

**NOTICE OF A REGULAR MEETING
OF THE OLIVENHAIN MUNICIPAL WATER
DISTRICT'S FINANCE COMMITTEE
1966 Olivenhain Road, Encinitas, CA 92024
Tel: (760) 753-6466 • Fax: (760) 753-1578**

**Pursuant to AB 3035, effective January 1, 2003, any person who
requires a disability related modification or accommodation in
order to participate in a public meeting shall make such a
request in writing to the District for immediate consideration.**

DATE: MONDAY, NOVEMBER 4, 2024

TIME: 10:00 A.M.

PLACE: HYBRID REGULAR MEETING VIA ZOOM AND IN-PERSON

The meeting is being held virtually as a convenience to the public. The meeting will not stop or suspend its in-person meeting should a technological interruption occur with respect to the Zoom or call-on options listed on the agenda.

For Zoom Participation:

www.zoom.us/join

Meeting ID: 818 9829 8376

Passcode: 533063

For Zoom Call-in Only:

Call: (669) 900-9128

Meeting ID: 818 9829 8376

Passcode: 533063

Public Participation/Comment: Members of the public can participate in the meeting by emailing your comments on an agenda item to Jared Graffam at jgraffam@olivenhain.com or address the finance committee directly in real-time under the public comment section. If you do not receive a confirmation email that your comment has been received, please call (760) 230-2569 or address the committee under the public comment section to ensure that your comments are heard in real-time. The subject line of your email should clearly state the item number you are commenting on and should include your name and phone number. All comments will be emailed to the finance committee members.

*Note: Items On The Agenda May Be Taken Out Of Sequential Order As Their
Priority Is Determined By The Committee*

1. CALL TO ORDER
2. ROLL CALL (BOARD MEMBERS)
3. ADOPTION OF THE AGENDA
4. PUBLIC COMMENTS
5. CONSIDER APPROVAL OF THE MINUTES OF THE AUGUST 12, 2024 REGULAR FINANCE COMMITTEE MEETING
6. REVIEW AND DISCUSS FISCAL YEAR 2023-24 AUDITED FINANCIAL STATEMENTS AND SINGLE AUDIT
7. REVIEW STAFF'S REPORT ON DISTRICT PENSION PLANS FUNDING STATUS WITH CALPERS AND DISCUSS STAFF'S RECOMMENDED PENSION FUNDING PLANS FOR 2024
8. QUARTERLY REVIEW OF INVESTMENTS AND CASH REPORT (3RD QTR OF CY 2024)
9. QUARTERLY REVIEW OF OMWD'S FINANCIAL REPORT - BUDGET vs. ACTUAL REPORT (1ST QTR OF FY 2025)
10. ANNUAL REVIEW OF INVESTMENT AND BOARD DESIGNATED FUND BALANCES (RESERVES) POLICIES AND PROPOSED CHANGES TO THE POLICY FOR 2024
11. RECEIVE STAFF UPDATE ON CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY FOR THE PINNACLE PROJECT (VERBAL REPORT)
12. CONSIDER FUTURE AGENDA ITEMS
13. ADJOURNMENT

**MINUTES OF A REGULAR MEETING
OF THE FINANCE COMMITTEE
OF OLIVENHAIN MUNICIPAL WATER DISTRICT**

August 12, 2024

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Monday, August 12th, 2024, at the District office, 1966 Olivenhain Road, Encinitas, California via teleconference and in person.

Director Meyers called the meeting to order at 9:01am. In attendance were Neal Meyers, Board Treasurer; Lawrence A. Watt, Board Secretary; Kimberly Thorner, General Manager; Rainy Selamat, Finance Manager; Leo Mendez, Accounting Supervisor; Jared Graffam, Financial Analyst II; Georgeanna Clark, Financial Analyst I.

1. CALL TO ORDER

2. ROLL CALL (BOARD MEMBERS)

3. ADOPTION OF THE AGENDA

Director Watt moved to adopt the agenda, seconded by Director Meyers, and carried unanimously.

4. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE MAY 13, 2024, SPECIAL FINANCE COMMITTEE MEETING

Director Meyers moved to approve the May 13th, 2024, meeting minutes, seconded by Director Watt and carried unanimously.

6. REVIEW OF DISTRICT INVESTMENTS AND CASH REPORT FOR SECOND QUARTER 2024

Finance Manager Selamat reviewed the investment report as of June 30, 2024, with the committee. Cash and investments were discussed. Finance Manager Selamat reported that the current yield on the District's investment portfolio has increased slightly compared to the last quarter due to replacing matured securities with higher yields available in the market. Finance Manager Selamat reported that District investments are

in compliance with the District's Investment policy and that the District has sufficient funds to meet its financial obligations for the next 60 days.

Director Watt asked if the recent market volatility affected the District investments. Finance Manager Selamat explained that the District holds securities to maturity so the yield on District investments were not affected by the recent fluctuations. General Manager Thorner added that the District's Investment policy focuses on protecting the principal of the investment, so only the potential amount of interest that can be earned is at risk, not the initial principal investment.

Director Meyers asked if staff could present the change in the average rate of return and quarterly investment balances over the last 3 years at the next finance committee meeting. Finance Manager Selamat responded that staff would compile the requested data to present at the next finance committee meeting. Director Meyers also asked if the District's water sales trend above budgeted sales, could the District lower its proposed rate increases for calendar year 2025. Finance Manager Selamat explained that the January 1st, 2025, rate increases could not be adjusted once approved by the Board. General Manager Thorner added that if sales continue to increase over budgeted throughout the current fiscal year, it could help mitigate the amount of future rates adjustments, such as calendar 2026 onward.

Finance Manager Selamat next presented the draft summary of fund balances over the previous five years. Finance Manager Selamat explained that, once the fiscal year 2024 audit is complete, any fund balance over the maximum allowed per the District's Fund Balance (Reserves) policy will be brought to the finance committee then the Board for review. Any handling of excess funds will be discussed with the finance committee.

7. CONSIDER INFORMATIONAL REPORT REGARDING FY 2024 FINANCIAL AUDITS

Finance Manager Selamat informed the committee that Kenneth Pun will be stepping down as principal auditor and will be replaced by Sophia Kuo. General Manager Thorner added that the District will still be in compliance with auditing standards requiring an agency to change principal auditors every 5 years. Director Watt commented that it would be good to have a new set of eyes on our audit.

8. FUTURE AGENDA ITEMS/INFORMATION

Future agenda items for the next finance committee meeting were discussed. Director Meyers requested staff to continually update the member agency bill survey graph to ensure the District is capturing the current rates for other agencies, and to help keep the comparison as up-to-date as possible. Director Meyers also requested a report on budgeted vs actual water sales, and for staff to present the change in the average rate of return and quarterly investment balances over the last 3 years. Finance Manager

Selamat responded that staff will compile the requested information for presentation at the next committee meeting. Finance Manager Selamat also mentioned that staff is looking into an option of using a loan to fund the prepurchase of water in December, which may also be brought before the committee at the next meeting.

9. ADJOURNMENT

The meeting was adjourned at 9:35am.

Memo

Date: November 4, 2024
To: Finance Committee
From: Leo Mendez, Accounting Supervisor
Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **REVIEW AND DISCUSS FISCAL YEAR 2023-24 AUDITED FINANCIAL STATEMENTS AND SINGLE AUDIT**

Copies of the fiscal year 2023-24 audited financial statements are included as part of the attached draft Annual Comprehensive Financial Report (ACFR). Draft copies of the District's Single Audit, auditors' letter to the Board, and auditors' presentation are also attached. Staff and the auditor, Ms. Sophia Kuo with The Pun Group, will be available to review the attachments and to discuss the audit results with the Committee at the meeting.

Following Committee review and approval, the materials presented will be included in the December 11th Board meeting packet in their final form for the Board's consideration and approval. A final copy of the ACFR and the Single Audit will be distributed to the Board prior to the meeting.

Attachments: **Attachment 1** - Auditors' Letter to the Board
Attachment 2 - Auditors' Presentation to the Board
Attachment 3 - DRAFT FY 2023-2024 Audited Financial Statements and Annual Comprehensive Financial Report (ACFR)
Attachment 4 - DRAFT FY 2024 Single Audit and Independent Auditors' Reports



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www.pungroup.cpa



_____, 2024

Board of Directors and Finance Committee
Olivenhain Municipal Water District
Encinitas, California

We have audited the financial statements of the business-type activities of the Olivenhain Municipal Water District (the "District") for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements. No new GASB pronouncements had a significant effect on the District's financial reporting for the fiscal year ended June 30, 2024.

We noted no other new accounting policies were adopted and the application of existing policies was not changed during 2024. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the District's financial statements were:

- Management's estimate of the investment fair market value is based on information provided by the State of California for its investment in the Local Agency Investment Fund and by U.S. Bank, the trustee for the District's investments in municipal bonds and U.S. Government Sponsored Enterprise Securities. We evaluated the key factors and assumptions used to develop the investment fair market value in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the depreciation on capital assets is based on the industry standard and past experience on actual useful life of the asset groups. We evaluated the key factors and assumptions used to develop the depreciation on capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liability is based on the actuarial valuation on total pension liability and based on audited financial statements on fiduciary net position for CalPERS plans. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements were:

- Note 2 – Summary of Significant Accounting Policies
- Note 4 – Leases Receivable
- Note 6 – Capital Assets
- Note 10 – Employee Retirement Systems
- Note 15 – Economic Dependency
- Note 16 – Commitments and Contingencies
- Note 17 – Segment Information

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated _____, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets, Schedule of Contributions – Defined Benefit Pension Plans, and Schedule of Proportionate Share of the Net Pension Liability, as listed in the table of contents, which are Required Supplementary Information ("RSI") that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the Introductory and Statistical Sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the Finance Committee, Board of Directors, and management of the Olivenhain Municipal Water District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

The PwC Group, LLP

San Diego, California



OLIVENHAIN MUNICIPAL WATER DISTRICT

Presentation to the Finance Committee
For the Fiscal Year Ended June 30, 2024

November 4, 2024



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- Key Financial Indicators
- Single Audit
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SCOPE OF WORK

SCOPE OF WORK

- **Audit of the Annual Comprehensive Financial Report**
 - Financial Section
 - Statement of Net Position
 - Statement of Revenues, Expenses and Changes In Net Position
 - Statement of Cash Flows
 - Notes to the Basic Financial Statements
- **Federal Single Audit**

AUDIT RESPONSIBILITIES

MANAGEMENT'S RESPONSIBILITIES

- Responsible for the financial statements
- Present the financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP)
- Adopt sound accounting policies
- Establish and maintain internal controls over financial reporting and compliance
- Provide evidence supporting the amounts and disclosures in the financial statements
- Fair presentation of financial statements that are free from material misstatements, whether due to fraud or error
- Prevent and detect fraud

AUDITORS' RESPONSIBILITIES

- Perform the audit in conformity with Auditing Standards Generally Accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States
- Communicate with “Those Charged with Governance”
- Assess audit risk of internal control over financial reporting
- Determine the fairness of the presentation of the financial statements
- Render an opinion on the financial statements
- Issue recommendations to management, if any

OVERVIEW OF THE FINANCIAL STATEMENTS

Olivenhain Municipal Water District **Comparative Summary Statements of Net Position** **June 30, 2024 and 2023**

	2024	2023	\$ Diff	% Diff
Assets				
Current Assets:				
Unrestricted assets	\$ 95,833,829	\$ 89,298,112	\$ 6,535,717	7.32%
Restricted assets	16,666,572	14,570,261	2,096,311	14.39%
Total current assets	112,500,401	103,868,373	8,632,028	8.31%
Noncurrent assets:				
Capital assets	371,202,111	374,715,143	(3,513,032)	-0.94%
Others	10,570,698	9,372,997	1,197,701	12.78%
Total noncurrent assets	381,772,809	384,088,140	(2,315,331)	-0.60%
Total assets	494,273,210	487,956,513	6,316,697	1.29%
Deferred Outflows of Resources				
Pension-related deferred outflows	7,033,805	7,296,286	(262,481)	-3.60%
Deferred amount on refunding	716,964	857,886	(140,922)	-16.43%
Total deferred outflows of resources	7,750,769	8,154,172	(403,403)	-4.95%

Olivenhain Municipal Water District

Comparative Summary Statements of Net Position (Continued)

June 30, 2024 and 2023

	2024	2023	\$ Diff	% Diff
Liabilities				
Current Liabilities:				
Accounts payable, accrued expenses, and deposits	9,861,327	8,963,207	898,120	10.02%
Compensated absences, current	1,150,778	961,314	189,464	19.71%
Long-term debt, current	5,225,378	4,674,149	551,229	11.79%
Liabilities payable from restricted assets	3,726,543	189,507	3,537,036	1866.44%
Total current liabilities	19,964,026	14,788,177	5,175,849	35.00%
Noncurrent liabilities:				
Compensated absences	987,859	1,189,983	(202,124)	-16.99%
Net pension liability	17,930,299	16,832,760	1,097,539	6.52%
Long-term debt	36,792,890	42,393,127	(5,600,237)	-13.21%
Total noncurrent liabilities	55,711,048	60,415,870	(4,704,822)	-7.79%
Total liabilities	75,675,074	75,204,047	471,027	0.63%
Deferred Inflows of Resources				
Pension-related deferred inflows	298,347	720,171	(421,824)	-58.57%
Lease-related deferred inflows	9,811,059	8,953,346	857,713	9.58%
Total deferred outflows of resources	10,109,406	9,673,517	435,889	4.51%
Net Position				
Net investment in capital assets	330,711,440	332,382,861	(1,671,421)	-0.50%
Restricted	12,129,396	10,503,646	1,625,750	15.48%
Unrestricted	73,398,663	68,346,614	5,052,049	7.39%
Total Net Position	\$ 416,239,499	\$ 411,233,121	\$ 5,006,378	1.22%

Olivenhain Municipal Water District
Comparative Statements of Revenues, Expenses and Change in
Net Position
For the Years Ended June 30, 2024 and 2023

	2024	2023	\$ Diff	% Diff
Operating Revenues				
Water sales	\$ 56,723,757	\$ 53,633,877	\$ 3,089,880	5.76%
Sewer charges	5,443,940	5,621,985	(178,045)	-3.17%
Other operating revenues	1,606,103	1,084,666	521,437	48.07%
Total operating revenues	63,773,800	60,340,528	3,433,272	5.69%
Operating Expenses				
Cost of purchased water sold	30,712,658	29,609,781	1,102,877	3.72%
Pumping and water treatment	5,246,548	4,353,775	892,773	20.51%
Transmission and distribution	4,992,405	4,434,815	557,590	12.57%
Sewer collection and treatment	2,026,890	2,026,695	195	0.01%
Elfin Forest recreation reserve operations	493,779	386,905	106,874	27.62%
Facilities maintenance	1,441,133	1,274,751	166,382	13.05%
Customer services	2,412,185	1,754,190	657,995	37.51%
General and administrative	8,700,174	6,865,224	1,834,950	26.73%
Other operating expenses	395,808	212,580	183,228	86.19%
Depreciation and amortization	16,207,532	15,910,790	296,742	1.87%
Total operating expenses	72,629,112	66,829,506	5,799,606	8.68%
Operating (Loss)	(8,855,312)	(6,488,978)	(2,366,334)	36.47%

Olivenhain Municipal Water District
Comparative Statements of Revenues, Expenses and Changes in Net Position
(Continued)
For the Years Ended June 30, 2024 and 2023

	2024	2023	\$ Diff	% Diff
Nonoperating Revenues (Expenses)				
Fair market value adjustment	1,355,207	(207,285)	1,562,492	-753.79%
Investment income	3,195,143	2,105,348	1,089,795	51.76%
Property taxes	4,802,446	4,577,755	224,691	4.91%
Capacity charges	577,702	1,327,295	(749,593)	-56.48%
Benefit assessments	1,048,779	1,045,315	3,464	0.33%
Other nonoperating revenues	1,361,331	1,055,260	306,071	29.00%
Interest expenses	(1,171,516)	(1,220,156)	48,640	-3.99%
Other nonoperating expenses	(4,291,473)	(1,935,949)	(2,355,524)	121.67%
Total nonoperating revenues (expenses)	6,877,619	6,747,583	130,036	1.93%
Income before capital contributions	(1,977,693)	258,605	(2,236,298)	-864.75%
Capital contributions	6,984,071	3,640,582	3,343,489	91.84%
Changes in net position	<u>\$ 5,006,378</u>	<u>\$ 3,899,187</u>	<u>\$ 1,107,191</u>	<u>28.40%</u>

Olivenhain Municipal Water District **Comparative Statements of Cash Flows** **For the Years Ended June 30, 2024 and 2023**

	2024	2023	\$ Diff	% Diff
Cash Flows from Operating Activities				
Receipts from customers	\$ 62,021,066	\$ 61,337,349	\$ 683,717	1.11%
Payments for water	(29,727,466)	(30,212,660)	485,194	-1.61%
Payments for services and supplies	(11,331,389)	(8,878,715)	(2,452,674)	27.62%
Payments for employee wages, benefits, and related costs	(14,036,821)	(12,953,543)	(1,083,278)	8.36%
Net cash provided by operating activities	<u>6,925,390</u>	<u>9,292,431</u>	<u>(2,367,041)</u>	<u>-25.47%</u>
Cash Flows from Noncapital Financing Activities				
Property tax assessment received	5,852,863	5,583,500	269,363	4.82%
SDCWA water rebate payment	-	18,930	(18,930)	-100.00%
Net cash provided by noncapital financing activities	<u>5,852,863</u>	<u>5,602,430</u>	<u>250,433</u>	<u>4.47%</u>

Olivenhain Municipal Water District

Statements of Cash Flows (Continued)

For the Years Ended June 30, 2024 and 2023

	2024	2023	\$ Diff	% Diff
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(12,297,061)	(14,493,861)	2,196,800	-15.16%
Proceeds from grants and capital contributions	1,685,094	1,495,622	189,472	12.67%
Principal payments on long-term debt	(4,695,039)	(4,862,730)	167,691	-3.45%
Interest payments on long-term debt	(1,207,235)	(1,487,744)	280,509	-18.85%
Capacity charges received	587,076	1,364,791	(777,715)	-56.98%
Proceeds from sale of capital assets	132,030	-	132,030	100.00%
Other capital financing receipts	870,222	1,055,261	(185,039)	-17.53%
Other capital financing expenses paid	(720,143)	(1,655,542)	935,399	-56.50%
Net cash provided by capital and related financing activities	(15,645,056)	(18,584,203)	2,939,147	-15.82%
Cash Flows from Investing Activities				
Proceeds from sale and maturities of investments	9,951,111	3,000,000	6,951,111	231.70%
Purchase of investments	(6,000,000)	(2,957,913)	(3,042,087)	102.85%
Investment income received	3,249,553	1,121,975	2,127,578	189.63%
Net cash provided by investing activities	7,200,664	1,164,062	6,036,602	518.58%
Changes in cash and cash equivalents	\$ 4,333,861	\$ (2,525,280)	\$ 6,859,141	-271.62%

