls for leaving a designated amount of District funds in reserve for emergencies. In FY 2023-24, District non-operating funds totaled $3,730,832. Of this amount, $952,504 was designated as Reserves. The remainder - $2,778,328 - is mostly used for Capital budget expenses, which include District debt.

VI. ECONOMIC FACTORS, PROJECTED CAPITAL EXPENDITURES/SOURCES OF FUNDING

The bulk of the District's typical and unrestricted income is tied to water sales and flat charge revenue, both unaffected in any major way by economic events. The bulk of the District's cash on hand - over 85 percent - is conservatively managed via the County of Sonoma's investment pool. Invested principal is secure, and the pool's interest rates have been rising steadily in FY 2023-24. In addition to funds invested with the County, the District has invested in mutual funds through the Public Agency Retirement System (PARS). Use of the PARS funds is limited to an amount no greater than the costs of the PERS retirement program. The PARS investment is similar to the District's investment with the California Employee Retirement Benefit Trust (CERBT), managed by CalPERS. Use of funds invested with CERBT are limited to amounts no greater than the cost of retiree health benefits.

The District's 2021-26 Capital Improvement Program identifies almost $5 million of additional capital projects. According to the District's long-term budget for this same time period annual capital construction costs will average about $750,000/year. The District's capital construction is funded from four sources:

- **Surplus revenue**. In FY 2023-24 surplus operating revenue was $535,000 and surplus capital revenue was $497,455, for a total of $1,032,455.
- **Grants**. In FY 2023-24 the District recorded $915,658 (including grant receivables) in grant funding for capital projects and is approved for additional grant funding expected to be received next year.
- **Loan proceeds.** The District is not considering incurring additional debt at FYE.
- **Capital Funds at FYE.** Funds available for capital spending and capital debt were at $2,778,328 at FYE 2024. Less funds allocated for longterm debt and funds held with PARS and CERBT, at FYE funds available for future capital expenditures were approximately $1.2 million.

VII. REQUEST FOR INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Sweetwater Springs Water District at P.O. Box 48, Guerneville, California, 95446.

SWEETWATER SPRINGS WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2024 and 2023

	June 30, 2024	June 30, 2023
ASSETS		
CURRENT ASSETS		
Cash and investments	$ 2,574,069	$ 1,994,936
Accounts receivable	209,941	162,609
Flat charges receivables	31,512	25,344
Grant receivable	715,995	166,323
Unbilled revenue	284,611	246,066
Inventory	56,505	56,505
Prepaid expenses	6,929	6,695
TOTAL CURRENT ASSETS	3,879,562	2,658,478
NONCURRENT ASSETS		
Land	143,053	143,053
Construction in progress	847,279	605,607
Buildings and improvements	34,973,533	34,340,931
Machinery and equipment	711,404	711,404
Less-accumulated depreciation	(16,463,021)	(15,490,151)
TOTAL CAPITAL ASSETS, NET	20,212,248	20,310,844
OTHER NONCURRENT ASSETS		
Restricted cash and investments	1,357,206	1,232,462
TOTAL OTHER NONCURRENT ASSETS	1,357,206	1,232,462
TOTAL ASSETS	25,449,016	24,201,784
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	335,592	42,633
Accrued wages	27,151	19,720
Accrued interest	81,792	87,710
Customer deposits	18,977	18,602
Road maintenance obligations	7,565	2,564
Current portion of long term debt	571,163	557,398
TOTAL CURRENT LIABILITIES	1,042,240	728,627
LONG TERM LIABILITIES		
Compensated absences	64,897	40,527
General obligation bonds payable	6,785,150	7,166,712
Citizens business bank (COP) payable	711,479	901,080
Net pension liabilty	328,932	428,161
Other postemployment benefits payable	(39,451)	(27,255)
TOTAL LONG TERM LIABILITIES	7,851,007	8,509,225
TOTAL LIABILITIES	8,893,247	9,237,852
NET POSITION		
Net Investment in capital assets	12,344,456	11,685,654
Unrestricted	4,211,314	3,278,278
TOTAL NET POSITION	$ 16,555,770	$ 14,963,932

