SWEETWATER SPRINGS WATER DISTRICT

BASIC FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

SWEETWATER SPRINGS WATER DISTRICT
FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

TABLE OF CONTENTS

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, 2023 and 2022, 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, 2023 and 2022 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

November 16, 2023

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, 2023. 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 2022-23. 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 2022-23

Selected revenues, expenses, and balances:

	FY 2022-23	FY 2021-22
Water Sales:	$2,926,608	$2,789,045
Net Income (Change in Net Position):	($120,777)	$1,820,816
Net Income excluding non-cash rev/exp:	$1,878,269	$2,018,542
Surplus operating income transferred to CIRF:	$400,000	$430,000
Operating Expenses (before depreciation):	$1,995,951	$2,173.238
Capital Improvement expenditures:	$1,693,418	$715,426
Debt Payments (principal + interest):	$779,373	$777,969
District reserves above policy:	$2,676,773	$2,450,358
Net Pension Liability or Surplus (PERS UL):	$428,161	($634,822)
Capital Debt:	$8,625,190	$9,165,415

Other Notes for FY 2022-23

(1) Grants received: FY 2022-23 income includes $198,709 in grant funding.

(2) PERS Unfunded Liability: PERS investment losses reported FY 2022-23 (for FY 2021-22) were over $1 million – completely wiping out last year's Net Pension surplus and leaving the District with a Net Pension shortfall of $428,161 at FYE.

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 2022-23 compared to FY 2021-22 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 decreased by $120,777 to $14,963,932 at FYE 2023, down from $15,084,709 at FYE 2022, largely due to fewer grant proceeds and a large unrealized loss from our FY 2021-22 investment returns (first reported in FY 2022-23) on funds held with CalPERS.

Condensed Statement of Net Position

	FYE 2022	FYE 2022	$ Change	% Change
Cash	3,227,398	3,800,035	(572,637)	-15.1%
Capital Assets	20,310,844	19,557,957	752,887	3.8%
Receivables/Other Assets	663,542	1,113,650	(450,108)	-40.4%
Total Assets	**24,201,784**	**24,471,642**	**(269,858)**	**-1.1%**
Bond & Loan principal debt outstanding	8,625,190	9,165,415	(540,225)	-5.9%
Other long-term liabilities	441,433	(610,113)	1,051,546	-172.4%
Other short-term liabilities	171,229	831,631	(660,402)	-79.4%
Total Liabilities	**9,237,852**	**9,386,933**	**(149,081)**	**-1.6%**
Net investment in capital assets	11,685,654	10,392,542	1,293,112	12.4%
Restricted	0	0	0	
Unrestricted	3,278,278	4,692,167	(1,413,889)	-30.1%
Total Net Position	**14,963,932**	**15,084,709**	**(120,777)**	**-0.8%**

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 2022-23 versus FY 2021-22. The District's normal sources of revenue and expenses compared favorably in FY 2022-23 to FY 2021-22: Operating and normal non-operating revenues were up; Operating and normal non-operating expenses were down. However, one-time revenues (grant funding) were less than last year, and unrealized PERS investment returns were much less – a loss of $1,065,984 – as reported in the FY 2022-23 financials compared to last year.

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

	FYE 2023	FYE 2022	$ Change	% Change
Water Sales	2,926,608	2,789,045	137,563	4.9%
Total Operating Revenues	**2,926,608**	**2,789,045**	**137,563**	**4.9%**
Operating Expenses:				
Salaries & Benefits	1,288,451	1,397,937	(109,486)	-7.8%
Services & Supplies	707,500	775,301	(67,801)	-8.7%
*Depreciation Expense**	933,062	935,373	(2,311)	-
Total Operating Expenses	**2,929,013**	**3,108,611**	**(179,598)**	**-5.8%**
Net Operating Income (Loss)	**(2,405)**	**(319,566)**	**317,161**	**99.2%**
Non-Operating Revenue	982,312	938,757	43,555	4.6%
Non-Operating Expenses:	(233,409)	(248,632)	15,223	-6.1%
Capital Project Grants	198,709	712,610	(513,901)	-72.1%
*Unrealized Non-Operating Revenue (Expense)**	(1,065,984)	737,647	(1,803,631)	-244.5%
Total Non-Operating Revenue (Expenses)	**(118,372)**	**2,140,382**	**(2,258,754)**	**-105.5%**
Net Income (Loss) or Change in Net Position	**(120,777)**	**1,820,816**	**(1,941,593)**	**-106.6%**