KEY FINANCIAL INDICATORS

Olivenhain Municipal Water District Key Financial Indicators

	2024	2023	2022	2021
<u>Current Ratio</u>				
Current assets	\$ 112,500,401	\$ 103,868,373	\$ 106,207,861	\$ 98,915,490
Current liabilities	\$ 19,964,026	\$ 14,788,177	\$ 14,383,180	\$ 13,933,676
Olivenhain MWD	5.64	7.02	7.38	7.10
Average of 10 local districts	not available	4.67	5.00	5.48
<u>Capital Condition Ratio</u>				
Total depreciable capital assets	\$ 581,391,311	\$ 576,855,990	\$ 567,586,076	\$ 556,962,450
Total accumulated dep/amort	\$ 258,638,978	\$ 244,366,290	\$ 230,798,427	\$ 216,571,720
Olivenhain MWD	44.49%	42.36%	40.66%	38.88%
Average of 10 local districts	not available	46.90%	46.27%	45.12%
<u>Pension Liability to Net Position Ratio</u>				
Net pension liability	\$ 17,930,299	\$ 16,832,760	\$ 7,819,768	\$ 14,608,844
Net position	\$ 416,239,499	\$ 411,233,121	\$ 407,333,934	\$ 407,436,209
Olivenhain MWD	4.31%	4.09%	1.92%	3.59%
Average of 10 local districts	not available	10.66%	5.34%	10.65%
<u>Water / Sewer Receivable % Change</u>				
Water / sewer receivable - current year	\$ 10,129,094	\$ 8,352,651	\$ 9,453,946	\$ 10,717,152
Water / sewer receivable - prior year	\$ 8,352,651	\$ 9,453,946	\$ 10,717,152	\$ 10,062,269
Olivenhain MWD	21.27%	-11.65%	-11.79%	6.51%
Average of 10 local districts	not available	-17.51%	14.16%	8.69%

Olivenhain Municipal Water District Key Financial Indicators

Operating Margin

	2024	2023	2022	2021
Operating revenues	\$ 63,773,800	\$ 60,340,528	\$ 64,531,592	\$ 64,758,178
Operating expenses (minus dep/amort)	\$ 56,421,580	\$ 50,918,716	\$ 54,145,463	\$ 52,683,656
Olivenhain MWD	1.13	1.19	1.19	1.23
Average of 10 local districts	not available	0.94	1.06	1.02

Water / Sewer Sales % Change

Water / sewer sales - current year	\$ 63,773,800	\$ 60,340,528	\$ 64,531,592	\$ 63,296,949
Water / sewer sales - prior year	\$ 60,340,528	\$ 64,531,592	\$ 63,296,949	\$ 55,383,041
Olivenhain MWD	5.69%	-6.49%	1.95%	14.29%
Average of 10 local districts	not available	-5.59%	1.19%	13.89%

Olivenhain Municipal Water District
GASB 68 – Sensitivity of NPL to Changes in Discount Rate
CalPERS Miscellaneous Plan
Measurement Date June 30, 2023

Discount Rate	5.90%	6.90%	7.90%
Proportionate share of net pension liability	\$ 27,471,747	\$ 17,930,299	\$ 10,076,868

	2024	2023	Change
Fiduciary net position as % of total pension liability	74.58%	74.59%	-0.01%
Average of 10 local districts	not available	75.81%	

SINGLE AUDIT

**Olivenhain Municipal Water District
Single Audit
For the Year Ended June 30, 2024**

Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance Listing Number	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of the Interior</u>			
<i>Direct Programs:</i>			
Title XVI Water Reclamation and Reuse	15.504	\$ 5,980,756	\$ 3,324,102
WaterSMART	15.507	253,387	-
Total U.S. Department of the Interior		<u>6,234,143</u>	<u>3,324,102</u>
<u>U.S. Department of Homeland Security</u>			
Emergency Services - Public Assistance Grants	97.036	49,214	-
Total U.S. Department of Homeland Security		<u>49,214</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 6,283,357</u></u>	<u><u>\$ 3,324,102</u></u>

AUDIT RESULTS

AUDIT RESULTS

- **Unmodified Opinion**

- Financial statements are fairly presented in all material respects
- Significant accounting policies have been consistently applied
- Estimates are reasonable
- Disclosures are properly reflected in the financial statements

- **Other Results**

- No disagreements with management
- No material weaknesses or significant deficiencies in internal controls over financial reporting or compliance were noted
- No accounting issues were noted



HQ - ORANGE COUNTY

200 E. Sandpointe Avenue
Suite 600
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SAN DIEGO

4365 Executive Drive
Suite 710
San Diego, CA 92121

BAY AREA

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Suite 290
Walnut Creek, CA 94596

LAS VEGAS

1050 Indigo Drive
Suite 110
Las Vegas, NV 89145

PHOENIX

4742 North 24th Street
Suite 300
Phoenix, AZ 85016

Olivenhain Municipal Water District

Encinitas, California

Annual Comprehensive Financial Report and Independent Auditors' Report

For the Years Ended June 30, 2024 and 2023

Prepared by:
Finance Department

DRAFT 10.28.2024

**Olivenhain Municipal Water District
Annual Comprehensive Financial Report
For the Years Ended June 30, 2024 and 2023**

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**Olivenhain Municipal Water District
Annual Comprehensive Financial Report
For the Years Ended June 30, 2024 and 2023**

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DRAFT 10.28.2024



November 4, 2024

Members of the Board of Directors
Olivenhain Municipal Water District
1966 Olivenhain Road
Encinitas, CA 92024-5699

We are pleased to submit the Annual Comprehensive Financial Report of the Olivenhain Municipal Water District (District) for the fiscal year ended June 30, 2024. The purpose of the report is to provide the governing board, citizens, investors, and other interested parties with reliable financial information about the District.

This Annual Comprehensive Financial Report was prepared by the District's Finance Department in accordance with Accounting Principles Generally Accepted in the United States of America (GAAP). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with District management. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and the results of operations of the District, and that all disclosures necessary to enable readers to gain the maximum understanding of the District's financial activity have been included.

The District's financial statements have been audited by The Pun Group, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2024, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2024, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

This letter of transmittal is designed to complement the Management's Discussion & Analysis (MD&A) and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

Reporting Entity

The District is a governmental corporation governed by a publicly elected five member Board of Directors. The District was incorporated in 1959 under the provisions of the California Municipal Water District Act of 1911, section 71000 et.seq. of the California Water Code as amended.

In keeping its books and records, the District has established various self-balancing groups of accounts in order to enhance internal control and to further the attainment of other management objectives. These groups of accounts, which are sub-funds of the reporting entity, are identified in the District's books and records as the General Fund, Recycled Water Capacity Fee Fund, Treated Water Capacity Fee Fund, Reassessment District 96-1 Fund, 4S Sanitation District Fund, Rancho Cielo Sanitation District Fund, 2015 Water System Revenue Refunding Bond Fund, 2016 Water System Revenue Refunding Bond Fund, 2021A Revenue Bond Fund, 2021B Revenue Bond Fund, and 2013 State Revolving Fund Note Payable. All significant inter sub-fund transactions and accounts are eliminated in the combination of the accounts of the sub-funds at the end of each fiscal year for the consolidated financial statements of the District as presented in the financial section of this report. More detailed information on the District's accounting policies can be found in note 2 of the Notes to the Basic Financial Statements.

General District Operations

The District is operated as an enterprise fund. The finances of the District are kept on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

As an enterprise fund, the District maintains a self-balancing set of accounts established to record the financial position and results that pertain to each activity. The activities of enterprise funds are similar to regular businesses whereby a governmental agency collects sufficient revenues through rates and user charges to pay for on-going operating expenses and maintaining infrastructure in order to sustain operations.

The District's service area is approximately 48.6 square miles. This service area lies within the northern region of San Diego County and includes portions of incorporated areas such as Encinitas, Carlsbad, San Diego, Solana Beach, San Marcos and large portions of unincorporated areas such as 4S Ranch, Rancho Cielo, Rancho Santa Fe, Elfin Forest, and Santa Fe Valley. All these communities are fairly affluent.

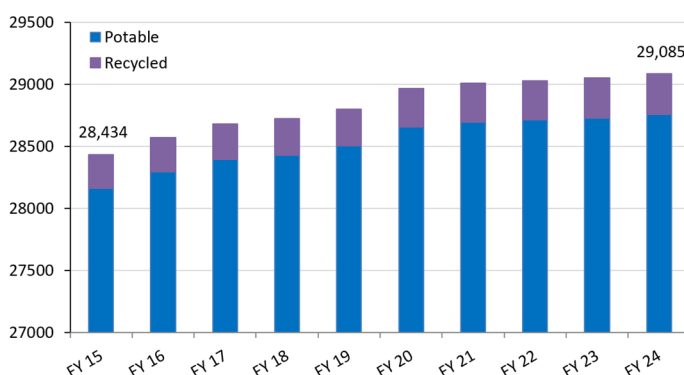
According to recent EDU (Equivalent Dwelling Units) projections, the District has about 1,180 EDUs remaining until it is completely built-out at an estimated 32,929 EDUs. For the fiscal year ended June 30, 2024, 70.5% of water delivered was for domestic use, 28.5% for commercial and irrigation use (including construction and recycled water), and 1.0% for agricultural use. The District relies on the San Diego County Water Authority (SDCWA) as a sole source of untreated water. The District's primary treated water source is the David C. McCollom Water Treatment Plant.

The District provides sewer collection and treatment services to a portion of the District's service area and sells recycled water to golf courses and other customers for irrigation. The District's 4S Ranch Water Reclamation Facility (WRF) collects and treats sewage from two specific areas of the District, Rancho Cielo and 4S Ranch. Sewage is processed in the 4S WRF through various treatment stages to produce California Title 22 tertiary treated recycled water that can be used for unrestricted irrigation purposes. The 4S WRF currently produces approximately 1 million gallons per day (mgd) of its maximum production of 2.0 mgd to meet recycled water demand in the southeast quadrant of the District's service area. In order to meet demand in the southeast, the District also purchases recycled water from Santa Fe Valley Community Services District and City of San Diego.

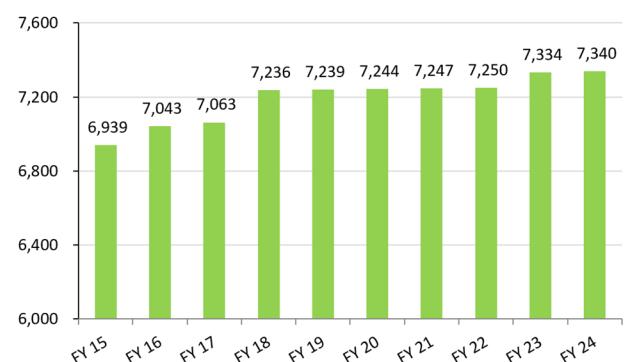
The District also sells recycled water in the northwest of its service area. To meet recycled water demand in the northwest, the District has entered into recycled water purchase agreements with Vallecitos Water District and San Elijo Joint Powers Authority. Recycled water in the northwest is delivered through the utilization of interagency service connections.

During the fiscal year ended June 30, 2024, the District billed 14,322 acre-feet (AF) of potable water through 28,757 active potable water meters and 2,192 AF of recycled water through 328 active recycled meters. The District provided wastewater collection services to 7,340 sewer equivalent dwelling units (EDUs) in 4S Ranch, Rancho Cielo, Santa Luz, and Black Mountain Ranch. Historical information of the District's number of water meters and sewer EDUs is shown in the graphs below.

Active Potable & Recycled Water Meters



Active Sewer EDU's



San Diego Region Water Supply and Diversification Strategy

California's water supply outlook is stable. The 2023-2024 water year ended with precipitation in California at 100% of average, and statewide reservoir levels at 113% of historical averages. Snowpack was 111% of historical average at the final spring snow survey. Locally, San Diego experienced over 13 inches of rain at San Diego International Airport, well above the annual average of approximately 10 inches.

Climatic conditions in 2024-2025 water year are not anticipated to be as favorable, with the National Oceanic and Atmospheric Administration predicting warmer than average temperatures and below-average precipitation. These are consistent with La Niña conditions, which NOAA expects to persist through spring 2025. While UC San Diego's Center for Western Weather and Water Extremes also expects warmer, drier conditions, its model shows much of California with a very high chance of reaching at least 75% of normal precipitation through water year 2026.

Also beneficial from a water supply standpoint, the states of California, Nevada, and Arizona reached an agreement in 2023 to voluntarily use less water from the over-drafted Colorado River through 2026. Conservation-based approaches to shortages on the Colorado River assure that the San Diego County Water Authority's Quantification Settlement Agreement supplies are not subject to mandatory reductions. Given this Colorado River deal as well as dramatic improvements in regional drought conditions, the San Diego County Water Authority has assured its member agencies that no mandatory cutbacks will be necessary to meet water demands through 2026.

However, SDCWA's investments in water supply have come at a high price. In April 2024, SDCWA announced that it expected to hike wholesale water costs by an astronomical 39% over three years, and it ultimately adopted a 14% rate increase for 2025 alone. As wholesale water purchases are the District's largest expenditure, the dramatic escalation in SDCWA's rates has an inevitable impact on the District's revenues.

To contend with these impacts as well as to better prepare for the next bout with drought conditions, the District continues to diversify its water supply portfolio away from imported water. For example, the District continues to aggressively expand recycled water infrastructure throughout its service area such that irrigation demands can be met with this locally produced supply. This has been achieved largely through interagency coordination with the North San Diego Water Reuse Coalition, a group of water and wastewater agencies for which the District provides leadership. To date, the Coalition has achieved \$30 million in funding from the US Bureau of Reclamation via the Title XVI Water Reclamation and Reuse Program, as well as \$5.0 million in Proposition 84 funding. Individual Coalition members have secured additional funds via Proposition 1 as well. These funding sources have contributed approximately \$900,000 to the District's Recycled Water Pipeline Extensions for Calle Barcelona, Village Park, and Summerhill Projects.

Additionally, the District continues to advance the San Dieguito Brackish Groundwater Desalination Project, which would produce at least 1.3 million gallons per day of potable water from a previously untapped source. A feasibility study for the project has been completed, and in 2024, Congress approved \$960,000 in Community Project Funding for the project. This grant award will allow the District to construct a new test well and conduct a pumping test at an existing well to refine hydrogeologic modeling and treatment design criteria that may ultimately lead to construction of a full-scale treatment facility.

With these proactive measures firmly in place, the District remains confidently positioned to provide essential water services to the communities we serve.

Internal Controls

District Management is responsible for establishing and maintaining a system of internal controls designed to safeguard District assets from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable assurance that these objectives are met.

When establishing or reviewing controls, management must recognize that the cost to implement a control should not exceed the benefits likely to be derived, and that in order to assess cost versus benefit, estimates and judgment on the part of management will be required. All internal control evaluations occur within the above framework. Management believes the current system of internal controls adequately safeguards District assets and provides reasonable assurance that accounting transactions are properly recorded.

Budget Process

The District has a multi-year operating and capital budget that is approved by the board in June of every other year (biennial budget). The District's Budget is used as a management tool for estimating and planning District revenues and expenditures based on historic and current financial information. Having a two-year budget allows the District to redeploy resources to other activities other than budget preparation, such as putting more emphasis into the budget monitoring process, and promotes a longer-term view to see and measure results greater than a 12-month period. The Finance Department prepares estimates for departmental review. Department managers review and revise the estimates. All managers meet several times to discuss the budgets, after which there is a final review by the General Manager prior to submittal to the Board of Directors for their consideration.

The proposed Budget is submitted to the Board within 45 days prior to July 1st of each budget-approval year. The budget does not go into effect until approved by the Board. Once adopted, the budget becomes the parameter for operating and capital expenditures for each fiscal year.

The District has been the proud recipient of the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award and the California Society of Municipal Finance Officers (CSMFO) Excellence in Budgeting Award for its budget in previous fiscal years. These awards reflect the commitment of the District's Board of Directors and staff to apply the highest principles of governmental budgeting to satisfy nationally recognized guidelines for effective budget presentation.

The District conducts a mid-term review of its multi-year budget in March of non-budget approval years to analyze actual operating and capital expenditures and compares the numbers to the original budget amounts. The purpose of this review is to present the Board with amended budget amounts when required, due to changes in circumstances that were not anticipated at the time the original budget was developed. Project managers may find after the first half of the budget that some projects need to be accelerated or delayed due to changes in housing development conditions in the District. Progress on status of capital projects is reported to the board during the mid-term budget review.

Designated Fund Balances

The District's Designated Fund Balances Policy is adopted by the District's Board of Directors. This policy represents affirmation of the Board's commitment to financial prudence and careful stewardship of community assets. These funds are designated to carry out specific purposes to ensure prudent management of the District's financial resources. The policy specifies minimum and maximum target balances to be established in each Board-designated fund. All fund balances will be subject to review by the Board when the District's annual financial audit is completed to ensure fund balances meet the goals established in the policy.

To ensure adequate funding to meet the District's short-term and long-term planned capital expenditures and its commitment to the community, the maximum target balance of the District's designated fund balance for capital and equipment for water operations has been adjusted so as not to exceed five fiscal years of approved planned capital expenditures.

Contacting the District's Finance Department

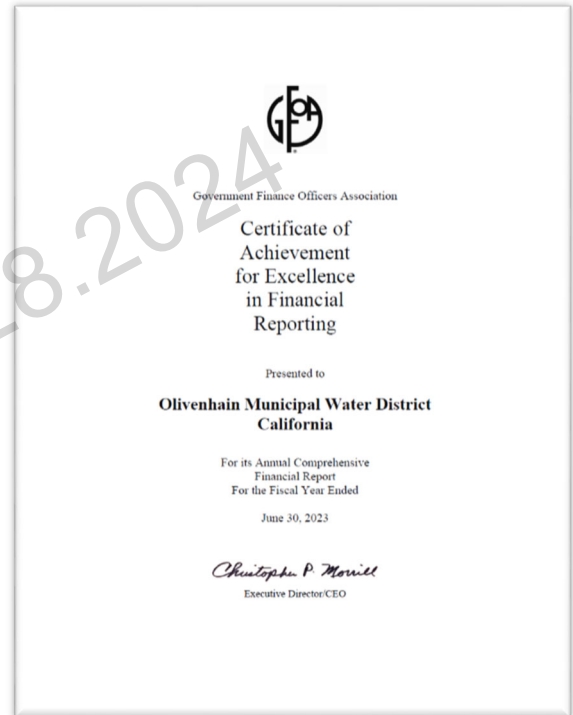
This financial report is designed to provide the Board, customers, creditors and investors with a general overview of the District's financial condition. Should you have any questions regarding the content of this report, please contact Rainy Selamat, the District's Finance Manager, at (760) 753-6466.