See accompanying notes to basic financial statements

SWEETWATER SPRINGS WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2024 and 2023

	Totals June 30, 2024	Totals June 30, 2023
Operating Revenues		
Charges for services	$ 3,156,137	$ 2,926,608
Total Operating Revenues	3,156,137	2,926,608
Operating Expenses		
Salaries and employee benefits	1,467,349	1,288,451
Service and supplies	702,206	707,500
Depreciation	972,870	933,062
Total Operating Expenses	3,142,425	2,929,013
Operating Income (Loss)	13,712	(2,405)
Non-Operating Revenues (Expenses)		
Interest income	116,977	61,222
Rents	128,648	123,561
Flat charges	773,685	770,616
Grant income	915,658	198,709
Other non-operating revenue	36,635	26,913
Change in actuarial assumptions	(175,771)	(1,065,984)
Interest expense unfunded pension liability	-	-
Interest expense	(217,706)	(233,409)
Total Non-Operating Revenues (Expenses)	1,578,126	(118,372)
Net Income (Loss)	1,591,838	(120,777)
Total Net Position, Beginning of Fiscal Year	14,963,932	15,084,709
Total Net Position, End of Fiscal Year	$ 16,555,770	$ 14,963,932

See accompanying notes to basic financial statements

SWEETWATER SPRINGS WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2024 and 2023

	Totals June 30, 2024	Totals June 30, 2023
Cash Flows From Operating Activities		
Cash received from customers	$ 3,070,260	$ 2,852,997
Payments to suppliers for goods and services	(656,492)	(775,212)
Payments to employees and related items	(1,499,150)	(1,281,975)
Net cash flows provided by operating activities	914,618	795,810
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(570,483)	(2,291,258)
Grant income	365,986	721,359
Payments on long term debt	(557,397)	(540,225)
Payments on net pension liablity	(275,000)	(3,001)
Interest payments	(223,624)	(239,148)
Net cash flows (used) by capital and related financing activities	(1,260,518)	(2,352,273)
Cash Flows From Non-Capital and Related Financing Activities		
Flat charges	767,517	772,131
Miscellaneous non-operating revenues	36,635	26,913
Net cash provided by non-capital and related financing activities	804,152	799,044
Cash Flows From Investing Activities		
Rents	128,648	123,561
Interest income	116,977	61,222
Net cash flows provided by investing activities	245,625	240,538
Net Increase (Decrease) in Cash and Investments	703,877	(572,636)
Cash and Investments, Beginning of Fiscal Year	3,227,398	3,800,034
Cash and Investments, End of Fiscal Year	$ 3,931,275	$ 3,227,398
Reconciliation of Cash and Investments to Amounts Reported on the Statement of Net Position:		
Cash and investments	$ 2,574,069	$ 1,994,936
Restricted cash and investments	1,357,206	1,233,462
	$ 3,931,275	$ 3,228,398
Supplemental Disclosures:		
Interest expense during the fiscal year	$ 223,624	$ 233,409
Interest capitalized during the fiscal year	$ -	$ -

(continued)

See accompanying notes to basic financial statements

SWEETWATER SPRINGS WATER DISTRICT
COMPARATIVE STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2024 and 2023

(Continued)

	Totals June 30, 2024	Totals June 30, 2023
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations:		
Operating income (loss)	$ 13,712	(2,405)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	972,870	933,062
(Increase) Decrease in Operating Assets:		
Accounts receivable/Unbilled Revenue	(85,877)	(73,611)
Inventory		
Prepaid expenses	(234)	(445)
Increase (Decrease) in Operating Liabilities:		
Accounts payable	(10,834)	(49,241)
Accrued wages	7,431	4,961
Compensated absences	24,370	(2,771)
Customer deposits payable	375	(2,556)
Road maintenance obligations	5,001	(2,518)
Other postemployment benefits payable	(12,196)	(8,666)
Total Adjustments	900,906	798,215
Net Cash Provided by Operating Activities	$ 914,618	$ 795,810