** This item does not affect the District's FY cash flow*

Total **operating and non-operating revenues** were $3,908,920, 4.8% more than last year. Operating revenue (Water Sales) was up 4.9% from last year; charges for water were increased by 5%. Non-operating revenue is primarily flat charge revenue. Collected via property tax bills and expected to remain constant from year to year at around $750,000, this year it came in at $770,616. Finally, in FY 2022-23 the District received $198,709 in grant funding, down from $712,610 last year.

On the expense side, total **operating and non-operating expenses (including depreciation expense)** were $3,162,422, 5.9% less than last year. The District's staffing costs stabilized in FY 2022-23 resulting in savings across the Board as the need for spending on transition consultants for the General Manager position subsided. Separate from the District's normal operating expense is the unrealized non-operating expense, which in FY 2022-23 consists of PERS investment losses of $1,065,984 reported in FY 2022-23. We discuss this line item separately not only because PERS investment returns can swing widely from year to year significanly skewing overall numbers, but also because they are a non-cash expense.

III. CAPITAL SPENDING

In FY 2022-23, the District completed the CIP 2021 project and the Monte Rio Well 5 Rehabilitation project, plus continued/started other projects as noted below:

Project	Project Description	Amount spent FY 2022-23	% complete at FYE 2023
CIP 2021	Replace 5600 lf of galvanized pipe and lead goosenecks with 6" HDPE main on Old River Rd and Woodland Dr.	$1,065,532	100% complete (Project Total: $1,788,555)

Lower Harrison Tank Replacement	Removed old tank and replace with new 125,000 gallon tank	$38,754	As of FYE, construction portion not yet out to bid. Est. $586,000
Monte Rio Bridge	Remove steel main from old bridge, replace with 800 lf ductile main on new bridge	$3,735	County project delayed for an undetermined time.
Monte Rio Well 5 Rehab	Rehab MR Well 5 and building controls	$32,678	100% complete Project Total: $110,190)
Moscow Road	Relocate 200 lf 8" C-900 line with 8" ductile on the river side	$3,352	This is part of a pending County project. Est. at $150,000
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.	$197,527	77% complete Est. $257,640
Neeley Road project	Replace 1200 lf 2" galvanized water main and 17 water services with 6-inch C-900 pipe, plus one fire hydrant.	$339,860	69.4% complete Est. $489,790

In addition to these capital projects, $11,980 was spent on Tank/Facilities improvements.

IV. DISTRICT DEBT/SOURCES OF DEBT REPAYMENT

At the beginning of FY 2022-23, the District owed a total of $9,165,415 in bond debt and a private placement loan. During the year the District made $540,225 in principal payments. With interest, debt payments totaled $779,373. No new debt was taken out in FY 2022-23. At FYE, the District owed a total of $8,625,190 in borrowed funds.

The table below summarizes activity on the bonds and loans in FY 2022-23:

DEBT TYPE	ORIGINAL PRINCIPAL	PRINCIPAL OWED JULY 1, 2022	PRINCIPAL PAID FY 2022-23	PRINCIPAL OWED FYE 2023
USDA G.O. Bonds	$1,647,875 (2014)	$1,458,798	$29,637	$1,429,161
USDA G.O. Bonds	$1,535,000 (2019)	$1,484,000	$26,000	$1,458,000
Capital One Bonds	7,993,000 (2013)	$4,959,392	$306,300	$4,653,092
Private Placement Loan	$3,000,000 (2008)	$1,263,225	$178,288	$1,084,937
		$9,165,415	$540,225	$8,625,190