Certificate of Achievement

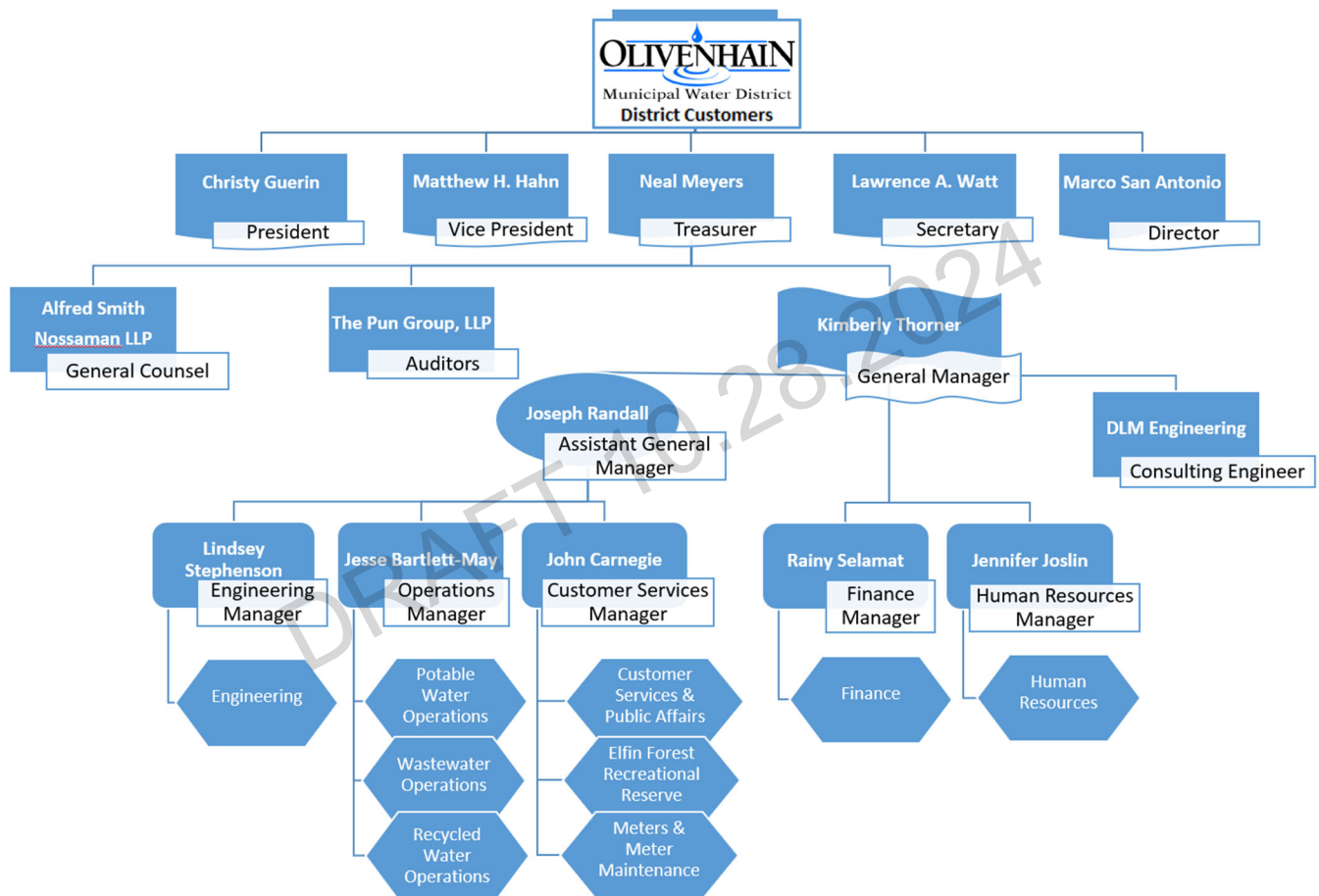
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Olivenhain Municipal Water District for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. This was the 29th consecutive year that the District has received this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

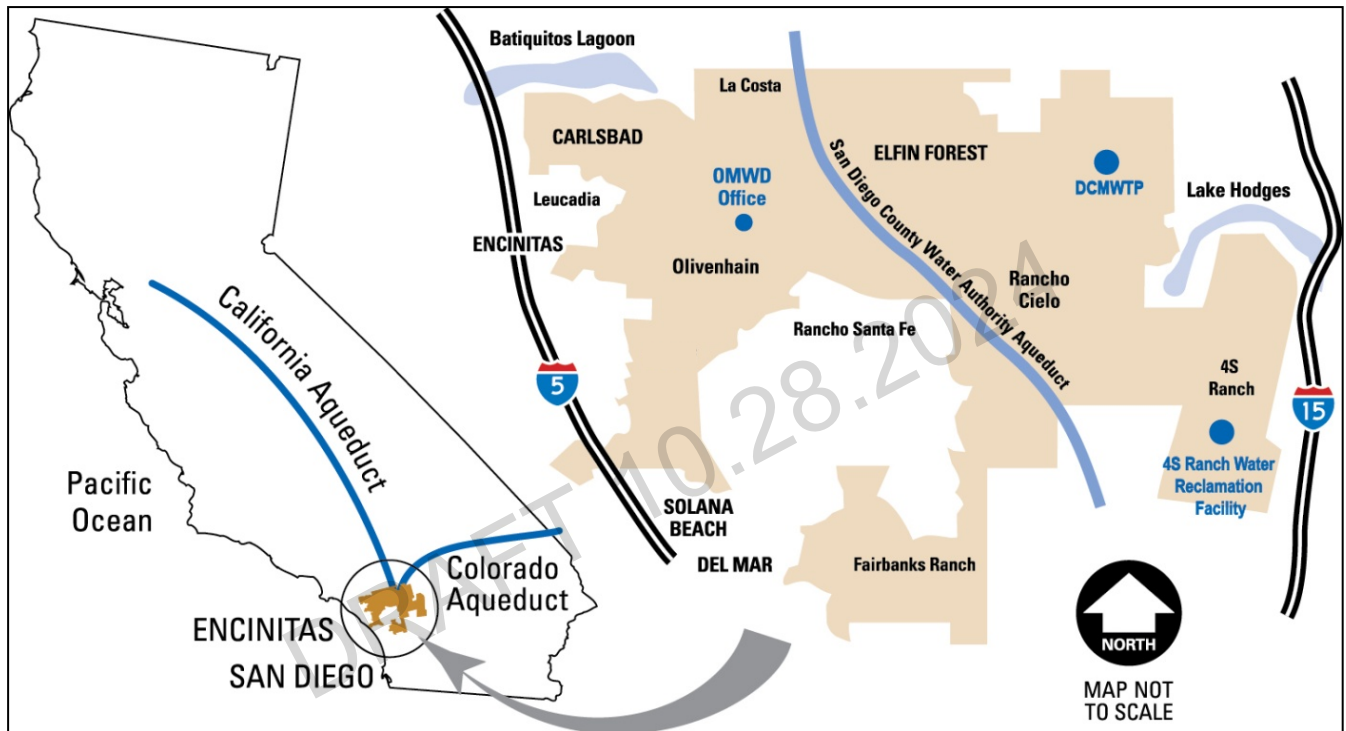


Organization Chart- *Printer to replace with org chart that includes BOD pictures*



The elected five board members delegate management responsibility of the day-to-day operations of the District to an appointed General Manager. The District is an “at will employer.” All of the District’s employees serve at the pleasure of the General Manager.

District Service Area



Acknowledgements

The preparation of this report could not have been accomplished without support and input from all departments and our independent auditor, The Pun Group, LLP. We would also like to particularly thank the Board of Directors for their continued dedication supporting the highest level of prudent fiscal management.

Respectfully Submitted:

Kimberly A. Thorner

Kimberly A. Thorner, Esq.
General Manager

Rainy K. Selamat

Rainy K. Selamat
Finance Manager

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Olivenhain Municipal Water District
Encinitas, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Olivenhain Municipal Water District, California (the "District"), which comprise the statements of net position as of June 30, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows, for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the 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 Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government 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 GAAS and the *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets, the Schedule of Contributions – Defined Benefit Pension Plans, and the Schedule of Proportionate Share of the Net Pension Liability as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical Sections but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

San Diego, California
November 4, 2024

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**OLIVENHAIN MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended June 30, 2024**

Our discussion and analysis of Olivenhain Municipal Water District's (District) basic financial statements provides general readers with an overview of the District's financial position and results of operations for the fiscal year ended June 30, 2024. Included in this section are:

- Financial highlights;
- Overview of the accompanying basic financial statements;
- Financial analysis of the District as a whole;
- A discussion of financial restrictions, commitments and limitations.

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the audited financial statements. These statements are in the section following the MD&A.

Financial Highlights

During the fiscal year ended June 30, 2024, the following events impacted, or create the potential to impact, the finances of the District:

- On January 17, 2024, the District's Board of Directors approved a 7.4% revenue adjustment to water rates and charges to pass through increases in the District's purchased water wholesale costs from San Diego County Water Authority (SDCWA) and an inflation adjustment based on a year-over-year percent change in the San Diego County Consumer Price Index for All Urban Consumers (CPI-U). The proposed revenue adjustment resulted in rate increases to the District's rates and fixed charges that became effective with water consumption beginning on March 1, 2024.
- In March of 2024, Fitch reviewed and reaffirmed the District's AAA bond rating on the 2015A and 2016A Water System Refunding Revenue Bonds. The Fitch rating reflects the District's ability to maintain a strong financial performance while keeping rates affordable.
- In June of 2024 the District's Board of Directors approved a new 5-year Wastewater rate ordinance and a 5.5% increase to the District's wastewater (sewer) rates and charges effective July 1, 2024, following the completion of the 2024 Wastewater Cost of Service Study
- The District completed a Single Audit for fiscal year 2024 as a result of grant funds expended for its recycled water, Advanced Metering Infrastructure (AMI) expansion projects, and FEMA COVID Relief funding. The District reported \$6.28 million in federal award expenditures, \$3.3 million of which was passed through to grant subrecipients. No Single Audit findings were reported by the District's auditors.
- As of June 2024, the District has refunded \$1,075,404 to its customers via the Rate Reimbursement Credit (RRC) program, which was established by the Board of Directors in March of 2022. The program stemmed from refund payments received totaling \$3,661,917 as a result of settlement proceeds from the SDCWA. The Board voted to pass on the refunds to District customers via the RRC. More information about the District's RRC is included under the Water Operations section of the Management Discussion and Analysis (MD&A).
- Total Revenues increased in comparison to the prior year due to fluctuations in the District's water demand from changes in weather conditions, changes in water rates and charges, increases in investment income, increases in unrealized gains, and increases in grant revenues earned for the District's recycled water and Advanced Metering Infrastructure projects..

OLIVENHAIN MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
Fiscal Year Ended June 30, 2024

- Total Expenses increased as a result of an increase in cost to purchase water from the District's potable and recycled water suppliers, an increase in operating costs due to inflation, and an increase to Other Non-Operating Expense resulting from the \$3.3 million grant pass-through expense for the District's Title XVI grant. The pass-through expense was for amounts received and passed through to grant subrecipients, and a corresponding revenue amount was also recorded by the District, in compliance with Generally Accepted Accounting Principles. An increase in pension expense resulting from the District's GASB Statement No. 68 adjustments also contributed to the increase in total expenses.
- Total Assets increased due to a slight increase in cash from water sales and investment yields and an increase in grants receivable for the Title XVI grant funds awarded to the District and other subrecipients. These increases were partially offset by a decrease in Net Capital Assets due to depreciation, which decreased the carrying value of the District's Capital Assets.
- Deferred Outflows of Resources decreased from the prior year due to amounts from the District's pension that vary from year-to-year based on California Public Employees Retirement System (CalPERS) actuarial assumptions and Governmental Accounting Standards Board (GASB) Statement No. 68 reporting requirements. More information on the District's pension plan can be found in Note 10 of the financial statements.
- Total Liabilities increased slightly due to an increase in amounts owed to vendors, the \$3.3 million owed to subrecipients of the Title XVI grant, and an increase in Net Pension Liability, which fluctuates from year-to-year based on California Public Employees Retirement System (CalPERS) actuarial assumptions and Governmental Accounting Standards Board (GASB) Statement No. 68 reporting requirements. These increases were partially offset by the District's paydown of its long-term debt.
- Deferred Inflows of Resources increased from the prior year due to an increase in deferred amounts on leases from the renewal of an existing cell tower lease during the year. The District is a lessor for leases of land, primarily cell tower sites, and recognizes leases receivable and deferred inflows of resources related to these leases. Decreases to the District's leases receivable and deferred inflows are recorded as lease payments are received. The District's lease receivables for leases of land comply with GASB Statement No. 87. This was partially offset by a decrease in Deferred amounts on Pension due to CalPERS actuarial assumptions and GASB Statement No. 68 reporting requirements.
- The District's Net Position as of June 30, 2024 increased by \$5.0 million compared to fiscal year 2023. The increase was primarily due to an increase in grant revenues, which included Title XVI grant funds, and an increase to investment income. The average return on investments increased from 1% to 3.21% in fiscal year 2023, and to 3.89% by the end of fiscal year 2024, which increased the District's investment income when comparing year over year. Throughout the fiscal year, the District managed its cash flow accordingly to maximize investment income and take advantage of higher yields.
- The District adopted GASB Statement No. 100, "Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62". The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Application of this statement did not have a significant effect on the District's financial reporting for the fiscal year ended June 30, 2024.

More information about the overall analysis of the District's financial position and results of operations is provided in the following sections.

OLIVENHAIN MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
Fiscal Year Ended June 30, 2024

Overview of the Financial Statements

For financial statement purposes, the District combines several internally maintained funds into one enterprise fund. The financial statements present the financial position, results of operation, and changes in cash balances using the accrual basis of accounting. This methodology is used to account for operations that are financed and operated in a manner similar to business enterprises, where services provided are paid through user charges.

Required Basic Financial Statements

The required financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. These statements offer short-term and long-term financial information about the District. Each financial statement is identified, defined, and analyzed in the following sections.

The Statement of Net Position includes the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This statement provides financial information about the nature of investments and ownership (assets), consumption of net position that applies to future periods (deferred outflows), obligations of the District to its bond investors and creditors for all purchases made (liabilities), and acquisition of net position that applies to future periods (deferred inflows). The Statement of Net Position also assesses the liquidity and financial position of the District.

The Statement of Revenue, Expenses, and Changes in Net Position accounts for all activities during the fiscal year. This statement measures the success of the District's operations during the reporting period and can be used to assess whether or not the District has successfully recovered all of its costs through its user fees and other charges. This statement also measures the District's profitability and ability to meet its financial commitments.

The Statement of Cash Flows accounts for the District's cash activities during the reporting period. The primary purpose of this report is to provide information to the general reader about cash inflows and outflows which occurred during the reporting fiscal year. This statement shows cash receipts, cash disbursements, and changes in cash balances based on operating, capital and related financing, noncapital and related financing, and investing activities. The Statement of Cash Flows helps the reader answer the following questions: Where did cash come from? What was cash used for? And, what was the change in cash during the fiscal year?

Financial Analysis of the District as a Whole

The following statements contain a summary of financial information that was extracted from the basic financial statements to assist general readers in evaluating the District's overall financial position and results of operations as described in this MD&A. Increases or decreases in these statements can be used as performance indicators to assess whether the District's overall financial position has improved or deteriorated. At the same time, other external factors such as changes in economic conditions, growth, and legislative mandates should also be considered as part of this assessment.

Net Position

Net Position is the difference between assets acquired, owned, and operated by the District plus its deferred outflows of resources, and its amounts owed (liabilities) plus its deferred inflows of resources. In accordance with Generally Accepted Accounting Principles (GAAP), capital assets acquired through purchase or construction by the District are recorded at historical cost. Capital assets contributed by developers are recorded at developers' bonded cost. Net Position represents the District's net worth including, but not limited to, capital contributions received to date and all investments in capital assets since formation. Net Position helps answer the following question: "Is the District, as a whole, better or worse off as a result of the year's activities?"

OLIVENHAIN MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
Fiscal Year Ended June 30, 2024

Highlights of Statement of Net Position

	Fiscal Year ended June 30		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current Assets - unrestricted	\$ 95,833,829	\$ 89,298,112	\$ 93,308,859
Current Assets - restricted	16,666,572	14,570,261	12,899,002
Capital Assets, net	371,202,111	374,715,143	375,213,684
Noncurrent Assets- unrestricted	10,556,981	9,355,778	9,955,712
Other Noncurrent Assets	13,717	17,219	35,463
Total Assets	<u>494,273,210</u>	<u>487,956,513</u>	<u>491,412,720</u>
Deferred amounts on refunding	716,964	857,886	1,016,228
Deferred amounts from pension	7,033,805	7,296,286	2,731,692
Total Deferred Outflows of Resources	<u>7,750,769</u>	<u>8,154,172</u>	<u>3,747,920</u>
Current Liabilities - unrestricted	16,237,483	14,598,670	14,224,239
Current Liabilities - restricted	3,726,543	189,507	158,941
Compensated Absences, long-term	987,859	1,189,983	939,187
Net Pension Liability	17,930,299	16,832,760	7,819,768
Long-term Debt	36,792,890	42,393,127	47,891,832
Total Liabilities	<u>75,675,074</u>	<u>75,204,047</u>	<u>71,033,967</u>
Deferred amounts on pension	298,347	720,171	6,995,887
Deferred amounts on leases	9,811,059	8,953,346	9,796,852
Total Deferred Inflows of Resources	<u>10,109,406</u>	<u>9,673,517</u>	<u>16,792,739</u>
Invested in Capital Assets, net of related debt	330,711,440	332,382,861	328,832,740
Restricted Net Assets	12,129,396	10,503,646	7,727,858
Unrestricted Net Assets	73,398,663	68,346,614	70,773,336
Total Net Position	<u>\$ 416,239,499</u>	<u>\$ 411,233,121</u>	<u>\$ 407,333,934</u>

For a detailed discussion regarding the changes in total net position, please see the section for the Statement of Revenues, Expenses and Changes in Net Position in the following pages.

Current Assets - unrestricted: an increase in fiscal year 2024 compared to 2023, and a decrease in fiscal year 2023 compared to 2022. This was due to a combination of fluctuations in water sales from changes in water demand due to weather conditions and annual rate increases, changes in sewer revenue collected, and realized and unrealized gains in 2024 on the District's investments.

Current Assets - restricted: An increase in fiscal year 2024 compared to 2023, and an increase in fiscal year 2023 compared to 2022. The increase in fiscal year 2024 compared to 2023 is primarily due to a large grant receivable due to the District from the Title XVI grant. The increase in fiscal year 2023 compared to 2022 was due to an increase in grant receivables recognized for the District's Manchester Recycled Pipeline Extension project.