See accompanying notes to basic financial statements

Note 1: <u>Summary of Significant Accounting Policies</u>

A. **Reporting Entity**

The Sweetwater Springs Water District (District) was formed on December 6, 1988 with Resolution #88-2184 through an election under Section 30290 of the California State Water Code. The District supplies water services to residential and commercial users, and provides for connections to and the servicing of the delivering system. The District's Board of Directors has the responsibility of overseeing the financial activities of the District.

The District accounting policies conform to accounting principles generally accepted in the United States of America as applicable to governments, in accordance with the uniform system of accounts for water utility special enterprise districts as prescribed by the State Controller in compliance with the government code of the State of California.

B. **Basis of Accounting**

The District follows the accrual basis of accounting. The District's policy is to record all assets, liabilities, revenues, and expenses on the accrual basis of accounting and the flow of economic resources measurement focus. Under this method, revenue is recognized when earned and expenses are recognized when the related liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

When an expense is incurred for the purpose for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

C. **Proprietary Fund Accounting**

The District has one fund which is considered a proprietary fund.

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

The District's accounting and reporting policies conform to the generally accepted accounting principles accepted in the United States of America (GAAP) as applicable to proprietary funds of government agencies**.**

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operation of the fund. All other expenses are reported as non-operating expenses.

D. **Budgetary Reporting**

The annual budget is prepared in accordance with the basis of accounting utilized by the District. The budget is not legally required and therefore budget to actual information has not been presented, either as a statement or required or other supplementary information.

E. **Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the District considers both operating and restricted cash balances purchased with maturities of less than ninety days to be cash and cash equivalents.

Note 1: Summary of Significant Accounting Policies (Continued)

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments are stated.at fair value, based on quoted market values.

F. **Receivables**

Bad debts associated with accounts receivable for services are tracked each year by staff, but have been deemed immaterial. Other receivables, if any, are shown at the anticipated recoverable amount, unless otherwise noted.

G. **Flat Charges Receivable**

Flat charges receivable represent direct charges owed to the District by property owners.

H. **Inventories**

Inventory consists primarily of water meters, water pipes, valves and fittings. Inventory is valued at estimated cost.

I. **Capital Assets**

Capital assets are recorded at cost or estimated historical cost if actual cost is not available. Contributed assets are recorded at their fair value at the time of transfer to the District. Assets with a value of $1,000 or less are expensed in the years acquired.

Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. Depreciation is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. The range of estimated useful lives are as follows:

Water system	20 - 40 years
Leasehold improvements	7 years
Equipment	3-5 years

J. **Vacation and Sick Leave**

Vacation pay is accrued by the District in the period earned. At June 30, 2024 and 2023, accrued vacation pay amounted to $64,897 and $40,527 respectively.

K**. Deferred Compensation Plans**

The District offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are available to all employees. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust by a third party administrator (ING and AIG Valic) for the exclusive benefit of the plan participants and their beneficiaries as prescribed by Internal Revenue Code Section 457 (g). Accordingly, these assets have been excluded from the accompanying financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

L **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) 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.

M. **Risk Management**

The District participates in a joint venture under a joint powers agreement (JPA) with the Special District Risk Management Authority (SDRMA) for insurance purposes. The SDRMA is a joint powers agency formed pursuant to Section 6500 et seq., California Government Code, is comprised of California special districts, and agencies. The relationship between the District and JPA is such that the JPA is not a component of the District for financial reporting purposes. The SDRMA's purpose is to jointly fund and develop programs to provide stable, efficient, and long term risk financing for special districts. These programs are provided through collective self-insurance; the purchase of insurance coverage's; or a combination thereof. SDRMA provides general and auto liability, workers' compensation, public officials' and employees' errors and omissions, employment practices liability, property loss, and boiler and machinery coverage.