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. All other District funds are considered “reserves above policy” and available for spending. In FY 2022-23, reserves above policy at FYE totaled $2,676,773. These funds are primarily used to make District debt payments and for capital improvements

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. Interest rates remain low but are beginning to rise. Invested principal is secure. 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 plus anticipated grant funding and use of District reserves to make up the balance of project costs The District's capital construction is funded from four sources:

- **Surplus revenue**. In FY 2022-23 surplus operating revenue was $400,000 and surplus capital revenue was $397,491, for a total of $797,491.
- **Grants**. In FY 2022-23 the District recorded $198,709 in grant funding for capital projects and is approved for additional grant funding expected to be received for the next two years.
- **Loan proceeds.** The District is not considering incurring additional debt at FYE.
- **Reserves at FYE.** Reserves available for capital spending and capital debt ("reserves above policy") were at $2,676,773 at FYE 2023. Less anticipated debt expenditures in FY 2023-24 as well as funds held with PARS and CERBT, at FYE reserves available for future capital project expenditures were approximately $1.4 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, 2023 and 2022

	June 30, 2023	June 30, 2022
ASSETS		
CURRENT ASSETS		
Cash and investments	$ 1,994,936	$ 2,744,334
Accounts receivable	162,609	177,464
Flat charges receivables	25,344	26,859
Grant receivable	166,323	688,973
Unbilled revenue	246,066	157,600
Inventory	56,505	56,505
Prepaid expenses	6,695	6,250
TOTAL CURRENT ASSETS	2,658,478	3,857,985
NONCURRENT ASSETS		
Land	143,053	143,053
Construction in progress	605,607	830,384
Buildings and improvements	34,340,931	32,430,205
Machinery and equipment	711,404	711,404
Less-accumulated depreciation	(15,490,151)	(14,557,089)
TOTAL CAPITAL ASSETS, NET	20,310,844	19,557,957
OTHER NONCURRENT ASSETS		
Restricted cash and investments	1,232,462	1,055,700
TOTAL OTHER NONCURRENT ASSETS	1,232,462	1,055,700
TOTAL ASSETS	24,201,784	24,471,642
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	42,633	697,183
Accrued wages	19,720	14,759
Accrued interest	87,710	93,449
Customer deposits	18,602	21,158
Road maintenance obligations	2,564	5,082
Current portion of long term debt	557,398	540,225
TOTAL CURRENT LIABILITIES	728,627	1,371,856
LONG TERM LIABILITIES		
Compensated absences	40,527	43,298
General obligation bonds payable	7,166,712	7,540,253
Citizens business bank (COP) payable	901,080	1,084,937
Net pension liabilty	428,161	(634,822)
Other postemployment benefits payable	(27,255)	(18,589)
TOTAL LONG TERM LIABILITIES	8,509,225	8,015,077
TOTAL LIABILITIES	9,237,852	9,386,933
NET POSITION		
Net Investment in capital assets	11,685,654	10,392,542
Unrestricted	3,278,278	4,692,167
TOTAL NET POSITION	$ 14,963,932	$ 15,084,709

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, 2023 and 2022

	Totals June 30, 2023	Totals June 30, 2022
Operating Revenues		
Charges for services	$ 2,926,608	$ 2,789,045
Total Operating Revenues	2,926,608	2,789,045
Operating Expenses		
Salaries and employee benefits	1,288,451	1,397,937
Service and supplies	707,500	775,301
Depreciation	933,062	935,373
Total Operating Expenses	2,929,013	3,108,611
Operating Income (Loss)	(2,405)	(319,566)
Non-Operating Revenues (Expenses)		
Interest income	61,222	15,200
Rents	123,561	119,868
Flat charges	770,616	820,819
Grant income	198,709	712,610
Other non-operating revenue	26,913	(17,130)
Change in actuarial assumptions	(1,065,984)	737,647
Interest expense unfunded pension liability	-	-
Interest expense	(233,409)	(248,632)
Total Non-Operating Revenues (Expenses)	(118,372)	2,140,382
Net Income (Loss)	(120,777)	1,820,816
Total Net Position, Beginning of Fiscal Year	15,084,709	13,263,893
Total Net Position, End of Fiscal Year	$ 14,963,932	$ 15,084,709