OLIVENHAIN MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
Fiscal Year Ended June 30, 2024

Capital Assets, net: a decrease between fiscal years 2024 and 2023, and a decrease between fiscal years 2023 and 2022. These decreases are primarily due to increases in accumulated depreciation, which decreased the carrying value of the District's Capital Assets. The decreases were partially offset by increases in capital assets from Construction in Progress (CIP) projects that were capitalized during the fiscal year. See note 6 of the District's financial statements for more details on the District's capital assets.

Noncurrent Assets- unrestricted: an increase in fiscal year 2024 compared to 2023, and a decrease between fiscal year 2023 compared to 2022. The increase between fiscal years 2024 and 2023 was due to an increase in the District's lease receivable resulting from a new cell tower site agreement. Governmental Accounting Standards Board Statement (GASB) No. 87 – Leases requires the District to recognize a noncurrent asset for the lease payments that are expected to be received during the lease term of the District's leases, which are primarily composed of cell tower sites. The District has 17 existing lease agreements, which generate other non-operating revenue for the District. The decrease between fiscal years 2023 and 2022 is due to a decrease in the District's leases receivable for its cell tower sites, as a result of regular lease payments received throughout the year.

Other Noncurrent Assets: a decrease between fiscal years 2024 and 2023 and a decrease between fiscal years 2023 and 2022. The decrease in fiscal year 2024 compared to 2023 was caused by the decrease in pre-paid bond insurance. The decrease in fiscal year 2023 compared to 2022 was due to the decrease in pre-paid bond insurance and payments made on loan receivables issued by the District to qualified Home Owners' Associations (HOAs) under the Recycled Water Loan Program. The program, which was implemented in fiscal year 2017, offers financial assistance in the form of low-interest loans to qualified HOAs that retrofit their potable water irrigation system to recycled water. All loans were paid off in fiscal year 2023 by the respective HOAs.

Deferred Outflows of Resources: In 2024, the District had Deferred Outflows of Resources of \$7.8 million, a decrease of \$403 thousand compared to fiscal year 2023. In 2023, the District had Deferred Outflows of Resources of \$8.2 million, an increase of \$4.5 million compared to fiscal year 2022. The change in the District's Deferred Outflows was primarily due to fluctuations in recorded pension amounts as a result of changes in pension contributions subsequent to the measurement date, differences in actual and expected expenses, assumption changes, proportion changes, and net differences between projected and actual earnings on plan investments, as required by GASB Statement No. 68. The remaining change in the District's Deferred Outflows is due to decreases in the deferred loss on refunding recognized for the District's Water System Revenue Bonds. More information on the District's Long-term debt can be found in Note 8 of the basic financial statements.

Current Liabilities – unrestricted: an increase between fiscal years 2024 and 2023, and an increase between fiscal years 2023 and 2022. The changes were due to fluctuations in the District's payables related to water purchases and the District's operations. Changes to the current portion of compensated absences and the current portion of long-term debt also contributed to the increase in Current Liabilities - unrestricted.

Current Liabilities – restricted: an increase in fiscal year 2024 compared to 2023, and an increase in fiscal year 2023 compared to 2022. The Increase in fiscal year 2024 is due to a \$3.3 million in grants payable related to the Title XVI grant that is owed to grant subrecipients. Fluctuations in restricted payables related to the District's various construction projects also contributed to the increases.

Compensated Absences, long-term: a decrease in fiscal year 2024 compared to fiscal year 2023 and an increase in fiscal year 2023 compared to fiscal year 2022. The changes are due to fluctuations in accrued benefits included in the Memorandum of Understanding between the District and its two bargaining units that was executed in 2021. In fiscal year 2022, the District implemented GASB 101 – Compensated Absences and accrued the Social Security and Medicare portion of the District's compensated absences liability, which contributed to the increase in 2023.

**OLIVENHAIN MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
Fiscal Year Ended June 30, 2024**

Net Pension Liability: an increase of \$1.1 million in fiscal year 2024 compared to 2023, and an increase of \$9.0 million in fiscal year 2023 compared to 2022. Net Pension Liability is reported at \$17.9 million for fiscal year 2024 and is based on the District's proportionate share of the net pension liability for the Miscellaneous Classic and Public Employees' Pension Reform Act (PEPRA) plans under the CalPERS retirement program. The District's Net Pension Liability for each fiscal year was recorded based on CalPERS actuarial report as of June 30th of the prior year. The District's Net Pension Liability was \$16.8 million and \$7.8 million for fiscal years 2023 and 2022, respectively.

Long-term Debt: a decrease in fiscal year 2024 compared to 2023 and a decrease in fiscal year 2023 compared to 2022. The decreases were due to the District's regular payments on outstanding debt. The long-term debt decreased every year for the current portion of these debts paid down in each fiscal year. For more information on the District's outstanding bond debts and payment schedules see Note 8 to the financial statements.

Deferred Inflows of Resources: The District had Deferred Inflows of Resources of \$10.1 million in fiscal year 2024, an increase of \$436 thousand compared to 2023. The District had Deferred inflow of resources of \$9.7 million in fiscal year 2023, a decrease of \$7.1 million compared to fiscal year 2022. The increase in fiscal year 2024 compared to 2023 and decrease in fiscal year 2023 compared to 2022 were due to changes in deferred inflows for the District's pension plan, which vary from year-to-year due to CalPERS actuarial assumptions and GASB 68, as described in the above Net Pension Liability Section.

Total Net Position: Total Net Position increased in fiscal year 2024 compared to 2023 by \$5.0 million and increased between fiscal years 2023 and 2022 by \$3.9 million. The increases in both fiscal year 2024 and 2023 were primarily due increases in grant revenue and investment income. The average return on investments increased from 0.97% at the end of fiscal year 2022, to 3.21% at the end of fiscal year 2023, and increased again to 3.89% at the end of fiscal year 2024, which increased the District's investment income. Additionally, the District recognized a significant amount of grant revenue in 2024 and 2023, which was used to fund its recycled water and Advanced Metering Infrastructure (AMI) projects. Fluctuations in the District's Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and pension expense based on California Public Employees Retirement System (CalPERS) actuarial assumptions and Governmental Accounting Standards Board (GASB) Statement No. 68 reporting requirements have also contributed to the year-to-year changes in the District's Total Net Position.

Statement of Revenues, Expenses and Changes in Net Position

While the Statement of Net Position focuses on the District's financial position at June 30 of each year, the Statement of Revenues, Expenses, and Changes in Net Position summarizes the District's operations during the year. Revenues are recognized (recorded) when water or services are provided, and expenses are recorded when incurred. Operating revenues and expenses are primarily related to the District's core activities (potable water, recycled water, and wastewater service). Non-operating revenues and expenses are not directly related to the core activities of the District (investment income, property taxes, and capacity charges).

Water Operations

During fiscal year 2024, the District provided potable water and recycled water services to 29,085 active meters. Water services include reading and billing water meters on a monthly basis, a back-flow prevention program, meter maintenance, water quality services, and other on-site services as requested by District customers, including testing meters for accuracy and checking for water leaks.

The District's five board members have independent rate-setting authority. The District's rate structure for monthly water service fees is comprised of three components: commodity charge, monthly system access charge, and SDCWA Infrastructure Access Charge. The District's rates and charges are set to cover the cost of providing water services, such as system administration costs, operations and maintenance expenses, and capital improvement and replacement needs.

**OLIVENHAIN MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
Fiscal Year Ended June 30, 2024**

On December 11, 2019, the District's Board of Directors adopted an ordinance that allowed the District to pass through to its water customers, for the following five years: (1) increased costs in Purchased Wholesale Water from the San Diego County Water Authority (SDCWA), (2) increases to the District's Cost of Operations and Maintenance and Capital Facilities based on over-the-year percent change in the San Diego Consumer Price Index for All Urban Customers (CPI-U); and (3) any increases in water rates or any other charges mandated and imposed by the State of California. A 2019 Water Cost of Service Study was the basis for allocating costs and calculating the proposed adjustments and increases to the District's water services charges, and a Proposition 218 hearing was held on November 13, 2019 to consider public comment. Per the ordinance, the District's total of annual pass-through increases shall not exceed 9% per year through December 31, 2024.

A new Water Cost of Service Study was conducted in 2024 and revenue adjustments for rates effective January 1, 2025 and thereafter are currently being considered by the Board of Directors.

About 75% of the District's water revenues are collected from commodity charges. The District's commodity charge for domestic customers consists of a tiered rate structure with higher rates per unit of water as the level of consumption increases, a water conservation-based pricing. Commodity revenues vary from month to month depending on water consumption. Commodity rates for domestic customers range from \$4.24 to \$8.14 per unit (one unit equals 748 gallons of water).

About 25% of the District's water revenues are collected from fixed monthly system access charges. The District's fixed monthly system access charge is established on the basis of meter size of the property receiving water service. Currently, average customers with a ¾ inch meter pay a typical bill of \$44.79 per month for their monthly system access charge. SDCWA Infrastructure Access Charge is imposed by SDCWA on District water meters for the purpose of recovering certain SDCWA infrastructure costs. Currently, average customers pay a typical bill of \$4.41 per month for their monthly SDCWA Infrastructure Access Charge.

In March of 2022, the District's Board of Directors established the District's Rate Reimbursement Credit (RRC) Program, which helps reduce the impact of current and future OMWD water rate increases on customers' monthly water bills. The program stemmed from a refund payment received totaling \$3,661,917 from the SDCWA for the District's share of settlement proceeds resulting from lawsuits between 2010 and 2018, where SDCWA challenged the Metropolitan Water District's (MWD) Water Stewardship Rate. The District's Board of Directors voted to return the \$3,661,917 to all District potable water customers (excluding construction users) as a credit on their monthly water bills equaling 6.9 cents per unit of water billed, this was then increased to 11 cents per unit of water billed, until the full amount has been dispersed. As of June 2024, the District has refunded \$1,075,404 to District customers via the RRC program.

The District's water pricing remains competitive compared to other water districts in the County.

Wastewater (Sewer) Operations

The District's 4S Ranch Water Reclamation Facility (4S WRF) collects and treats sewage effluent from two areas within its boundaries, 4S Ranch and Rancho Cielo. These service areas, comprised of a wide variety of commercial, industrial, and residential uses, encompass a total of approximately 4,000 acres.

In May of 2024, the District's Board of Directors adopted an ordinance that authorized the District to pass-through to its wastewater customers, for the next five fiscal years (fiscal year 2025 – fiscal year 2029), cost increases to collect, treat, and dispose of sewage and costs to maintain the 4S Ranch Wastewater and Reclamation Facilities within the 4S Ranch Sanitation District. These increases were also necessary for the planned construction of wastewater capital improvements needed to replace and refurbish the District's aging wastewater facilities. The Board of Directors adopted a 5.5% revenue increase adjustment effective July 1, 2024 and 5.5% increases thereafter on July 1st of each fiscal year for fiscal years 2026-2029.

**OLIVENHAIN MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
Fiscal Year Ended June 30, 2024**

The District's wastewater rate consists of two components: a service access charge, which is a fixed charge; and a commodity charge, which reflects each customer's wintertime water use. The wintertime water use (December through March) for each single-family residential customer is capped at 10 hundred cubic feet (HCF). The cap of 10 HCF was based on the 90th percentile of minimum wintertime water usage. Other wastewater customer types (multi-family and commercial) are billed commodity charges based on their monthly water usage, as these customers have separate irrigation meters. Revenue derived from the rates and charges is used for the recovery of operations and maintenance costs of the District's wastewater operations, as well as capital improvement expenditures.

Wastewater service fees are billed via the property tax roll and collected by the County of San Diego Property Tax Services Division. Currently, the District bills approximately 7,340 equivalent dwelling units (EDUs) for wastewater discharged from residential and commercial customers.

Recycled Water Operations

The 4S Ranch Water Reclamation Facility (4S WRF) is capable of treating wastewater effluent to California Administrative Code Title 22 levels so that treated water from this plant can be used for irrigation purposes in the southeast portion of the District's service area. The District also buys recycled water from other agencies to supply its recycled water demand in the southeast as well as the northwest portion of the District's service area. Recycled water sold by the District to its retail customers is either produced at the 4S Ranch Water Reclamation Facility or purchased from Rancho Santa Fe Community Services District, the City of San Diego, San Elijo Joint Powers Authority, and Vallecitos Water District.

Recycled water revenues are collected from commodity rates and a monthly system access charge. The District adopted a uniform rate structure for collecting recycled water user fees based on monthly water consumption, and adjusts this fee annually to ensure it covers the costs of operation. The recycled commodity rate is currently billed at \$4.29 per unit (one unit equals 748 gallons of water).

The District continues to expand its recycled water system in the southeast and northwest recycled water service areas. The board approved the Recycled Water Retrofit Loan Program, which offers financial assistance in the form of low-interest loans to qualified Homeowners' Associations' (HOA) that retrofit their potable water irrigation system to recycled water.

Highlights of Statement of Revenues, Expenses, and Changes in Net Position

	Fiscal Year ended June 30		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Revenues			
Operating Revenues:			
Water Sales	\$56,723,757	\$53,633,877	\$57,747,541
Sewer Charges	5,443,940	5,621,985	5,480,925
Other Operating Revenues	<u>1,606,103</u>	<u>1,084,666</u>	<u>1,303,126</u>
Total Operating Revenues	<u>63,773,800</u>	<u>60,340,528</u>	<u>64,531,592</u>
Non-Operating Revenues:			
Property Tax Revenues	4,802,446	4,577,755	4,242,794
Capacity Charges	577,702	1,327,295	1,530,925

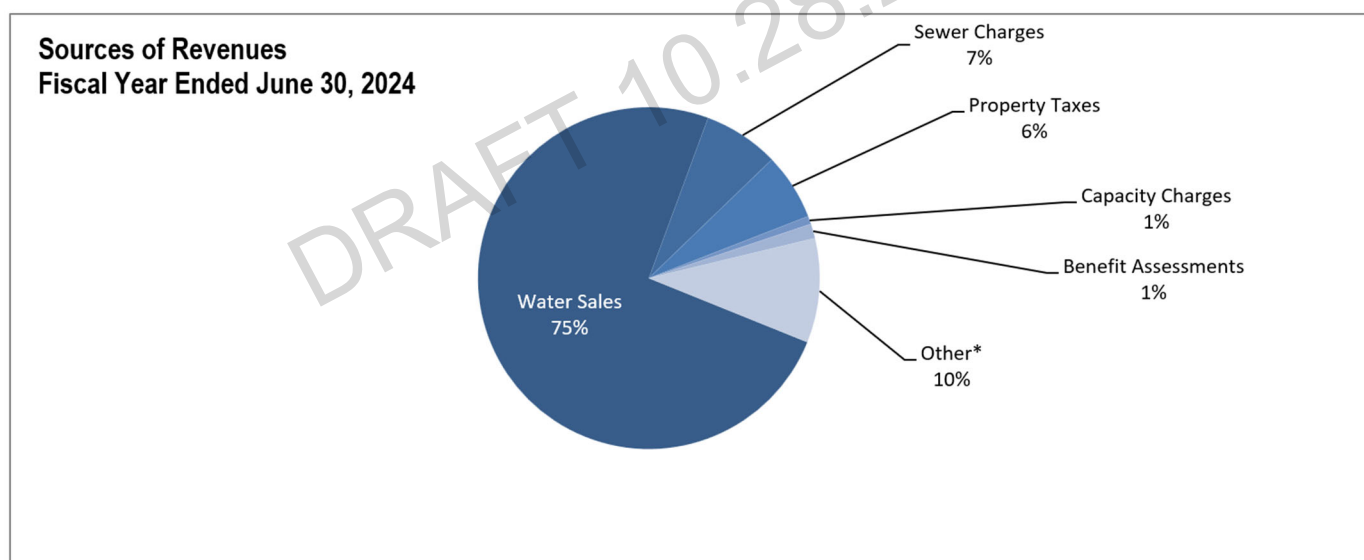
OLIVENHAIN MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
Fiscal Year Ended June 30, 2024

Benefit Assessment Revenues	1,048,779	1,045,315	1,058,241
Investment			
Income	3,195,143	2,105,348	402,702
Fair Market Value Adjustment	1,355,207	(207,285)	(2,467,642)
Other Non-Operating Revenues	<u>1,361,331</u>	<u>1,055,260</u>	<u>2,237,334</u>
Total Non-Operating Revenues	<u>12,340,608</u>	<u>9,903,688</u>	<u>7,004,354</u>
Total Revenues	<u>76,114,408</u>	<u>70,244,216</u>	<u>71,535,946</u>
Expenses			
Operating Expenses:			
Cost of water sold	30,712,658	29,609,781	31,265,804
Depreciation	16,207,532	15,910,790	16,132,953
General and administrative	8,700,174	6,865,224	7,745,048
Pumping and water treatment	5,246,548	4,353,775	4,322,820
Transmission and distribution	4,992,405	4,434,815	4,485,962
Sewer collection and treatment	2,026,890	2,026,695	2,170,341
Customer services	2,412,185	1,754,190	2,036,267
Facilities maintenance	1,441,133	1,274,751	1,387,010
Elfin Forest Recreational Reserves	493,779	386,905	428,174
Other Operating Expenses	<u>395,808</u>	<u>212,580</u>	<u>304,037</u>
Total Operating Expenses	<u>72,629,112</u>	<u>66,829,506</u>	<u>70,278,416</u>
Non-Operating Expenses:			
Interest Expense, net	1,171,516	1,220,156	1,322,948
Other Non-Operating, net	<u>4,291,473</u>	<u>1,935,949</u>	<u>606,602</u>
Total Non-Operating Expenses	<u>5,462,989</u>	<u>3,156,105</u>	<u>1,929,550</u>
Total Expenses	<u>78,092,101</u>	<u>69,985,611</u>	<u>72,207,966</u>

**OLIVENHAIN MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
Fiscal Year Ended June 30, 2024**

Income (loss) before Capital Contributions	(1,977,693)	258,605	(672,020)
Capital Contributions	<u>6,984,071</u>	<u>3,640,582</u>	<u>569,745</u>
Changes in Net Position	5,006,378	3,899,187	(102,275)
Beginning Net Position	<u>411,233,121</u>	<u>407,333,934</u>	<u>407,436,209</u>
Ending Net Position	<u><u>\$416,239,499</u></u>	<u><u>\$411,233,121</u></u>	<u><u>\$407,333,934</u></u>

Revenues



Total Revenues: as reported on the Statement of Revenues, Expenses and Changes in Net Position for fiscal year ended June 30, 2024, total revenues were \$76.1 million, an 8.4% increase compared to fiscal year 2023. Total revenues in fiscal year 2023 were \$70.2 million, a 1.8% decrease compared to fiscal year 2022. The change in fiscal year 2024 compared to 2023 was due to an increase in water sales revenue from an increase in water rates, and an increase in investment revenue due to an increase in investment yields. The decrease in fiscal year 2023 compared to 2022 was due to a decrease in operating revenue from lower-than-average water demand caused by wet weather conditions during the year. Water demand varies year to year based on weather conditions and other factors. This decrease was partially offset by an increase in investment income compared to the prior year as a result of an increase in investment yields.