N. **Net Position**

Net Position are classified into three components: 1) invested in capital assets, 2) restricted for debt services, and 3) unrestricted. These classifications are defined as follows:

> Net invested in capital assets– This component of net position consists of capital assets, net of accumulated depreciation and reduced by outstanding debt related to financing the acquisition of capital assets.
>
> Restricted for debt service – This component of net position consists of cash and investments that are restricted for debt service pursuant to debt service covenants.
>
> Unrestricted net position – This component of net position consists of net position that does not meet the definitions of "restricted for debt service" or "invested in capital assets.

Note 2: <u>Cash and Investments</u>

The cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of District debt instruments or District agreements.

The District's cash and investments are comprised of the following at June 30, 2024:

	Unrestricted	Restricted	Totals
Cash on hand	$ 300	$ -	$ 300
Cash in bank	267,488	156,634	424,122
Cash and investments	2,306,281	1,200,572	3,506,853
Total Cash and Investments	$ 2,574,069	$ 1,357,206	$ 3,931,275
Statement of Net Position:			
Cash and investments	$ 2,574,069		
Restricted cash and investments	1,357,206		
Total	$ 3,931,275		

<u>Investments Authorized by the California Government Code and the District's Investment Policy</u>

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

Note 2: Cash and Investments (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State of California Obligations	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agencies	5 years	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper - Selected Agencies	270 days	25%	10%
Commercial Paper - Other Agencies	270 days	40%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements & Securities Lending Agreements	92 days	20 % of the base value of the portfolio	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	None
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	$ 50 Million

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. The District manages its exposure to interest rate risk by investing a majority of its cash and investments in the County Pooled Investment Fund.

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

		Remaining maturity (in Months)					
Investment Type	Totals	12 Months or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months	More Than 60 Months
Public Agency Retirement Svc	$ 260,858	$ 260,858					
County Pooled Investment Fund	$ 3,245,995	$ 3,245,995	$ -	$ -	$ -	$ -	$ -
	$ 3,506,853	$ 3,506,853	$ -	$ -	$ -	$ -	$ -

Note 2: Cash and Investments (Continued)

Disclosures Relating to Credit Risk

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

				Rating as of Fiscal Year End			
Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	AA	A	Not Rated
Public Agency Retirement Svc	$ 260,858						$ 260,858
County Pooled Investment Fund	$ 3,245,995	N/A	$ -	$ -	$ -	$ -	$ 3,245,995
Total	$ 3,506,853		$ -	$ -	$ -	$ -	$ 3,506,853

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments that represent 5% or more of total District investments (other than Sonoma County Investment Pool).

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 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 fair 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 the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2024, the District's deposits with financial institutions were $218,313 in excess of federal depository insurance limits.

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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Sonoma County Investment Pool).

Note 3: Capital Assets

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

Capital assets, not being depreciated:					
Land	$ 143,053	$ -	$ -	$ -	$ 143,053
Construction in progress	605,607	786,956	(545,284)		847,279
Total capital assets, not being depreciated	748,660	786,956	(545,284)		990,332
Capital Assets, being depreciated:					
Building and improvements	34,340,931	632,602			34,973,533
Machinery and equipment	711,404				711,404
Total capital assets, being depreciated	35,052,335	632,602			35,684,937
Accumulated depreciation:					
Building and improvements	(14,815,851)	(960,960)			(15,776,811)
Machinery and equipment	(674,300)	(11,910)			(686,210)
Total accumulated depreciation	(15,490,151)	(972,870)			(16,463,021)
Total depreciable assets, net	19,562,184	(340,268)			19,221,916
Total capital assets, net	$ 20,310,844	$ 446,688	$ (545,284)	$ -	$ 20,212,248

Depreciation expense of $972,870 was incurred and recorded as an operating expense for June 30, 2024.