See accompanying notes to basic financial statements

SWEETWATER SPRINGS WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2023 and 2022

	Totals June 30, 2023	Totals June 30, 2022
Cash Flows From Operating Activities		
Cash received from customers	$ 2,852,997	$ 2,811,352
Payments to suppliers for goods and services	(775,212)	(743,716)
Payments to employees and related items	(1,281,975)	(1,368,800)
Net cash flows provided by operating activities	795,810	698,836
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(2,291,258)	(111,142)
Grant income	721,359	23,637
Payments on long term debt	(540,225)	(523,771)
Payments on net pension liablity	(3,001)	(1,385)
Interest payments	(239,148)	(254,199)
Net cash flows (used) by capital and related financing activities	(2,352,273)	(866,860)
Cash Flows From Non-Capital and Related Financing Activities		
Flat charges	772,131	824,582
Miscellaneous non-operating revenues	26,913	(17,130)
Net cash provided by non-capital and related financing activities	799,044	807,452
Cash Flows From Investing Activities		
Rents	123,561	119,868
Interest income	61,222	15,200
Net cash flows provided by investing activities	184,783	135,068
Net Increase (Decrease) in Cash and Investments	(572,636)	774,496
Cash and Investments, Beginning of Fiscal Year	3,800,034	3,025,538
Cash and Investments, End of Fiscal Year	$ 3,227,398	$ 3,800,034
Reconciliation of Cash and Investments to Amounts Reported on the Statement of Net Position:		
Cash and investments	$ 1,994,936	$ 2,744,334
Restricted cash and investments	1,233,462	1,055,700
	$ 3,228,398	$ 3,800,034
Supplemental Disclosures:		
Interest expense during the fiscal year	$ 233,409	$ 248,632
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, 2023 and 2022

(Continued)

	Totals June 30, 2023	Totals June 30, 2022
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations:		
Operating income (loss)	$ (2,405)	(319,566)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	933,062	935,373
(Increase) Decrease in Operating Assets:		
Accounts receivable/Unbilled Revenue	(73,611)	22,307
Inventory		
Prepaid expenses	(445)	
Increase (Decrease) in Operating Liabilities:		
Accounts payable	(49,241)	83,776
Accrued wages	4,961	(261)
Compensated absences	(2,771)	(22,100)
Customer deposits payable	(2,556)	6,081
Road maintenance obligations	(2,518)	2
Other postemployment benefits payable	(8,666)	(6,776)
Total Adjustments	798,215	1,018,402
Net Cash Provided by Operating Activities	$ 795,810	$ 698,836

See accompanying notes to basic financial statements

Note 1: Summary of Significant Accounting Policies

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.

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.

In accordance with GASB Statement No. 20 and No. 62, the District has opted to apply all applicable GASB pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

E. **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.

F. **Flat Charges Receivable**

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

G. **Inventories**

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

H. **Capital Assets**

Property, plant, and equipment 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

I. **Vacation and Sick Leave**

Vacation pay is accrued by the District in the period earned. At June 30, 2023 and 2022, accrued vacation pay amounted to $40,527 and $43,298 respectively.

J. **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.

Note 2: Cash and Investments

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, 2023:

	Unrestricted	Restricted	Totals
Cash on hand	$ 300	$ -	$ 300
Cash in bank	140,725	152,198	292,923
Cash and investments	1,853,911	1,080,264	2,934,175
Total Cash and Investments	$ 1,994,936	$ 1,232,462	$ 3,227,398
Statement of Net Position:			
Cash and investments	$ 1,994,936		
Restricted cash and investments	1,232,462		
Total	$ 3,227,398		

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

The table below identifies the investment types that are authorized for the 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.