Operating Revenues: an increase in fiscal year 2024 compared to 2023, and a decrease between fiscal years 2023 and 2022 due to changes in water consumption. The fluctuation in water consumption was offset by the 7.4% revenue adjustment in fiscal year 2024 and 5.9% revenue adjustment in 2023 water rates and charges. Fluctuations in water sales are due to year-to-year changes in customers' water consumption behaviors which vary depending on weather conditions. Revenues from wastewater charges decreased in fiscal year 2024 and increased in fiscal year 2023 due to fluctuations in water usage, which affects wastewater bills, and increases in wastewater rates and charges.

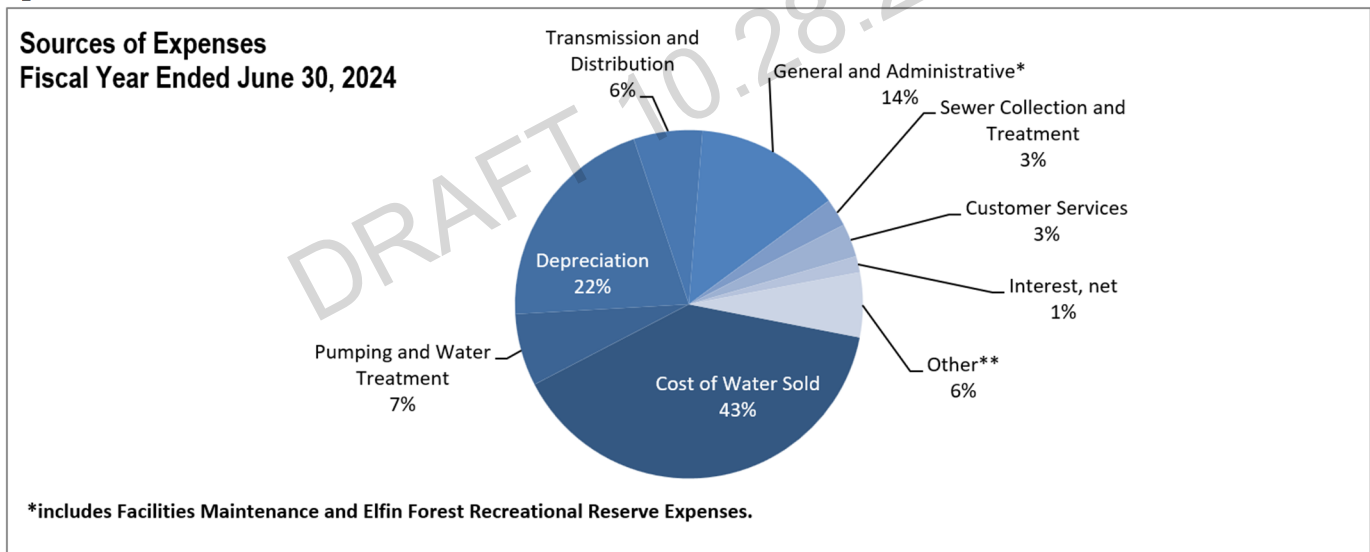
Other Operating Revenues: an increase in fiscal year 2024 compared to 2023, and a decrease in fiscal year 2023 compared to 2022. The decrease in fiscal year 2023 and increase in fiscal year 2024 are due to fluctuations in the revenue from the selling of excess treatment services to Vallecitos Water District from the David C. McCollom Water Treatment Plant (DCMWTP).

**OLIVENHAIN MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
Fiscal Year Ended June 30, 2024**

Vallecitos Water District temporarily shut down its pipeline for planned repairs during the last three months of fiscal year 2022 and first six months of fiscal year 2023, which resulted in a decrease in revenue from the selling of excess treatment services during those years.

Non-operating Revenues: an increase in fiscal year 2024 compared to 2023, and an increase in fiscal year 2023 compared to 2022. The increases in both fiscal years 2024 and 2023 were due to higher investment income during both years. The average return on investments increased from 0.97% at the end of fiscal year 2022, to 3.21% at the end of fiscal year 2023, and increased again to 3.89% by the end of fiscal year 2024. The increases were partially offset by decreases in capacity fees collected during both fiscal years. Fluctuations in the amounts collected from the District's property tax revenues, and benefit assessment revenues from the 96-1 Reassessment District Limited Obligation Improvement Bonds also contributed to the changes in Non-operating revenues over the years.

Expenses



Total Expenses: fiscal year ended June 30, 2024 reported expenses were \$78.1 million. Included in Total Expenses were \$72.6 million in Operating Expenses and \$5.5 million in Non-operating Expenses. Total Expenses reported in fiscal years 2023 and 2022 were \$70.0 and \$72.2 million, respectively.

Operating Expenses: increased in fiscal year 2024 compared to fiscal year 2023 and decreased in fiscal year 2023 compared to fiscal year 2022. The increase in costs in fiscal year 2024 is due to increases in costs to purchase water, the impact of higher inflation on District water and sewer operating expenses, and an increase in salary and wages based on the 2021 Memorandum of Understanding between the District, its District Employee Association, and the Bargaining Unit Members Associations. The District also recorded an increase in pension expense as a result of adjustments required by GASB Statement No. 68. The decrease in costs in fiscal year 2023 compared to 2022 was primarily due to the decreased cost to purchase water from the District's potable and recycled water suppliers due to reduced water consumption in 2023. The District also recorded a reduction in pension expense as a result of adjustments required by GASB Statement No. 68. These reductions were partially offset by higher costs of power, fuel, and chemicals to operate the treatment plants due to rising costs.

Other Non-operating Expenses, net: increased in fiscal years 2024 compared to fiscal year 2023 and increased in fiscal year 2023 compared to fiscal year 2022. The increases in fiscal years 2024 and 2023 are due to about \$3.3 million and \$1.0 million of pass-through grant funds in 2024 and 2023 respectively that were disbursed to subrecipient members of the North San Diego Water Reuse Coalition (NSDWRC) as part of its Title XVI grant.

OLIVENHAIN MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
Fiscal Year Ended June 30, 2024

A corresponding revenue amount was recorded as income under the Capital Contributions section of the District's Statement of Revenues, Expenses, and Changes in Net Position. Pursuant to the District's Board of Directors' established Rate Reimbursement Credit (RRC) program, the District passed on \$490,920 and \$444,688 to the District's customers in 2024 and 2023, respectively, and recognized these amounts as Other Non-operating Expenses. More information on the District's Rate Reimbursement Credit (RRC) program is included under the Water Operations section earlier in the Management Discussion and Analysis (MD&A).

Income (loss) before Capital Contributions & Capital Contributions

Income (loss) before Capital Contributions: decreased in fiscal year 2024 compared to 2023 and increased in fiscal year 2023 compared to fiscal year 2022. These fluctuations were primarily due to changes in water sales, investment income, unrealized gains and losses on the District's investments, increases in water and sewer operating expenses as a result of higher inflation, and changes in pension expense as a result of adjustments required by GASB Statement No. 68. The District also recognized about \$3.3 million and \$1.0 million of pass-through Title XVI grant funds in 2024 and 2023 respectively, that were disbursed to subrecipients, and contributed to the decrease. A corresponding revenue amount was recorded as income under the Capital Contributions section of the District's Statement of Revenues, Expenses, and Changes in Net Position.

Capital Contributions: increased in fiscal year 2024 compared to fiscal year 2023 and increased in fiscal year 2023 compared to fiscal year 2022, primarily due to grant revenue. In fiscal year 2024, the District recognized \$6.4 million in grant revenue, including \$2.9 million for its share of the NSDWRC Title XVI grant, and \$3.3 million in pass-through revenue due to subrecipients. Pass-through funds are recorded as Capital Contributions when earned, with a corresponding recognition in Other Non-operating Expenses, in accordance with Generally Accepted Accounting Principles. In 2024, the District also received grant revenue from grants related to the Advanced Metering Infrastructure (AMI) project. In fiscal year 2023, the District recognized \$1 million in pass-through grant revenue as part of the Title XVI grant. The District also recognized \$2.2 million in grant revenue for its share of funds earned as part of its Title XVI, Proposition 1, Proposition 84, and AMI grants. Grant funds are used to help finance the District's recycled water projects and its Advanced Metering Infrastructure (AMI). The District also recognized contributed revenue for assets received from major developers, which fluctuates from year to year, but has been steadily decreasing, as a result of the District being mostly built out.

Changes in Net Position

Changes in Net Position for the fiscal year ended June 30, 2024, amounted to an increase of \$5.0 million. The Changes in Net Position for the fiscal years ended June 30, 2023, and June 30, 2022, amounted to an increase of \$3.9 million and a decrease of \$102 thousand, respectively. The fluctuations over the last three fiscal years were primarily attributed to the changes in Total Revenues from water sales, grant revenue, investment income, and increases in the District's operating expenditures as a result of increased inflation. Fluctuations in the District's Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and pension expense based on California Public Employees Retirement System (CalPERS) actuarial assumptions and Governmental Accounting Standards Board (GASB) Statement No. 68 reporting requirements have also contributed to the year-to-year changes in the District's Net Position.

**OLIVENHAIN MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
Fiscal Year Ended June 30, 2024**

Restrictions, Commitments, and Limitations

Capital Assets and Improvement Program

Condensed Schedule of Capital Assets

	As of June 30, 2024	As of June 30, 2023	As of June 30, 2022
Description			
Capital Assets, net of depreciation	\$ 322,752,333	\$ 332,489,700	\$ 336,787,649
Land and Steel Tanks	30,866,760	30,866,760	30,866,760
Construction In Progress	17,583,018	11,358,683	7,559,275
Net Capital Assets	<u>\$ 371,202,111</u>	<u>\$ 374,715,143</u>	<u>\$ 375,213,684</u>

The District's capital assets were financed through a combination of cash and debt financing. Construction in Progress (CIP) is currently being funded using cash accumulated in unrestricted funds and restricted cash for construction. The District's CIP fluctuated from year-to-year depending on the construction cost of infrastructure projects that are currently under construction or are in the planning stages. The District has a Ten (10) Year Capital Spending Plan for its Water and Sewer Capital Improvement Program to address its water and sewer infrastructure needs. The District is currently estimated at 95% build out. The District's ten-year financial projections for water and sewer are included in the Long-Term Financial section of the General Manager's Recommended Biennial Budget document which is available on the District's website, www.olivenhain.com.

The District's Net Capital Assets in service as of June 30, 2024, were \$371.2 million, net of \$258.6 million in accumulated depreciation and amortization. Included in the total Net Capital Assets is \$17.6 million in Construction in Progress (CIP), which includes: the Neighborhood 1 Sewer Pump Station Replacement, San Elijo Valley Groundwater Project, recycled water extensions, and other capital improvement projects that are in various stages of construction. More information on the District's Capital Assets can be found in Note 6 of this report.

The District elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting for its Steel Water Storage Tanks System starting in September 2007. Under GASB Statement No. 34, eligible infrastructure capital is not required to be depreciated if all requirements are met.

The Tank Assessment Index (TAI) minimum established by the District is 5.0. The average TAI for fiscal year 2024 is 9.1, well above the established index. The average TAI for fiscal years 2023 and 2022 was 9.2 and 9.0 respectively. The current lowest TAI is 8.2, and the highest is 9.9. It cost about the same as expected to maintain and preserve infrastructure assets at target conditions during the current period.

More detailed information regarding the modified approach can be found in note 1 of the Required Supplementary Information.

Debt Administration

The District has one (1) note payable and five (5) bond issues outstanding: the 2013 State Revolving Fund, the 2019 Reassessment 96-1 Limited Obligation Improvement Bonds, the 2015 Water System Refunding Revenue Bonds Payable, the 2016 Water System Refunding Revenue Bonds Payable, and the 2021A and 2021B Wastewater Revenue Bonds Payable. The District's outstanding bonded indebtedness as of June 30, 2024 is as follows:

**OLIVENHAIN MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
Fiscal Year Ended June 30, 2024**

Schedule of Bond Indebtedness for fiscal year ended 2024

Description	Year Issued	Total Sold	Final Maturity Date	Interest Rate Range		Bonds Outstanding As of June 30, 2024		
				From	To	Current	Long Term	Total
2019 Reassessment 96-1 Limited Obligation Improvement Bonds	2019	\$ 7,130,000	9/2/2027	2.09%	2.09%	\$ 892,931	\$ 2,797,851	\$ 3,690,782
2013 State Revolving Fund	2013	17,069,309	7/1/2035	2.30%	2.30%	846,161	9,083,311	9,929,472
2015 Water System Refunding Revenue Bonds Payable	2015	23,455,000	6/1/2028	2.00%	5.00%	2,035,000	6,710,000	8,745,000
2016 Water System Refunding Revenue Bonds Payable	2016	15,990,000	6/1/2039	2.13%	5.00%	615,000	11,130,000	11,745,000
2021A Wastewater Revenue Bonds Payable	2021	5,042,140	6/1/2041	2.14%	2.14%	216,210	4,161,270	4,377,480
2021B Wastewater Revenue Refunding Bonds Payable	2021	3,932,970	6/1/2028	1.14%	1.14%	581,980	1,786,450	2,368,430

For the fiscal year ended June 30, 2024 the ratio of 2019 Reassessment 96-1 Limited Obligation Improvement Bonds to assessed value was 0.01% and the net bonded debt per capita was \$42.

In March of 2024, Fitch Ratings reviewed and reaffirmed the District's 2015A Water System Refunding Revenue Bonds and 2016 Water Revenue Refunding Bonds "AAA" rating. These revenue bonds are secured by the District's net water system revenues after payment of water operations and maintenance (O&M) expenses.

For more details regarding the District's existing long-term debt, please see Note 8 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The winter of 2022-2023 brought an end to a three-year dry period and helped improve water supplies in both California and the Colorado River basin. The exceptionally wet winter eased state-mandated water use restrictions and relieved pressures associated with the perennial drought. A second consecutive wet winter in 2023-2024 had similar impacts, eliminating drought conditions in California, and further driving down water demands from residents. The consecutive wet winters had a direct impact on water sales for both wholesale and retail water providers, putting pressure on revenue streams that support their operations. Despite the recent wet weather conditions, longer-term weather forecasts indicate a hotter and drier southwest climate in future years as the El Niño weather conditions continue to strengthen.

Meanwhile, purchased water costs from the District's water suppliers have increased. The potable water wholesalers from which the District receives water, Metropolitan Water District of Southern California ("MWD") and San Diego County Water Authority ("SDCWA"), have both implemented dramatic increases in their water rates. While the District continues to keep the costs of its water operations as low as possible, purchased water wholesale costs are external and non-controllable. Purchased water wholesale costs imposed on the District by SDCWA and by Recycled Water Wholesalers make up approximately 60% of the District's water operating costs. Purchased Water Wholesale Costs from SDCWA are anticipated to increase by as much as 39% over the next three years starting on January 1, 2025.

Although inflation has begun to cool, with the US Inflation rate at 2.4% as of September 2024, down from 3.7% in September 2023, costs have risen more than 18% due to inflation from January 2021 to June 2024 based on changes in the San Diego-Carlsbad Consumer Price Index for All Urban Customers ("CPI"). The impact of high inflation has put pressure on the District's operating and capital budget over the last three years. High energy, fuel, and chemical prices have been the drivers for increased operating costs to operate the District's treatment plants; the David McCollom Water Treatment Plant and the 4S Wastewater Treatment Plant and Reclamation Facility.

**OLIVENHAIN MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
Fiscal Year Ended June 30, 2024**

At the June 2024 Board of Directors meeting, the Board approved the Operating and Capital Budget for Fiscal Years 2025 and 2026. At the meeting, staff demonstrated challenges brought by rising costs of untreated water supplies, combined with high inflation rates and decreased water sales, which will put upward pressure on future rate increases. To mitigate excess rate increases for Fiscal Year 2025 and Fiscal Year 2026, the Board directed staff to strategically delay select non-critical CIP projects to reduce expenses in the coming fiscal budget cycle. As part of its cost savings efforts, the District also continued to aggressively pursue and obtain grant funding to help fund its CIP projects.

Absorbing significant increases in purchased water wholesale costs and inflation would negatively impact OMWD's financial stability. To avoid these negative impacts, the District engaged an independent financial consultant to conduct a cost-of-service study, which was completed in 2024. The study resulted in proposed rate increases, over the next five years starting January 1, 2025, that keep pace with anticipated purchased water wholesale costs increases and inflation. On October 16, 2024, the Board of Directors held a public hearing to consider public comments regarding the proposed increases to the District's rates effective January 1, 2025 that would authorize the District, for the five-year period commencing January 1, 2025 to December 31, 2029, to pass through certain charges not to exceed 12%, and adopt demand reduction rates for its water consumption charge. The proposed revenue adjustment for rates effective January 1, 2025 is 7.8%, and the proposed annual revenue adjustments recommended by the study for the next five years range from 4% to 8.1%. The Board is scheduled to vote on the proposed adjustments at a special board meeting on November 6, 2024.

To help offset proposed adjustments' bill impact to water customers, the Board is planning to increase the existing Rate Reimbursement Credit (RRC) program by increasing the existing credit of 11 cents for each unit of water billed up to 22 cents per unit of water billed to customers. As a result, the bill impact for an average District water customer is approximately 5% for rates effective January 1, 2025.

On the wastewater side, the District continues to collect and treat wastewater from its 4S Ranch Sanitation and Rancho Cielo Sanitation Districts. Annual wastewater service fees are collected by the District on each property owner's property tax bill. Wastewater service fees are due and payable at the same time when a property owner's tax bill is due to the San Diego County Tax Assessor's Office in April and in December of each year.

In 2024, the District completed a cost of service study for wastewater rates, which addressed inflationary pressures and other projected increases in uncontrollable costs through a five-year implementation of wastewater rates and charges adjustments. The study recommended five-year annual revenue adjustments of 5.5% starting July 1, 2024, along with a \$6.5 million debt issuance to help pay for the District's wastewater CIP while preventing rate spikes. In June of 2024, and following a May 2024 rate hearing, the District's Board of Directors adopted an ordinance that would allow staff to adjust wastewater rates each year for the next five fiscal years as recommended by the study and starting with fiscal year 2024-2025.

Despite ongoing cost and inflationary pressures, the District is positioned for financial stability in the years to come, as a result of fiscally responsible budgeting and rate setting.

Contacting the District's Financial Management

This financial report is designed to provide the District's rate payers, bond investors and other interested parties with a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives and the stewardship of the facilities it maintains. If you have questions about this report or need additional information, contact the Olivenhain Municipal Water District's Finance Department at 1966 Olivenhain Road, Encinitas, California 92024, call the District at (760) 753-6466, or send inquires to our website at www.olivenhain.com.