Note 4: Long-Term Debt

The following is a summary of changes in long-term debt for the District for the fiscal year ended June 30, 2024:

	Balance at June 30, 2023	Additions	Repayments	Balance at June 30, 2024	Due Within One Year
2003 General Obligation Bonds	2,887,160		(57,340)	2,829,820	58,062
2013 General Obligation Refunding Bonds	4,653,092		(316,200)	4,336,892	323,500
Citizens Business Bank Certificates of Participation	1,084,937		(183,857)	901,080	189,601
Total	$ 8,625,189	$ -	$ (557,397)	$ 8,067,792	$ 571,163

Note 4: <u>Long-Term Debt (Continued)</u>

2003 General Obligation Bonds

On April 29, 2003, and pursuant to Resolution No. 03-15, the District authorized the issuance of General Obligation Bond of 1990, Series 2003 in the principal amount of $4,000,000. The bond was issued as a single fully registered bond and matures in installments of the same principal amounts on the same dates as the registered bonds it represents. Interest on the bond is 4.5% per annum, payable commencing on March 1, 2004 and semi-annually thereafter on September 1st and March 1st in each year to maturity. During the fiscal year ended June 30, 2014, the District prepaid $1,994,000 of the outstanding principal on the 2003 General Obligation Bonds from a portion of the proceeds of the 2013 General Obligation Refunding Bonds. The first installment payment that was due September 1, 2014 was deferred until September 1, 2015. The accrued interest of $36,875, as a result of the deferred payment date, was added to the principal balance for a total outstanding balance of $1,647,875.

The scheduled annual minimum debt service requirements at June 30, 2024 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2025	31,062	$ 33,225	$ 64,287
2026	31,799	32,488	64,287
2027	32,555	31,733	64,288
2028	33,328	30,960	64,288
2029	34,119	30,169	64,288
2030-2034	183,143	138,304	321,447
2035-2039	205,949	115,510	321,459
2040-2044	231,597	89,877	321,474
2045-2049	260,436	61,052	321,488
2050-2054	292,866	28,637	321,503
2055	61,966	1,491	63,457
Total	$ 1,398,820	$ 593,446	$ 1,992,266

2018 General Obligation Bonds

On December 1, 2018, and pursuant to Resolution No. 17-6 and 17-7, the District authorized the issuance of General Obligation Bonds in the principal amount of $1,535.000. The bond was issued as a single fully registered bond and matures in installments of the same principal amounts on the same dates as the registered bonds it represents. Interest on the bond is 2.25% per annum, payable commencing on June 1, 2019 and semi-annually thereafter on December 1st and June 1st in each year to maturity.

Note 4: Long-Term Debt (Continued)

The scheduled annual minimum debt service requirements at June 30, 2024 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2025	27,000	$ 31,894	$ 58,894
2026	28,000	31,275	59,275
2027	29,000	30,634	59,634
2028	29,000	29,981	58,981
2029	30,000	29,318	59,318
2030-2034	160,000	136,035	296,035
2035-2039	178,000	117,045	295,045
2040-2044	204,000	95,563	299,563
2045-2049	230,000	72,213	302,213
2050-2054	255,000	43,937	298,937
2055-2059	261,000	13,984	274,984
Total	$ 1,431,000	$ 631,879	$ 2,062,879

2013 General Obligation Refunding Bonds

On August 1, 2013, the District issued $7,993,000 of General Obligation Refunding Bonds bearing interest of 4.50% and payable semi-annually on September 1 and March 1, maturing on September 1, 2033. The proceeds of the Bonds were used to (i) prepay, in full, the 1992 General Obligation Bonds; (ii) partial prepayment of the 2003 General Obligation Bonds, and (iii) pay the costs of issuing the Bonds. The outstanding principal balance of the 2013 General Obligation Refunding Bonds at June 30, 2015 was $7,553,000.