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	$ 258,150	$ 258,150					
County Pooled Investment Fund	$ 2,676,025	$ 2,676,025	$ -	$ -	$ -	$ -	$ -
	$ 2,934,175	$ 2,934,175	$ -	$ -	$ -	$ -	$ -

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	$ 258,150						$ 258,150
County Pooled Investment Fund	$ 2,676,025	N/A	$ -	$ -	$ -	$ -	$ 2,676,025
Total	$ 2,934,175		$ -	$ -	$ -	$ -	$ 2,934,175

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, 2023, the District's deposits with financial institutions were $125,048 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, 2023 was as follows:

Capital assets, not being depreciated:					
Land	$ 143,053	$ -	$ -	$ -	$ 143,053
Construction in progress	830,384	579,493	(804,270)		605,607
Total capital assets, not being depreciated	973,437	579,493	(804,270)		748,660
Capital Assets, being depreciated:					
Building and improvements	32,430,205	1,910,726			34,340,931
Machinery and equipment	711,404				711,404
Total capital assets, being depreciated	33,141,609	1,910,726			35,052,335
Accumulated depreciation:					
Building and improvements	(13,910,869)	(904,982)			(14,815,851)
Machinery and equipment	(646,220)	(28,080)			(674,300)
Total accumulated depreciation	(14,557,089)	(933,062)			(15,490,151)
Total depreciable assets, net	18,584,520	977,664			19,562,184
Total capital assets, net	$ 19,557,957	$ 1,557,157	$ (804,270)	$ -	$ 20,310,844

Depreciation expense of $933,062 was incurred and recorded as an operating expense for June 30, 2023.

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, 2023:

	Balance at June 30, 2022	Additions	Repayments	Balance at June 30, 2023	Due Within One Year
2003 General Obligation Bonds	2,942,797		(55,637)	2,887,160	57,341
2013 General Obligation Refunding Bonds	4,959,393		(306,300)	4,653,093	316,200
Citizens Business Bank Certificates of Participation	1,263,225		(178,288)	1,084,937	183,857
Total	$ 9,165,415	$ -	$ (540,225)	$ 8,625,190	$ 557,398

Note 4: Long-Term Debt (Continued)

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, 2023 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2024	30,341	$ 33,945	$ 64,286
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
2029-2033	178,894	142,551	321,445
2034-2038	201,171	120,285	321,456
2039-2043	226,224	95,247	321,471
2044-2048	254,394	67,091	321,485
2049-2053	286,072	35,428	321,500
2054	123,321	4,438	127,759
Total	$ 1,429,161	$ 627,391	$ 2,056,552

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, 2023 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2024	27,000	$ 32,501	$ 59,501
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
2029-2033	157,000	139,601	296,601
2034-2038	174,000	121,005	295,005
2039-2043	198,000	100,193	298,193
2044-2048	225,000	77,224	302,224
2049-2053	250,000	49,616	299,616
2054-2058	275,000	20,017	295,017
2059	39,000	439	39,439
Total	$ 1,458,000	$ 664,380	$ 2,122,380

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, 2023 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2024	$ 316,200	$ 124,961	$ 441,161
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
2029-2033	2,385,659	241,869	2,627,528
2034	519,761	7,225	526,986
Total	$ 4,653,093	$ 781,598	$ 5,434,691

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, 2023 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2024	$ 183,867	$ 32,219	$ 216,086
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	$ 1,084,947	$ 103,484	$ 1,188,431

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 $32,945 and $32,540 for June 30, 2023 and 2022 respectively.

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

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, 2022 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2022 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, 2020 (the measurement date), the active employee contribution rate is 6.92 percent of annual pay and the average employer's contribution rate is 10.32 percent of annual payroll for the 2% @ 55 plan and the active employee contribution rate is 6.75 percent of annual pay and the average employer's contribution rate is 7.47 percent of annual payroll for the 2% @ 62 plan. Employer contributions rates may change if plan contracts are amended.