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BASIC FINANCIAL STATEMENTS

Olivenhain Municipal Water District
Statements of Net Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$ 50,475,982	\$ 43,744,879
Investments	30,921,101	33,451,454
Accounts receivable - water and sewer, net	10,129,094	8,352,651
Interest receivable	413,665	337,527
Taxes receivable	212,142	210,021
Leases receivable, due within one year	418,980	403,389
Other receivables	388,813	384,301
Inventories	1,599,976	1,659,616
Prepaid expenses	1,274,076	754,274
Total unrestricted assets	95,833,829	89,298,112
Restricted assets:		
Cash and cash equivalents	7,279,624	9,676,866
Investments	2,565,301	2,761,401
Taxes receivable	49,448	53,206
Grants receivable	6,772,199	2,078,788
Total restricted assets	16,666,572	14,570,261
Total current assets	112,500,401	103,868,373
Noncurrent assets:		
Capital assets, nondepreciable	48,449,778	42,225,443
Capital assets, depreciable/amortizable, net	322,752,333	332,489,700
Capital assets, net	371,202,111	374,715,143
Leases receivable, due in more than one year	10,556,981	9,355,778
Prepaid bond insurance	13,717	17,219
Total noncurrent assets	381,772,809	384,088,140
Total assets	494,273,210	487,956,513
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	716,964	857,886
Pension-related deferred outflows of resources	7,033,805	7,296,286
Total deferred outflows of resources	7,750,769	8,154,172

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Olivenhain Municipal Water District
Statements of Net Position (Continued)
June 30, 2024 and 2023

	2024	2023
LIABILITIES		
Current liabilities:		
Liabilities payable from unrestricted assets:		
Accounts payable	\$ 8,657,197	\$ 7,808,544
Accrued payroll	566,875	580,760
Customer deposits	403,045	374,833
Payable related to work in progress	234,210	199,070
Compensated absences, current portion	1,150,778	961,314
Current portion of long-term debt:		
Wastewater revenue bonds	798,190	787,310
Water revenue refunding bonds	2,650,000	2,520,000
Special assessment debt with government commitment	892,931	883,019
Notes payable	846,161	415,868
Subscription liability	38,096	67,952
Total liabilities payable from unrestricted assets	16,237,483	14,598,670
Liabilities payable from restricted assets:		
Accounts payable	109,838	74,242
Interest payable	292,603	115,265
Grants payable	3,324,102	-
Total liabilities payable from restricted assets	3,726,543	189,507
Total current liabilities	19,964,026	14,788,177
Noncurrent liabilities:		
Compensated absences	987,859	1,189,983
Net pension liability	17,930,299	16,832,760
Long-term debt, excluding current portion:		
Wastewater revenue bonds	5,947,720	6,745,910
Water revenue refunding bonds	18,954,304	21,958,273
Special assessment debt with government commitment	2,797,851	3,711,672
Notes payable	9,083,311	9,929,472
Subscription liability	9,704	47,800
Total noncurrent liabilities	55,711,048	60,415,870
Total liabilities	75,675,074	75,204,047
DEFERRED INFLOWS OF RESOURCES		
Pension-related deferred inflows of resources	298,347	720,171
Lease-related deferred inflows of resources	9,811,059	8,953,346
Total deferred inflows of resources	10,109,406	9,673,517
NET POSITION		
Net investment in capital assets	330,711,440	332,382,861
Restricted for:		
Debt service	2,194,962	2,258,202
Construction	9,934,434	8,245,444
Total restricted	12,129,396	10,503,646
Unrestricted	73,398,663	68,346,614
Total net position	\$ 416,239,499	\$ 411,233,121

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Olivenhain Municipal Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2024 and 2023

	2024	2023
OPERATING REVENUES		
Water sales	\$ 56,723,757	\$ 53,633,877
Sewer charges	5,443,940	5,621,985
Other water operating revenues	1,606,103	1,084,666
Total operating revenues	63,773,800	60,340,528
OPERATING EXPENSES		
Cost of purchased water sold	30,712,658	29,609,781
Pumping and water treatment	5,246,548	4,353,775
Transmission and distribution	4,992,405	4,434,815
Sewer collection and treatment	2,026,890	2,026,695
Elfin Forest recreation reserve operations	493,779	386,905
Facilities maintenance	1,441,133	1,274,751
Customer services	2,412,185	1,754,190
General and administrative	8,700,174	6,865,224
Other operating expenses	395,808	212,580
Depreciation and amortization	16,207,532	15,910,790
Total operating expenses	72,629,112	66,829,506
Operating (loss)	(8,855,312)	(6,488,978)
NONOPERATING REVENUES (EXPENSES)		
Fair market value adjustment	1,355,207	(207,285)
Investment income	3,195,143	2,105,348
Property taxes	4,802,446	4,577,755
Capacity charges	577,702	1,327,295
Benefit assessments	1,048,779	1,045,315
Other nonoperating revenues	1,361,331	1,055,260
Interest expense, net	(1,171,516)	(1,220,156)
Other nonoperating expenses	(4,291,473)	(1,935,949)
Total nonoperating revenues (expenses)	6,877,619	6,747,583
Income (loss) before capital contributions	(1,977,693)	258,605
Capital contributions	6,984,071	3,640,582
Changes in net position	5,006,378	3,899,187
Net position, beginning of year	411,233,121	407,333,934
Net position, end of year	\$ 416,239,499	\$ 411,233,121

Olivenhain Municipal Water District
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from water and sewer customers	\$ 62,021,066	\$ 61,337,349
Payments for water	(29,727,466)	(30,212,660)
Payments for services and supplies	(11,331,389)	(8,878,715)
Payments for employee wages, benefits, and related costs	(14,036,821)	(12,953,543)
Net cash provided by operating activities	6,925,390	9,292,431
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes and benefit assessments received	5,852,863	5,583,500
SDCWA water rebate payment	-	18,930
Net cash provided by noncapital financing activities	5,852,863	5,602,430
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(12,297,061)	(14,493,861)
Proceeds from grants and capital contributions	1,685,094	1,495,622
Principal paid on long-term debt	(4,695,039)	(4,862,730)
Interest paid on long-term debt	(1,207,235)	(1,487,744)
Capacity charges received	587,076	1,364,791
Proceeds from sale of capital assets	132,030	-
Other capital financing receipts	870,222	1,055,261
Other capital financing expenses paid	(720,143)	(1,655,542)
Net cash (used in) capital and related financing activities	(15,645,056)	(18,584,203)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	9,951,111	3,000,000
Purchases of investments	(6,000,000)	(2,957,913)
Investment income received	3,249,553	1,121,975
Net cash provided by investing activities	7,200,664	1,164,062
Net increase (decrease) in cash and cash equivalents	4,333,861	(2,525,280)
Cash and cash equivalents, beginning of year	53,421,745	55,947,025
Cash and cash equivalents, end of year	\$ 57,755,606	\$ 53,421,745
FINANCIAL STATEMENT PRESENTATION		
Cash and cash equivalents	\$ 50,475,982	\$ 43,744,879
Cash and cash equivalents - restricted assets	7,279,624	9,676,866
Total cash and cash equivalents	\$ 57,755,606	\$ 53,421,745

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Olivenhain Municipal Water District
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2024 and 2023

	2024	2023
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (8,855,312)	\$ (6,488,978)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation and amortization	16,207,532	15,910,790
GASB 68 adjustment to pension expense	938,196	(1,827,310)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Receivables	(1,780,956)	977,045
Inventories	59,641	(144,711)
Prepaid expenses and deposits	(519,800)	434,473
Increase (decrease) in liabilities:		
Accounts payable	874,422	58,151
Accrued payroll and compensated absences	(26,545)	353,196
Customer deposits	28,212	19,775
Net cash provided by operating activities	\$ 6,925,390	\$ 9,292,431
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Contributions of capital assets	\$ 605,565	\$ 386,344
Amortization of premiums	\$ (353,969)	\$ (413,422)
Unrealized gains (losses) on investments	\$ 1,355,207	\$ (207,285)

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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Olivenhain Municipal Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 1 – Reporting Entity

The Olivenhain Municipal Water District (the “District”) is a governmental corporation governed by an elected five-member board of directors. The District was incorporated in 1959 under the provisions of the California Municipal Water District Act of 1911. The District’s 48 square mile service area lies in northern San Diego County and the majority of its sales are to domestic and business users. The District’s offices are located in Encinitas, California.

The basic financial statements of the District include the blended financial activities of the District and the Olivenhain Municipal Water District Financing Corporation (the “Corporation”).

The Corporation was formed in 1997 under the California Nonprofit Public Benefit Corporation Law. Its sole purpose is to assist the District in acquiring and financing various public facilities.

The criteria used in determining the inclusion of a component unit in the reporting entity for financial reporting purposes are: (1) appointment of voting majority of the component unit board, (2) ability to impose its will, (3) financial benefit or burden, and (4) fiscal dependency.

In keeping its books and records, the District has established various self-balancing groups of accounts in order to enhance internal control and to further the attainment of other management objectives. These groups of accounts, which are sub funds of the reporting entity, are identified in the District’s books and records as the General Fund, Recycled Water Capacity Fee Fund, Treated Water Capacity Fee Fund, Reassessment District 96-1 Fund, 4S Sanitation District Fund, Rancho Cielo Sanitation District Fund, 2015 Water System Revenue Refunding Bond Fund, 2016 Water System Revenue Refunding Bond Fund, 2021A Revenue Bond Fund, 2021B Revenue Bond Fund, and 2013 State Revolving Fund Note Payable. All significant inter sub-fund transactions and accounts are eliminated in the combination of the accounts of the sub-funds for the basic financial statements of the District.

Note 2 – Summary of Significant Accounting Policies

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

A. Financial Statements

The financial statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and statement of cash flows) report information on all of the activities of the District. The statement of revenues, expenses, and changes in net position demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

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

The financial statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

Deferred Outflows of Resources represent a consumption of net assets that applies to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent an acquisition of net assets that applies to future periods and that, therefore, will not be recognized as revenue until that time.

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

C. Use of Restricted/Unrestricted Assets

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

D. Cash, Cash Equivalents, and Investments

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

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

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

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

E. Restricted Assets

Amounts shown as restricted assets have been restricted by debt agreements, by law or regulations, or by contractual obligations to be used for specified purposes, such as service of debt and construction of capital assets.

F. Water and Wastewater (Sewer) Sales

Water sales revenue is recorded when water is delivered and service is rendered, including an estimated amount for unbilled service. Wastewater (sewer) service fees are collected on each property owner's property tax bill on an annual basis. Sewer bills are due and payable at the same time when a property owner's tax bill is due to the San Diego County Tax Assessor's Office, April and December of each year.

G. Allowance for Doubtful Accounts

The District recognizes bad debt expense relating to water and sewer receivables when it is probable that the accounts will be uncollectible. Water and sewer accounts receivable at June 30, 2024 and 2023 have been reduced by an allowance for doubtful accounts of \$110,000.

H. Leases Receivable

Lessor

The District is a lessor for leases of land, primarily cell tower sites, and recognizes leases receivable and deferred inflows of resources related to leases in the financial statements as required by GASB Statement No. 87 *Leases*. At the commencement of a lease, the lease receivable is measured at the present value of payments expected to be received during the lease term. As lease revenue is earned, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are reduced in a straight-line method over the life of the lease term as revenue is recognized.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

H. Leases Receivable (Continued)

Lessor (Continued)

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District used U.S. Treasury rates at the time of GASB Statement No. 87 implementation for its existing leases. The District will use the current rate at the time a new lease is executed.
- The lease term includes the noncancelable period of the lease plus any option periods that are likely to be exercised.
- Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

I. Inventories

Materials inventory is stated at current average cost and was reduced by an allowance for obsolete inventory of \$206,600 at June 30, 2024 and 2023. Water inventory is stated at its purchase cost using the first-in, first-out method.

J. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

K. Capital Assets, Depreciation and Amortization

Capital assets are valued at cost when constructed or purchased. Contributed capital assets are recorded at developer bonded cost. The District capitalizes all assets with a historical cost of at least \$10,000 and a useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Depreciation or amortization on capital assets in service, excluding land, is computed using the straight-line method over the estimated useful lives of such assets and is reported as an operating expense. Capital projects are subject to depreciation or amortization when completed and placed in service. The ranges of estimated useful lives of capital assets are as follows:

Treatment and distribution system	10-75 years
Non-steel tanks	10-60 years
General plant	3- 40 years
Capacity rights	17 years

The District is amortizing capacity rights and is reviewing it annually for impairment, and any impairment losses are recognized in the period in which the impairment is determined.

In September 2007, the District elected to use the Modified Approach as defined by GASB Statement No. 34 for reporting the steel water storage tanks subsystem of infrastructure capital assets.

The detail of the subsystems is not presented in these basic financial statements. However, the operating departments maintain information regarding the subsystems.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Capital Assets, Depreciation and Amortization (Continued)

Per GASB Statement No. 34, a condition assessment will be performed every three years on the steel tanks. The condition of the District's steel water storage tanks is determined using the USCI AMRS via their maintenance program. The tank condition rating, which is a weighted average of an assessment of the ability of individual steel water storage tanks to function structurally, such that water is stored safely and securely, uses a numerical condition scale ranging from 1.0 (unacceptable) to 10.0 (very good).

It is the District's policy to keep all the steel water storage tanks at a condition level of not less than 5.0 (satisfactory). All steel water storage tanks are inspected every two years and washed out every other year. Repairs are done on an as needed basis.

L. Subscription-Based Information Technology Arrangements (SBITAs)

The District has a policy to recognize a subscription liability and a right-to-use subscription asset (subscription asset) in the financial statements. The District recognizes subscription liabilities with an initial, individual value of \$10,000 or more with a subscription term greater than one year. Variable payments based on future performance of the District's usage of the underlying IT asset, or number of user seats are not included in the measurement of the subscription liability, rather, those variable payments are recognized as outflows of resources (expenses) in the period the obligation for those payments is incurred.

At the commencement of a SBITA, the District initially measures the subscription liability at the net present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

Subscription assets are recorded at the amount of the initial measurement of the subscription liabilities, less any payments made to the SBITA vendor before the commencement of the subscription term, and capitalizable initial implementation cost, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

Costs associated with a SBITA, other than the subscription payments, are accounted for as follows:

- ***Preliminary Project Stage:*** Outlays are expensed as incurred.
- ***Initial Implementation Stage:*** Outlays are capitalized as an addition to the subscription asset.
- ***Operation and Additional Implementation Stage:*** Outlays are expensed as incurred unless they meet specific capitalization criteria.

Upon adoption, the District elected to exclude the capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage that were incurred prior to the implementation of this Statement in the measurement of subscription assets as of July 1, 2021.

Subscription assets are reported in capital assets and subscription liabilities are reported with long-term liabilities on the statement of net position.

Subscription assets are amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT asset, unless the subscription contains a purchase option that the District has determined is reasonably certain of being exercised. In this case, the subscription asset is amortized over the useful life of the underlying IT asset.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

L. Subscription-Based Information Technology Arrangements (SBITAs) (Continued)

Key estimates and judgments related to SBITA include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The District used the U.S. Treasury rates at the time of GASB Statement No. 96 implementation for its existing SBITAs. The District will use the current rate at the time of a new SBITA agreement is executed. If available, the District uses the interest rate charged by the SBITA vendor as the discount rate.
- The subscription term includes the noncancellable period of the SBITA. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its subscription liability and will remeasure it accordingly if certain changes occur that are expected to significantly affect the liability.

M. Capital Contributions

Capital contributions are recorded when the District receives cash contributions or accepts contributions of capital assets in kind or when governmental construction grants are earned. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses, and Changes in Net Position.

N. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused personal leave time up to a maximum of 992 hours, which includes both vacation and sick pay benefits. Sick time may be accumulated up to a maximum of 640 hours. The vacation accumulation maximum is based on number of years of continuous service and ranges from 192 hours to 352 hours. All personal leave time is accrued when incurred. In fiscal year 2022, the District implemented GASB Statement No. 101, *Compensated Absences*.

O. Long-Term Obligation

Debt premiums and discounts, if any, are deferred and amortized over the life of the debt. Long-term debt is reported net of the applicable bond premium or discount. Debt issuance costs are expensed when incurred.

P. Refunding of Debt

Gains or losses occurring from current or advance refunding of debt are reported as deferred inflows or outflows of resources and are being amortized over the original remaining life of the old debt or the life of the new debt, whichever is less.

Q. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System ("CalPERS") plans ("Plans") and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The District is participating in a cost-sharing multiple-employer defined benefit plan.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

R. Property Taxes

The County of San Diego (the “County”) bills and collects property taxes on behalf of the District. The County’s tax calendar year is July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

S. Capacity Charges

Capacity charges are water and wastewater (sewer) capacity fees paid by new property owners prior to connecting to the District’s system. Such charges are periodically adjusted based upon changes in construction cost index and/or other factors. Owner capacity charges are nonrefundable and are recorded as nonoperating revenues when collected.

T. Net Position

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

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of notes or borrowing that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

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

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

U. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

V. Reclassification

For the year ended June 30, 2024, certain classifications may have been changed to improve financial statement presentation. For comparative purposes, prior year balances may have been reclassified to conform with the current fiscal year 2024 presentation.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

W. Implementation of New GASB Pronouncements for the Year Ended June 30, 2024

During fiscal year ended June 30, 2024, the District has implemented the following new GASB Pronouncements:

- In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Application of this statement did not have a significant effect on the District's financial reporting for the fiscal year ended June 30, 2024.

X. Upcoming Governmental Accounting Standards Implementation

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

- In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Application of this statement is effective for the District's fiscal year ending June 30, 2025.
- In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. Application of this statement is effective for the District's fiscal year ending June 30, 2026.

Note 3 – Cash, Cash Equivalents, and Investments

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

	2024	2023
Statement of Net Position:		
Current assets:		
Cash and cash equivalents	\$ 50,475,982	\$ 43,744,879
Restricted cash and cash equivalents	7,279,624	9,676,866
Investments	30,921,101	33,451,454
Restricted investments	2,565,301	2,761,401
Total cash and investments	<u>\$ 91,242,008</u>	<u>\$ 89,634,600</u>
Cash and investments consist of the following:		
Cash on hand	\$ 1,496	\$ 1,496
Deposits with financial institutions	2,155,044	2,809,866
Investments	89,085,468	86,823,238
Total cash and investments	<u>\$ 91,242,008</u>	<u>\$ 89,634,600</u>

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

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

A. Demand Deposits

As of June 30, 2024, the carrying amount of demand deposits was \$2,155,044 and the bank balance was \$2,548,991 compared to \$2,809,866 and \$3,729,278 at June 30, 2023, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in the District's name as discussed below under *Disclosures Relating Custodial Credit Risk*.