$7,821,765 from the 2013 General Obligation Refunding Bonds was placed in an irrevocable trust that is to be used to service the future debt requirements of the 1992 General Obligation Bonds and the 2003 General Obligation Bonds. The refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debts) of $648,545. The aggregate difference in debt service between the old and new debt is $923,427.

The District defeased the 1992 General Obligation Bonds by placing a portion of the proceeds of the 2013 General Obligation Refunding Bonds in an irrevocable trust to provide for all future debt service payments on the 1992 General Obligation Bonds. Accordingly, the trust account assets and the liability for the defeased 1992 General Obligation Bonds is not included in the District’s financial statements.

Note 4: Long-Term Debt (Continued)

2013 General Obligation Refunding Bonds (Continued)

The scheduled annual minimum debt service requirements at June 30, 2024 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2025	$ 323,500	$ 116,069	$ 439,569
2026	330,800	106,974	437,774
2027	339,900	97,651	437,551
2028	437,273	86,849	524,122
2029	450,050	74,515	524,565
2030-2034	2,455,369	174,579	2,629,948
Total	$ 4,336,892	$ 656,637	$ 4,993,529

Citizens Business Bank Certificates of Participation Payable

On August 1, 2008, Citizens Business Bank as assigned from Municipal Finance Corporation provided a $3,000,000 loan to the District in the form of Certificates of Participation.

The Certificates of Participation bear interest at 4.75% through August 1, 2018 and then due to a rate renegotiation with Citizen Business Bank in November 2016 was reduced to 3.1% and will remain until the loan matures on August 1, 2028. Principal and interest payments are due semi-annually on February 1st and August 1st in the amount of $117,007 through August 1, 2018 and $108,038 for the remainder of the loan.

The scheduled annual minimum debt service requirements at June 30, 2024 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2025	$ 189,601	$ 26,475	$ 216,076
2026	195,524	20,552	216,076
2027	201,633	14,444	216,077
2028	207,932	8,145	216,077
2029	106,390	1,649	108,039
Total	$ 901,080	$ 71,265	$ 972,345

Note 5: Operating Leases

The District has entered into an operating lease arrangement as lessee for the District offices. The term of the lease was for five years with an option to extend for seven, one year periods. The initial five year lease expired on July 31, 2014. On May 6, 2014, the District renegotiated the office lease. The new lease commences August 1, 2014 and expires on July 31, 2017, at a cost of $2,364 per month. The new lease had an option to extend for one additional term of three years which was extended on July 31, 2017 through July 31, 2020 at $ 2,483 per month. On April 16, 2020 the District exercised its option to extend the lease for an additional three years at $2,606 per month. This extension has an option to extent the lease for an additional three years at $2,736 per month which was extended in July 2023.

The District has also entered into an operating lease arrangement as lessee for a postage machine. The term of the lease is five years, beginning in October 2020. The District's current quarterly lease expense for the postage machine is $418.

The total rental payments for all leasing arrangements charged to expenses were $34,502 and $32,945 for June 30, 2024 and 2023 respectively.

Note 6: Employees Retirement Plan (Defined Benefit Pension Plan (Unaudited)

General Information about the Pension Plan

Plan Description, Benefits Provided and Employees Covered

The plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2023 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2023 actuarial valuation report. This report is a publicly available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2021 (the measurement date), the active employee contribution rate is 6.92 percent of annual pay and the average employer's contribution rate is 11.84 percent of annual payroll for the 2% @ 55 plan and the active employee contribution rate is 7.75 percent of annual pay and the average employer's contribution rate is 7.68 percent of annual payroll for the 2% @ 62 plan. Employer contributions rates may change if plan contracts are amended.