Annual Pension Cost

For June 30, 2023, the District's annual pension cost of $ 67,115 for PERS was equal to the District's required and actual contributions and plus an additional $ 3,001 towards its unfunded liability. The required portion of the contribution was determined as part of the June 30, 2020 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.00% investment rate return of (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2.75% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. 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, 2023 was determined as part of the June 30, 2020 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
6/30/21	68,732	100%	0
6/30/22	66,612	100%	0
6/30/23	67,115	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
6/30/20	5,505,873	4,891,246	614,627	88.8%	443,092
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

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
6/30/20	107,053	102,198	4,855	95.5%	346,587
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

Note 7: Net Position

GASB Statement No. 63 require that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition on net investment in capital assets or restricted net position.

The District maintains the majority of its cash with the Sonoma County Treasury in a general operating account, debt service accounts, and construction accounts.

Note 8: 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 9: 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.

Note 10: Contingencies

In July 2020, the District entered into a contract with Coastland Civil Engineering for Design/Engineering Services related to CIP 2021 in the sum of $144,958. In May, 2021 the contract was amended (increased to $150,000). This project was completed. A total of $139,054 was paid to Coastland.

In December 2021, the District entered into a contract with Bartley Pump LLC for rehabilitation and electrical work on two (2) District wells in the sum of $89,212. This project was completed. A total of $94,146 was paid to Bartley Pump.

In February, 2022, the District entered into a contract with Piazza Construction for construction of CIP 2021 in the sum of $1,353,421. In FY 2021-22, change orders totaling $32,085 were approved, bringing the total contract with Piazza to $1,385,506. This project was completed. A total of $1,413,144 was paid to Piazza.

In February, 2022, the District entered into a contract with Coastland Civil Engineering for Construction Management Services related to CIP 2021 in the sum of $161,880. This project was completed.. A total of $197,425 was paid to Coastland.

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 2023, $60,323 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 2023 a total of $159,662 was paid to Piazza.

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 2023, a total of $37,865 was paid to Coastland.

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 2023 a total of $311,788 was paid to Piazza.

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 2023, a total of $28,073 was paid to Coastland.

Note 11: <u>Post-Retirement Health Insurance</u>

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 ($151 in 2023 and $149 in 2022).

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 2022-23 the District contributed $13,800, which covered retiree current premiums plus $3,000 of additional prefunding of benefits. Currently, there are 6 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	$	5,043
Interest on net OPEB obligation		(889)
Adjustment to ARC		979
Annual OPEB cost (expense)		5,133
Contributions made		(13,800)
Increase in net OPEB obligation		(8,666)
Net OPEB obligation - Beginning of the year		(18,589)
Net OPEB obligation - End of year	$	(27,255)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2020-21, 2021-22 and 2022-23 were as follows:

Fiscal Year	Annual OPEB	Percent of Annual OPEB Cost	OPEB Obligation (Asset)
6/30/2021	$ 5,503	100%	$ (11,813)
6/30/2022	$ 4,214	262%	$ (18,589)
6/30/2023	$ 5,133	269%	$ (27,255)

Funded Status and Funding Progress

As of June 30, 2023, the most recent Alternate Measurement Method valuation date, the plan was 23.8% funded. The actuarial accrued liability for benefits was $263,990, and the actuarial value of assets was $62,858, resulting in an unfunded actuarial accrued liability (UAAL) of $201,132. The covered payroll (annual payroll of active employees covered by the plan) was $318,436, and the ratio of the UAAL to the covered payroll was 63 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 actuarial value of assets is not applicable (No assets as of the initial valuation date). The UAAL is being amortized as a flat percentage of covered payrolls over thirty years. The remaining amortization period at June 30, 2023 was twenty-one (21) years.

Other Postemployment Benefits

Schedule of Funding Progress

Valuation Date	Liability (a)	Assets (b)	Net Liability (a) – (b)	Status (b)/(a)
6/30/2014	$ 392,471	$ 15,287	$ 377,184	3.9%
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%

Note 12: 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 November 16, 2023 that meet the above definition.