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Government Sponsored Entities	5 years	50%	None
Banker's Acceptances	180 days	20%	3%
Commercial Paper	270 days	20%	5%
Certificates of Deposit	3 years	30%	\$250,000
Repurchase Agreements	90 days	20%	None
Reverse Repurchase Agreements	90 days	10%	None
Medium-Term Notes	5 years	30%	5%
Money Market Mutual Funds, Depository Accounts	N/A	20%	5%
Municipal Obligations	N/A	30%	5%
Local Government Investment Pool	N/A	30%	None
Local Agency Investment Fund	N/A	50%	\$40,000,000

C. Investments Authorized by Debt Agreements

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

D. Disclosures Relating to Interest Rate Risk

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

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

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

D. Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2024.

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund (LAIF)	\$ 6,609,408	\$ 6,609,408	\$ -	\$ -
California Asset Management Program (CAMP)	25,575,955	25,575,955	-	-
Money Market Mutual Funds	5,459,862	5,459,862	-	-
U.S. Government Sponsored Entities	30,566,542	7,836,280	17,888,182	4,842,080
Municipal Obligations	998,460	-	998,460	-
U.S. Treasury Obligations	19,875,241	18,944,071	931,170	-
Total	<u>\$ 89,085,468</u>	<u>\$ 64,425,576</u>	<u>\$ 19,817,812</u>	<u>\$ 4,842,080</u>

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2023.

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund (LAIF)	\$ 9,265,185	\$ 9,265,185	\$ -	\$ -
California Asset Management Program (CAMP)	27,320,397	27,320,397	-	-
Commercial Paper	496,070	496,070	-	-
Money Market Mutual Funds	2,560,872	2,560,872	-	-
U.S. Government Sponsored Entities	32,865,835	8,243,281	6,527,480	18,095,074
Municipal Obligations	998,530	-	-	998,530
U.S. Treasury Obligations	13,316,349	11,463,930	954,140	898,279
Total	<u>\$ 86,823,238</u>	<u>\$ 59,349,735</u>	<u>\$ 7,481,620</u>	<u>\$ 19,991,883</u>

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

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

E. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a Nationally Recognized Statistical Rating Organization (“NRSRO”). Presented below is the minimum rating required by (where applicable) the California Government Code, the District’s Investment Policy, or debt agreements, and the Moody’s rating for each investment type at June 30, 2024. (CAMP is rated by Standard and Poor’s and has a rating of AAA).

Investment Type	Total	Minimum Legal Rating	Rating as of Year End			
			AAA	AA	A/1+	Not Rated
Local Agency Investment Fund (LAIF)	\$ 6,609,408	N/A	\$ -	\$ -	\$ -	\$ 6,609,408
California Asset Management Program (CAMP)	25,575,955	AAA	25,575,955	-	-	-
Money Market Mutual Funds	5,459,862	N/A	-	-	-	5,459,862
U.S. Government Sponsored Entities	30,566,542	AAA	30,566,542	-	-	-
Municipal Obligations	998,460	A1/A+	998,460	-	-	-
U.S. Treasury Obligations	19,875,241	N/A	19,875,241	-	-	-
Total	\$ 89,085,468		\$ 77,016,198	\$ -	\$ -	\$ 12,069,270

Presented below is the minimum rating required by (where applicable) the California Government Code, the District’s Investment Policy, or debt agreements, and the Moody’s rating for each investment type at June 30, 2023.

Investment Type	Total	Minimum Legal Rating	Rating as of Year End			
			AAA	AA	A/1+	Not Rated
Local Agency Investment Fund (LAIF)	\$ 9,265,185	N/A	\$ -	\$ -	\$ -	\$ 9,265,185
California Asset Management Program (CAMP)	27,320,397	AAA	27,320,397	-	-	-
Commercial Paper	496,070	A-1	496,070	-	-	-
Money Market Mutual Funds	2,560,872	N/A	-	-	-	2,560,872
U.S. Government Sponsored Entities	32,865,835	AAA	32,865,835	-	-	-
Municipal Obligations	998,530	A1/A+	998,530	-	-	-
U.S. Treasury Obligations	13,316,349	N/A	13,316,349	-	-	-
Total	\$ 86,823,238		\$ 74,997,181	\$ -	\$ -	\$ 11,826,057

Concentration of Credit Risk

The investment policy of the District is in accordance with limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. Investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments is as follows:

Issuer	Investment Type	2024	2023
Federal Home Loan Bank	U.S. Govt Sponsored Entities	\$ 30,566,543	\$ 30,661,988

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

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

F. Disclosures Relating Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2024 and 2023, \$2,298,991 and \$3,479,278 of the District's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

G. Local Agency Investment Fund (LAIF)

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

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

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

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

As of June 30, 2024, the District had \$6,609,408 invested in LAIF, which had invested 0.001% of the pool investment funds in structured notes and asset-backed securities compared to \$9,265,185 and 0.20% at June 30, 2023. LAIF is part of the State's Pooled Money Investment Account (PMIA). The District valued its investments in LAIF as of June 30 by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 0.99631604 and 0.984828499 as of June 30, 2024 and 2023, respectively.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

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

H. California Asset Management Program (CAMP)

The District is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust) and has a rating of AAA. The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act for the purpose of exercising the common power of its Participants to invest funds. The investments are limited to investments permitted by California Government Code. The total amount invested by all public agencies in CAMP at June 30, 2024 and 2023 was \$16.0 billion and \$16.0 billion, respectively. A board of seven trustees who are officials or employees of public agencies has oversight responsibility for CAMP. The value of the pool shares in CAMP, which may be withdrawn at any time, is determined on an amortized cost basis, which is different from the fair value of the District's position in the pool. At June 30, 2024 and 2023 the amortized cost approximated is the District's cost.

I. Fair Value Measurements

The following is a summary of the fair value hierarchy of investments held by the District as of June 30, 2024:

	Fair Value Measurement Using	
	Significant Inputs (Level 2)	Other Observable Inputs (Level 2)
		June 30, 2024
Investments by Fair Value Level		
U.S. Government Sponsored		
Entity Securities		
FHLB	\$ 30,566,542	\$ 30,566,542
U.S. Treasury Securities	19,875,241	19,875,241
Municipal Bonds	998,460	998,460
Total Investments by Fair Value Level	<u>\$ 51,440,243</u>	<u>51,440,243</u>
Investments not subject to fair value hierarchy:		
Local Agency Investment Fund (LAIF)		6,609,408
California Asset Management Program (CAMP)		25,575,955
Money Market Mutual Funds		3,153,473
Held by Fiscal Agent		
Money Market Mutual Funds		<u>2,306,389</u>
Total investments not subject to fair value hierarchy		<u>37,645,225</u>
Total investments		<u>\$ 89,085,468</u>

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

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

I. Fair Value Measurements (Continued)

The following is a summary of the fair value hierarchy of investments held by the District as of June 30, 2023:

	Fair Value Measurement Using Significant Other Observable Inputs (Level 2)	June 30, 2023
Investments by Fair Value Level		
U.S. Government Sponsored		
Entity Securities		
FHLB	\$ 30,661,988	\$ 30,661,988
FNMA	2,203,847	2,203,847
U.S. Treasury Securities	13,316,349	13,316,349
Commercial Paper	496,070	496,070
Municipal Bonds	998,530	998,530
Total Investments by Fair Value Level	<u>\$ 47,676,784</u>	<u>47,676,784</u>
Investments not subject to fair value hierarchy:		
Local Agency Investment Fund (LAIF)		9,265,185
California Asset Management Program (CAMP)		27,320,397
Money Market Mutual Funds		365,426
Held by Fiscal Agent		
Money Market Mutual Funds		<u>2,195,446</u>
Total investments not subject to fair value hierarchy		<u>39,146,454</u>
Total Investments		<u>\$ 86,823,238</u>

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

Note 4 – Leases Receivable

The District leases land, primarily cell tower sites, and recognizes leases receivable. Leases receivable consist of agreements with others for the "right-to-use" the underlying land asset at various locations owned by the District. The remaining terms of the agreements that were used in calculating the leases receivable range from 5 to 32 years, and include options to extend the leases, since the District is reasonably certain that these options will be exercised. The calculated interest rates used to calculate the net present value of the leases receivable vary depending on the length of the lease.

For the fiscal year ended June 30, 2024, the District recognized \$635,717 in lease revenue and \$336,405 in interest revenue, and the outstanding receivable amount was \$10,975,961. For the fiscal year ended June 30, 2023, the District recognized \$639,127 in lease revenue and \$307,466 in interest revenue, and the outstanding receivable amount was \$9,759,167.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 4 – Leases Receivable (Continued)

A summary of changes in leases receivable for the fiscal year ended June 30, 2024 was as follows:

Balance July 1, 2023	Remeasurement	Additions	Reductions	June 30, 2024	Amounts due within one year	Amounts due in more than one year
\$ 9,759,167	\$ 1,019,278	\$ 578,962	\$ (381,446)	\$ 10,975,961	\$ 418,980	\$ 10,556,981

A summary of changes in leases receivable for the fiscal year ended June 30, 2023 was as follows:

Balance July 1, 2022	Remeasurement	Additions	Reductions	June 30, 2023	Amounts due within one year	Amounts due in more than one year
\$ 10,349,882	\$ (195,799)	\$ -	\$ (394,916)	\$ 9,759,167	\$ 403,389	\$ 9,355,778

At June 30, 2024, the required payments for these leases, including interest, are:

Year Ending June 30	Lease Receivable	Interest	Total
2025	\$ 418,980	\$ 331,540	\$ 750,520
2026	456,460	318,408	774,868
2027	494,709	304,084	798,793
2028	532,126	288,637	820,763
2029	536,919	272,199	809,118
2030-2034	2,277,285	1,138,599	3,415,884
2035-2039	1,583,253	847,920	2,431,173
2040-2044	1,649,970	605,922	2,255,892
2045-2049	2,174,437	306,165	2,480,602
2050-2054	792,033	49,716	841,749
2053-2056	59,789	1,101	60,890
	<u>\$ 10,975,961</u>	<u>\$ 4,464,291</u>	<u>\$ 15,440,252</u>

As of June 30, 2024, the amounts reported as lease-related deferred inflows of resources will be recognized as lease revenue in the upcoming years as follows:

Year Ending June 30	Total
2025	\$ 643,411
2026	643,411
2027	643,411
2028	643,411
2029	617,207
2030-2034	2,391,740
2035-2039	1,459,603
2040-2044	1,192,791
2045-2049	1,147,600
2050-2054	392,149
2053-2056	36,325
	<u>\$ 9,811,059</u>

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 5 – Inventories

Inventories at June 30, 2024 and 2023 were as follows:

	2024	2023
Water inventory	\$ 236,092	\$ 191,787
Materials inventory	1,363,884	1,467,829
Total	<u>\$ 1,599,976</u>	<u>\$ 1,659,616</u>

Materials inventory was reduced by an allowance for obsolete inventory of \$206,600 at June 30, 2024 and 2023.

Note 6 – Capital Assets

A summary of changes in capital assets for the year ended June 30, 2024, is as follows:

	Balance July 1, 2023	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2024
Capital assets, not being depreciated:					
Land	\$ 11,005,363	\$ -	\$ -	\$ -	\$ 11,005,363
Steel water storage tanks	19,861,397	-	-	-	19,861,397
Construction in progress	11,358,683	12,524,665	(192,010)	(6,108,320)	17,583,018
Total capital assets, not being depreciated	<u>42,225,443</u>	<u>12,524,665</u>	<u>(192,010)</u>	<u>(6,108,320)</u>	<u>48,449,778</u>
Capital assets, being depreciated/amortized:					
Treatment and distribution system	315,087,524	592,479	(499,206)	1,916,233	317,097,030
Capacity rights	27,739,008	-	-	-	27,739,008
Non-steel tanks	38,990,356	-	(8,999)	-	38,981,357
General plant	194,791,887	13,086	(1,670,359)	4,192,087	197,326,701
Subscription assets	247,215	-	-	-	247,215
Total capital assets, being depreciated/amortized	<u>576,855,990</u>	<u>605,565</u>	<u>(2,178,564)</u>	<u>6,108,320</u>	<u>581,391,311</u>
Accumulated depreciation/amortization:					
Treatment and distribution system	(123,016,222)	(7,587,746)	333,662	-	(130,270,306)
Capacity rights	(20,787,791)	(1,155,587)	-	-	(21,943,378)
Non-steel tanks	(15,373,509)	(944,576)	4,383	-	(16,313,702)
General plant	(85,064,668)	(6,452,495)	1,596,799	-	(89,920,364)
Subscription assets	(124,100)	(67,128)	-	-	(191,228)
Total accumulated depreciation/amortization	<u>(244,366,290)</u>	<u>(16,207,532)</u>	<u>1,934,844</u>	<u>-</u>	<u>(258,638,978)</u>
Total capital assets, being depreciated/amortized, net	<u>332,489,700</u>	<u>(15,601,967)</u>	<u>(243,720)</u>	<u>6,108,320</u>	<u>322,752,333</u>
Total capital assets, net	<u>\$ 374,715,143</u>	<u>\$ (3,077,302)</u>	<u>\$ (435,730)</u>	<u>\$ -</u>	<u>\$ 371,202,111</u>

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 6 – Capital Assets (Continued)

A summary of changes in capital assets for the year ended June 30, 2023, is as follows:

	Balance July 1, 2022	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2023
Capital assets, not being depreciated:					
Land	\$ 11,005,363	\$ -	\$ -	\$ -	\$ 11,005,363
Steel water storage tanks	19,861,397	-	-	-	19,861,397
Construction in progress	7,559,275	15,402,218	(94,960)	(11,507,850)	11,358,683
Total capital assets, not being depreciated	38,426,035	15,402,218	(94,960)	(11,507,850)	42,225,443
Capital assets, being depreciated/amortized:					
Treatment and distribution system	308,378,862	364,312	(540,285)	6,884,635	315,087,524
Capacity rights	27,739,008	-	-	-	27,739,008
Non-steel tanks	39,102,610	-	(183,913)	71,659	38,990,356
General plant	192,118,381	22,032	(1,900,082)	4,551,556	194,791,887
Subscription assets	247,215	-	-	-	247,215
Total capital assets, being depreciated/amortized	567,586,076	386,344	(2,624,280)	11,507,850	576,855,990
Accumulated depreciation/amortization:					
Treatment and distribution system	(115,962,904)	(7,477,867)	424,549	-	(123,016,222)
Capacity rights	(19,644,628)	(1,143,163)	-	-	(20,787,791)
Non-steel tanks	(14,512,671)	(947,465)	86,627	-	(15,373,509)
General plant	(80,621,251)	(6,275,168)	1,831,751	-	(85,064,668)
Subscription assets	(56,973)	(67,127)	-	-	(124,100)
Total accumulated depreciation/amortization	(230,798,427)	(15,910,790)	2,342,927	-	(244,366,290)
Total capital assets, being depreciated/amortized, net	336,787,649	(15,524,446)	(281,353)	11,507,850	332,489,700
Total capital assets, net	\$ 375,213,684	\$ (122,228)	\$ (376,313)	\$ -	\$ 374,715,143

Depreciation expense for depreciable capital assets was \$14,997,242 and \$14,700,500 for the years ended June 30, 2024 and 2023, respectively. Amortization expense for amortizable capital assets was \$1,210,290 and \$1,210,290 for the years ending 2024 and 2023, respectively.

Construction in progress consisted of the following at June 30:

	2024	2023
Replace Neighborhood 1 SPS	\$ 6,786,608	\$ 2,957,396
San Elijo Valley Groundwater	4,996,608	4,444,633
HOA Recycled Pipeline Ext. - CB, VP, SH	984,894	-
DCM WTP Condition Assessment	691,619	606,974
RSFe Rd Unit A North Pipeline Replacement	507,904	-
DCM WTP 4th Stage Centrifuge	482,092	-
Replace Headworks Manual System	436,658	353,447
Hydropower Turbine Refurbishment	-	402,635
Other capital projects	2,696,635	2,593,598
Total construction in progress	\$ 17,583,018	\$ 11,358,683

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 7 – Accounts Payable

Accounts payable to be paid from unrestricted current assets are as follows at June 30:

	2024	2023
Water purchases	\$ 6,163,193	\$ 5,177,992
Construction in progress	1,493,618	1,256,888
Grants payable to other agencies	3,324,102	-
Other	1,000,386	1,373,664
Total	<u>\$ 11,981,299</u>	<u>\$ 7,808,544</u>

Accounts payable, to be paid from restricted current assets are as follows at June 30:

	2024	2023
Construction in progress	\$ 109,838	\$ 74,242
	<u>\$ 109,838</u>	<u>\$ 74,242</u>

Note 8 – Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2024 is as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due Within One Year	Due More Than One Year
Notes Payable:						
2013 Note Payable - direct borrowing	\$ 10,345,340	\$ -	\$ (415,868)	\$ 9,929,472	\$ 846,161	\$ 9,083,311
Notes Payable	10,345,340	-	(415,868)	9,929,472	846,161	9,083,311
SBITA Liability:						
SBITA liability - direct borrowing	115,752	-	(67,952)	47,800	38,096	9,704
SBITA liability	115,752	-	(67,952)	47,800	38,096	9,704
Revenue Bonds:						
Publicly-Offered:						
2015 Water System Refunding Revenue Bonds	10,680,000	-	(1,935,000)	8,745,000	2,035,000	6,710,000
Plus unamortized bond premiums	760,036	-	(269,018)	491,018	-	491,018
2016 Water System Refunding Revenue Bonds	12,330,000	-	(585,000)	11,745,000	615,000	11,130,000
Plus unamortized bond premiums	708,237	-	(84,951)	623,286	-	623,286
Direct Placement/Borrowing:						
2021A Wastewater Revenue Bonds	4,589,160	-	(211,680)	4,377,480	216,210	4,161,270
2021B Wastewater Revenue Bonds	2,944,060	-	(575,630)	2,368,430	581,980	1,786,450
Revenue Bonds, net	32,011,493	-	(3,661,279)	28,350,214	3,448,190	24,902,024
2019 Special Assessment Debt with Government Commitment	4,594,691	-	(903,909)	3,690,782	892,931	2,797,851
Total	<u>\$ 47,067,276</u>	<u>\$ -</u>	<u>\$ (5,049,008)</u>	<u>\$ 42,018,268</u>	<u>\$ 5,225,378</u>	<u>\$ 36,792,890</u>

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 8 – Long-Term Debt (Continued)

A summary of changes in long-term debt for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year	Due More Than One Year
Notes Payable:						
2013 Note Payable - direct borrowing	\$ 11,162,926	\$ -	\$ (817,586)	\$ 10,345,340	\$ 415,868	\$ 9,929,472
Notes Payable	11,162,926	-	(817,586)	10,345,340	415,868	9,929,472
SBITA Liability:						
SBITA liability - direct borrowing	181,698	-	(65,946)	115,752	67,952	47,800
SBITA liability	181,698	-	(65,946)	115,752	67,952	47,800
Revenue Bonds:						
Publicly Offered:						
2015 Water System Refunding Revenue Bonds	12,525,000	-	(1,845,000)	10,680,000	1,935,000	8,745,000
Plus unamortized bond premiums	1,082,376	-	(322,340)	760,036	-	760,036
2016 Water System Refunding Revenue Bonds	12,890,000	-	(560,000)	12,330,000	585,000	11,745,000
Plus unamortized bond premiums	799,319	-	(91,082)	708,237	-	708,237
Direct Placement/Borrowing:						
2021A Wastewater Revenue Bonds	4,796,400	-	(207,240)	4,589,160	211,680	4,377,480
2021B Wastewater Revenue Bonds	3,513,900	-	(569,840)	2,944,060	575,630	2,368,430
Revenue Bonds, net	35,606,995	-	(3,595,502)	32,011,493	3,307,310	28,704,183
2019 Special Assessment Debt with Government Commitment	5,457,755	-	(863,064)	4,594,691	883,019	3,711,672
Total	\$ 52,409,374	\$ -	\$ (5,342,098)	\$ 47,067,276	\$ 4,674,149	\$ 42,393,127

2013 Note Payable

On February 24, 2012, the District entered into an agreement with the State of California Department of Public Health for a loan not to exceed \$17,812,998 (2013 Note Payable), under and pursuant to Part 12, Chapter 4 of Division 104 of the Health and Safety Code and California Code of Regulations Title 22 to assist in financing construction of a project which will enable the District to meet safe drinking water standards. The loan repayment term commenced on the due date of the first principal and interest invoice, which was on January 19, 2015, and expires twenty years after the due date of the first principal and interest invoice. The rate of interest to be paid on the principal amount of the loan is 2.3035% annually. At June 30, 2024, the outstanding loan balance was \$9,929,472.