Note 6: Employees Retirement Plan (Defined Benefit Pension Plan (Continued)

Annual Pension Cost

For June 30, 2023, the District's annual pension cost of $ 83,196 for PERS was equal to the District's required and actual contributions and plus an additional $275,000 towards its unfunded liability. The required portion of the contribution was determined as part of the June 30, 2021 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 6.80% investment rate return of (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2.80% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75%. The actuarial value of PERS assets was determined by an amortization that will pay for all gains and losses over a fixed 20-year period. The required and actual contribution rate for June 30, 2024 was determined as part of the June 30, 2021 actuarial valuation in which PERS using the same assumptions as the previous year

Three-Year Trend Information For PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/22	66,612	100%	0
6/30/23	67,115	100%	0
6/30/24	83,196	100%	0

The table below shows a three-year analysis of the actuarial accrued liability of the 2% @55 plan, the plan's share of the pool's market value of assets, plan's share of the pool's unfunded liability, funded ratio and the annual covered payroll as of June 30:

Valuation Date	Accrued Liability	Shared Mkt Value/Assets	Unfunded Liability	Funded Ratio	Covered Payroll
6/30/21	5,998,048	6,613,573	(615,525)	110.3%	406,661
6/30/22	6,367,329	5,991,216	376,113	94.1%	281,300
6/30/23	6,460,867	5,916,965	543,902	91.6%	294,983

The table below shows a three-year analysis of the actuarial accrued liability of the 2% @62 plan, the plan's share of the pool's market value of assets, plan's share of the pool's unfunded liability, funded ratio and the annual covered payroll as of June 30:

Valuation Date	Accrued Liability	Shared Mkt Value/Assets	Unfunded Liability	Funded Ratio	Covered Payroll
6/30/21	187,446	205,360	(17,914)	109.6%	367,075
6/30/22	194,883	178,896	15,987	91.8%	343,636
6/30/23	315,851	286,842	29,009	90.8%	524,942

Note 7: Contingencies

In March, 2022, the District agreed to a Task Order with Coastland Civil Engineering for Design/Engineering Services related to Lower Harrison Tank driveway retaining wall in the sum of $69,675. As of June 2024, $68,545 was paid to Coastland.

In April 2023, the District entered into a contract with Piazza Construction in the sum of $144,000 for construction of Moscow Road Water Line Repairs project. Including change orders, as of June 2024 a total of $159,662 was paid to Piazza. This project was completed.

In April 2023, the District entered into a contract with Coastland Civil Engineering for Construction Management Services related to the Moscow Road Water Line Repairs project in the sum of $50,000. As of June 2024, a total of $24,435 was paid to Coastland. This project was completed.

In April 2023, the District entered into a contract with Piazza Construction in the sum of $377,190 for construction of the Neeley Road project. Including change orders, as of June 2024 a total of $352,644 was paid to Piazza. This project was completed.

In April 2023, the District entered into a contract with Coastland Civil Engineering for Construction Management Services related to the Neeley Road project in the sum of $112,000. As of June 2024, a total of $29,380 was paid to Coastland. This project was completed.

In October 2023, the District entered into a contract with WRA Environmental Consulting for Environmental Compliance work associated with the Wright Drive Water Main, Natoma Tank and Edgehill Booster Station Replacement CIP Project in the sum of $31,970. As of June 2024 a total of $30,895 was paid to WRA.

In November, 2023, the District entered into a contract with Piazza Construction for the Lower Harrison Water Tank Replacement Project in the sum of $675,500. As of June 2024, a total of $571,958 was paid to Piazza.

In November, 2023, the District entered into a contract with Coastland Civil Engineering for Construction and Inspection Services related to the Lower Harrison Water Tank Replacement Project in the sum of $129,060. As of June 2024, a total of $166,780 was paid to Coastland.

In January, 2024, the District entered into a contract with Coastland Civil Engineering for an Update to the District's Master Plan and Development of a District GIS System in the sum of $218,840. As of June, 2024, a total of $4,781 was paid to Coastland.

Note 8: Post-Retirement Health Insurance (Unaudited)

The District provides certain health insurance benefits to retired employees in accordance with memoranda of understanding as follows:

For employees who retire from the District and from CalPERS after at least five (5) years of service with CalPERS and who have reached the age of fifty-two (52) years old (fifty (50) years old for Classic PERS members), and who continue health insurance through a District-sponsored health insurance plan, the District will contribute the minimum monthly amount (as required by CalPERS) of the health insurance premium ($157 in 2024 and $151 in 2023).

Funding Policy

The District adopted a resolution to enter into an agreement with CalPERS to participate in the California Employer's Retiree Benefit Trust Program (CERBT). For fiscal year 2023-24 the District contributed a total of $16,617 -- $10,617 to cover retiree current premiums plus $3,000 of additional prefunding of benefits. Currently, there are 5 retirees who are receiving benefits.

Annual OPEB and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45's Alternative Measurement Method allowed for employers with less than 100 plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	$	4,245
Interest on net OPEB obligation		(1,259)
Adjustment to ARC		1,435
Annual OPEB cost (expense)		4,421
Contributions made		(16,617)
Increase in net OPEB obligation		(12,196)
Net OPEB obligation – Beginning of the year		(12.,196)
Net OPEB obligation – End of year	$	(39,451)

The District's annual actual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2021-22, 2022-23, and 2023-24 were as follows:

Fiscal Year	Annual OPEB Cost	Percent of Annual OPEB Cost	OPEB Obligation (Asset)
6/30/2022	$ 9,089	121%	$ (18,589)
6/30/2023	$ 12,684	132%	$ (27,255)
6/30/2024	$ 11,304	147%	$ (39,451)

Note 8: Post-Retirement Health Insurance (Continued)

Funded Status and Funding Progress

As of June 30, 2024, the most recent Alternate Measurement Method valuation date, the plan was 29.4% funded. The actuarial accrued liability for benefits was $254,477, and the actuarial value of assets was $74,910, resulting in an unfunded actuarial accrued liability (UAAL) of $179,567. The covered payroll (annual payroll of active employees covered by the plan) was $306,650, and the ratio of the UAAL to the covered payroll was 59 percent.

The Alternate Measurement Method valuation of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The Alternate Measurement Method valuation methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial assumptions used to calculate the ARC as follows: (1) The minimum Employer Contribution rate of increase is 2.75 percent based on five years' actual MEC increases. (2) The discount rate used is 3.50 percent based on methodology presented in GASB 75. In addition actuarial assumptions presume 75 percent of employees will choose to participate in CalPERS health upon retirement. The UAAL is being amortized as a over thirty years. The remaining amortization period at June 30, 2024 was twenty (20) years.

Other Postemployment Benefits

Schedule of Funding Progress				
Valuation Date	Liability (a)	Assets (b)	Net Liability (a)-(b)	Status (b)/(a)
6/30/2015	$ 422,461	$ 21,482	$ 400,979	5.1%
6/30/2016	$ 418,666	$ 25,428	$ 393,238	6.1%
6/30/2017	$ 479,571	$ 31,495	$ 448,076	6.6%
6/30/2018	$ 370,760	$ 37,076	$ 333,684	10.0%
6/30/2019	$ 360,271	$ 42,621	$ 317,650	11.8%
6/30/2020	$ 319,468	$ 47,203	$ 272,265	14.7%
6/30/2021	$ 298,913	$ 63,884	$ 235,029	21.4%
6/30/2022	$ 236,807	$ 57,837	$ 178,970	24.4%
6/30/2023	$ 263,990	$ 62,858	$ 201,132	23.8%
6/30/2024	$ 254,477	$ 74,910	$ 179,567	29.4%

Note 9: Subsequent Event

Subsequent events are those events or transactions that occur subsequent to the effective date of the financial statements, but prior to the issuance of the final reports, which may have a material effect on the financial statement or disclosures therein.

There are no subsequent events that have occurred through October 18, 2024 that meet the above definition.