Future debt service requirements for the above note payable based on the initial loan rate is as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 846,161	\$ 223,880	\$ 1,070,041
2026	865,765	204,277	1,070,042
2027	885,822	184,220	1,070,042
2028	906,345	163,697	1,070,042
2029	927,342	142,698	1,070,040
2030-2034	4,969,108	381,101	5,350,209
2035	528,929	6,092	535,021
Total	\$ 9,929,472	\$ 1,305,965	\$ 11,235,437

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 8 – Long-Term Debt (Continued)

2015 Water System Refunding Revenue Bonds Payable

On August 27, 2015, the District issued Water System Refunding Revenue Bonds, Series 2015A in the amount of \$23,455,000 for the purpose of refunding \$26,290,000 of the outstanding balance of the Water Revenue Refunding Bonds, Series 2006A. The 2015A bonds are limited obligation bonds maturing annually from December 1, 2015 to June 1, 2028 bearing various interest rates between 2.0% and 5.0%.

The District has pledged all of the Net Water System Revenues for the debt service payments of the bond. The total principal and interest remaining to be paid on the bonds is \$9,629,500. For the current year, principal and interest paid on the bonds was \$2,410,375. The bonds contain various covenants and restrictions, principally that the District fix, prescribe, collect rates and charges for the Water Service, which are reasonably expected to be at least sufficient to yield, during each fiscal year net service revenues equal to one hundred and twenty-five percent (125%) of the debt service on senior obligations for such fiscal year, and one hundred percent (100%) of debt service on all obligations for such fiscal year.

The deferred loss on refunding of \$610,166 is being amortized over the remaining life of the refunded debt. Amortization expense totaled \$57,510 for the year ended June 30, 2024. The remaining unamortized balance was \$104,969 at June 30, 2024.

A summary of the refunding bonds is as follows:

Interest Rates	Fiscal year maturities (varying amounts)	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
2%-5%	2025-2027	\$ 8,335,000	\$ -	\$ (1,935,000)	\$ 6,400,000
3%	2028	2,345,000	-	-	2,345,000
		<u>\$ 10,680,000</u>	<u>\$ -</u>	<u>\$ (1,935,000)</u>	<u>\$ 8,745,000</u>

Total bonds outstanding as of June 30, 2024, including unamortized bond premiums were as follows:

Principal outstanding at June 30, 2024	\$ 8,745,000
Plus unamortized bond premium	491,018
Total bonds outstanding at June 30, 2024	<u>\$ 9,236,018</u>

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

Year Ending June 30,	Principal	Interest	Total
2025	\$ 2,035,000	\$ 378,625	\$ 2,413,625
2026	2,130,000	276,875	2,406,875
2027	2,235,000	170,375	2,405,375
2028	2,345,000	58,625	2,403,625
Total	<u>\$ 8,745,000</u>	<u>\$ 884,500</u>	<u>\$ 9,629,500</u>

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 8 – Long-Term Debt (Continued)

2016 Water System Refunding Revenue Bonds Payable

On October 19, 2016, the District issued Water System Refunding Revenue Bonds, Series 2016A in the amount of \$15,990,000 for the purpose of refunding \$16,610,000 of the outstanding balance of the Water Revenue Refunding Bonds, Series 2009. The 2016A bonds are limited obligation bonds maturing annually from December 1, 2016 to June 1, 2039 bearing various interest rates between 2.125% and 5.0%.

The District has pledged all of the Net Water System Revenues for the debt service payment of the bond. The total principal and interest remaining to be paid on the bonds is \$14,632,778. For the current year, principal and interest paid on the bonds was \$976,913. The bonds contain various covenants and restrictions, principally that the District fix, prescribe, collect rates and charges for the Water Service, which are reasonably expected to be at least sufficient to yield, during each fiscal year net service revenues equal to one hundred and twenty-five percent (125%) of the debt service on senior obligations for such fiscal year, and one hundred percent (100%) of debt service on all obligations for such fiscal year.

The District refunded the Water Revenue Refunding Bonds, Series 2009 to reduce its total debt service payments over 22 years by \$3,683,827 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,753,343.

The deferred loss on refunding of \$1,196,934 is being amortized over the remaining life of the refunded debt. Amortization expense totaled \$83,413 for the year ended June 30, 2024. The remaining unamortized balance was \$611,995 at June 30, 2024.

A summary of the refunding bonds is as follows:

Interest Rates	Fiscal year maturities (varying amounts)	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
2%-5%	2025-2036	\$ 9,575,000	\$ -	\$ (585,000)	\$ 8,990,000
2.5%	2037-2039	2,755,000	-	-	2,755,000
		<u>\$ 12,330,000</u>	<u>\$ -</u>	<u>\$ (585,000)</u>	<u>\$ 11,745,000</u>

Total bonds outstanding as of June 30, 2024, including unamortized bond premiums were as follows:

Principal outstanding at June 30, 2024	\$ 11,745,000
Plus unamortized bond premium	623,286
Total bonds outstanding at June 30, 2024	<u>\$ 12,368,286</u>

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

Year Ending June 30,	Principal	Interest	Total
2025	\$ 615,000	\$ 362,663	\$ 977,663
2026	645,000	331,913	976,913
2027	675,000	299,663	974,663
2028	705,000	272,663	977,663
2029	730,000	244,463	974,463
2030-2034	3,910,000	967,063	4,877,063
2035-2039	4,465,000	409,350	4,874,350
Total	<u>\$ 11,745,000</u>	<u>\$ 2,887,778</u>	<u>\$ 14,632,778</u>

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 8 – Long-Term Debt (Continued)

2019 Reassessment District 96-1 Limited Obligation Improvement Bonds

In July 2019 the District issued Limited Obligation Improvement Bonds Reassessment District No. 2019-96-1 (OMWD Water Storage Project) in the amount of \$7,130,000. The Reassessment District 2019-96-1 bonds are limited obligations of the District payable solely from Special Assessments that were previously assessed pursuant to the terms and provisions of the Municipal Improvement Act of 1913 (Division 12 of the Streets and Highways Code of the State of California) to form Assessment District No. 96-1 (OMWD Storage Project). The Reassessment District 2019-96-1 bonds were issued to provide funds to refund and refinance the outstanding principal amount of the District's 2007 Reassessment District No. 96-1 (OMWD Water Storage Project), and to pay for the costs of issuance incurred. The bonds were refinanced at an interest rate of 2.09% and mature in September 2027. The aggregate debt service payments of the new debt are \$2.84 million less than the old debt. The issuance of the new debt and the refunding of the old debt resulted in an economic gain (the difference between the net present value of the old debt and new debt service payments) of approximately \$2.59 million.

Purchasers of the Bonds will not receive certificates representing their beneficial ownership in the Bonds but will receive credit balances on the books of their respective nominees. Principal of and interest on the Bonds are payable by the trustee, and such principal and interest payments, and premium, if any, are to be disbursed to the beneficial owners of the Bonds through their nominees. Installments of principal and interest sufficient to meet annual Bond debt service are included on the regular county tax bills sent to owners of property against which there are unpaid reassessments.

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

Year Ending June 30,	Principal	Interest	Total
2025	\$ 892,931	\$ 67,806	\$ 960,737
2026	912,774	48,990	961,764
2027	932,617	29,652	962,269
2028	952,460	9,953	962,413
Total	<u>\$ 3,690,782</u>	<u>\$ 156,401</u>	<u>\$ 3,847,183</u>

2021A Wastewater Revenue Bonds

On October 27, 2021 the District issued Wastewater Revenue Bonds, Series 2021A in the amount of \$5,042,140 to finance wastewater (sewer) improvements at the 4S Wastewater Treatment Plant, including rehabilitations, replacements, and modifications to the existing Neighborhood One Sewer Pump Station and the Headworks Screening System at the 4S Wastewater Treatment Plant. The Series 2021A bonds mature on June 1, 2041 and carry an interest rate of 2.14%. The District's annual debt service cost for the 2021A bonds is approximately \$310,000. The 2021A Bonds were tax-exempt bonds issued by the Corporation. The District and the Corporation entered into installment purchase agreements to repay the 2021A Bonds from net wastewater revenues. The 2021A Bonds were directly purchased by Sterling National Bank through a private placement financing process.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 8 – Long-Term Debt (Continued)

2021A Wastewater Revenue Bonds (Continued)

The District has pledged all of the Net Sewer System Revenues for the debt service payment of the bond. The total principal and interest remaining to be paid on the bonds is \$5,268,084. For the current year, principal and interest paid on the bonds was \$309,888. The bonds contain various covenants and restrictions, principally that the District fix, prescribe, collect rates and charges for wastewater service, which are reasonably expected to be at least sufficient to yield, during each fiscal year net service revenues equal to one hundred and twenty-five percent (125%) of the debt service on senior obligations for such fiscal year, and one hundred percent (100%) of debt service on all obligations for such fiscal year.

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

Year Ending June 30,	Principal	Interest	Total
2025	\$ 216,210	\$ 93,678	\$ 309,888
2026	220,840	89,051	309,891
2027	225,560	84,325	309,885
2028	230,390	79,498	309,888
2029	235,320	74,568	309,888
2030-2034	1,254,320	295,112	1,549,432
2035-2039	1,394,410	155,030	1,549,440
2040-2041	600,430	19,342	619,772
Total	<u>\$ 4,377,480</u>	<u>\$ 890,604</u>	<u>\$ 5,268,084</u>

2021B Wastewater Revenue Bonds

On October 27, 2021, the District also issued 2021B Refunding Revenue Bonds in the amount of \$3,932,970 to refund and refinance the existing 2018A Sewer Revenue Bonds, which were issued in fiscal year 2018 to finance improvements to the District's administrative and operations building at 1966 Olivenhain Road, Encinitas, CA. The District received an interest rate of 1.14% for the 2021B Refunding Revenue Bonds, which resulted in an estimated net present value savings of \$243,942 after the cost of issuance. The 2021B bonds mature on June 1, 2028. The 2021B Bonds were tax-exempt bonds issued by the OMWD Financing Authority. The District and the OMWD Financing Authority entered into installment purchase agreements to repay the 2021B Bonds from net wastewater revenues. The 2021B Bonds were directly purchased by Sterling National Bank through a private placement financing process.

The District has pledged all of the Net Wastewater System Revenues for the debt service payment of the bond. The total principal and interest remaining to be paid on the bonds is \$2,436,314. For the current year, principal and interest paid on the bonds was \$609,192. The bonds contain various covenants and restrictions, principally that the District fix, prescribe, collect rates and charges for wastewater service, which are reasonably expected to be at least sufficient to yield, during each fiscal year net wastewater service revenues equal to one hundred and twenty-five percent (125%) of the debt service on senior obligations for such fiscal year, and one hundred percent (100%) of debt service on all obligations for such fiscal year.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 8 – Long-Term Debt (Continued)

2021B Wastewater Revenue Bonds (Continued)

The District refunded the 2018 Wastewater Revenue Refunding Bonds to reduce its total debt service payments by \$259,233 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$243,942.

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

Year Ending June 30,	Principal	Interest	Total
2025	\$ 581,980	\$ 27,000	\$ 608,980
2026	588,890	20,366	609,256
2027	595,310	13,652	608,962
2028	602,250	6,866	609,116
Total	<u>\$ 2,368,430</u>	<u>\$ 67,884</u>	<u>\$ 2,436,314</u>

Subscription-Based Information Technology Arrangements (SBITA) Liabilities

The District entered into various subscription-based IT arrangements and has recorded a liability to offset the right-to-use assets. These are calculated using the U.S. Treasury rates at the time of GASB Statement No. 96 implementation.

Future minimum payments on SBITA liabilities are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 38,096	\$ 916	\$ 39,012
2026	9,704	49	9,753
Total	<u>\$ 47,800</u>	<u>\$ 965</u>	<u>\$ 48,765</u>

Note 9 – Compensated Absences

Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees. Summary of changes in compensated absences for the year ended June 30, 2024 and 2023, were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
June 30, 2024	\$ 2,151,297	\$ 1,049,116	\$ (1,061,776)	\$ 2,138,637	\$ 1,150,778	\$ 987,859
June 30, 2023	\$ 1,936,026	\$ 1,110,651	\$ (895,380)	\$ 2,151,297	\$ 961,314	\$ 1,189,983

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 10 – Employee Retirement Systems

A. General Information about the Pension Plan

Plan Description - All qualified full-time District employees are required to participate in the District's Miscellaneous Plan with California Public Employee's Retirement System (CalPERS). Employees hired prior to January 1, 2013 participate in the Miscellaneous Classic plan while employees hired January 1, 2013 and after participate in the Miscellaneous PEPRA (Public Employees' Reform Act) plan. Both plans, Classic and PEPRA, are considered a single pension plan. CalPERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee's Retirement Law. The District selects certain benefit provisions from the CalPERS' menu by contract with CalPERS and adopts those benefits through the Board's approval. Benefits provisions and all other requirements are established by State statute, the District's resolutions, and the memorandum of understanding between the Olivenhain Municipal Water District and the Olivenhain Municipal Water District Employees Association and the Bargaining Unit Members Association. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 or 52 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five (5) years of service. The death benefit is one of the following: Basic Death Benefit, 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

	Miscellaneous Plan	
	Classic	PEPRA (Public Employees' Pension Reform Act)
Hire Date	Prior to January 1, 2013	January 1, 2013 and after
Benefit Formula	2.5% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rate	8.00%	6.25%
Required employer contribution rate	13.34%	7.68%

Contributions - Section 20814(c) of the California Public Employees' Retirement Law 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 CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 10 – Employee Retirement Systems (Continued)

A. General Information about the Pension Plan (Continued)

Pension Funding Policy - In June 2022, The District's Board of Directors established a Pension Funding Policy to address the District's pension liability and to achieve a minimum target funded ratio goal of 85% by making additional discretionary payments to CalPERS and funding the District's Pension Stabilization Fund.

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

Deferred outflow from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans determined as of June 30, 2023. As of June 30, 2024 and 2023 respectively, the District reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	2024	2023
Classic & PEPRAs Plans	\$ 17,930,299	\$ 16,832,760
Total Net Pension Liability	<u>\$ 17,930,299</u>	<u>\$ 16,832,760</u>

The District Plans' net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool:

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2022). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2023). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2023 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (fiscal year 2023).
- (3) The individual plan's TPL, FNP, and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from step (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the measurement date is equal to the risk pool TPL generated in step (2) multiplied by the TPL ratio generated in step (4). The plan's FNP as of the measurement date is equal to the FNP generated in step (2) multiplied by the FNP ratio generated in step (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 10 – Employee Retirement Systems (Continued)

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

(6) The plan's NPL at the measurement date is the difference between the TPL and FNP calculated in step (5).

The District's proportionate share of the net pension liability for each Plan as of the measurement date ended June 30, 2022 and 2023 was as follows:

	Classic & PEPRA Plans
Proportion - June 30, 2021 (MD)	0.41183%
Proportion - June 30, 2022 (MD)	0.30884%
Change - Increase (Decrease)	-0.10299%
Proportion - June 30, 2022 (MD)	0.30884%
Proportion - June 30, 2023 (MD)	0.31088%
Change - Increase (Decrease)	0.00204%

For the years ended June 30, 2024 and 2023, the District recognized pension expense of \$3,212,503 and \$3,014,862, respectively. At June 30, 2024 and 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,274,308	\$ -	\$ 2,376,470	\$ -
Differences between actual and expected experience	773,887	-	111,634	-
Change in assumptions	1,082,533	-	1,724,868	-
Changes in proportions	-	(130,871)	-	(224,189)
Differences between the employer's contributions and the employer's proportionate share of contributions	-	(167,476)	-	(495,982)
Net differences between projected and actual earnings on plan investments	2,903,077	-	3,083,314	-
Total	\$ 7,033,805	\$ (298,347)	\$ 7,296,286	\$ (720,171)

The District reported \$2,274,308 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2025	\$ 1,267,757
2026	880,256
2027	2,229,836
2028	83,301
Total	\$ 4,461,150

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 10 – Employee Retirement Systems (Continued)

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

Deferred outflows of resources related to the contribution made subsequent to the measurement date in the amount of \$2,376,470 were recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2024	\$ 993,591
2025	854,647
2026	465,546
2027	1,885,861
Total	<u>\$ 4,199,645</u>

Actuarial Assumptions - For the measurement period ended June 30, 2023 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2022 total pension liability determined in the June 30, 2022 actuarial accounting valuation. The June 30, 2023 total pension liability was based on the following actuarial methods and assumptions:

	Classic & PEPR Plans
Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.75%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

- (1) Varies by entry age and service
- (2) The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2014) available on the CalPERS website.
- (3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

Change in Assumptions – GASB 68, paragraph 30 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. In fiscal year 2024, the actuarial report did not have a change of assumption. In fiscal year 2018, the discount rate was reduced from 7.65% to 7.15%. In fiscal year 2023, the discount rate was changed from 7.15% to 6.90%. All other actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period 2017 to 2021, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 10 – Employee Retirement Systems (Continued)

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

Discount Rate - The discount rate used to measure the total pension liability was 6.90% for each Plan and reflects the long-term expected rate of return for each Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 6.90% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 6.90% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds’ asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2021.

Asset Class	Strategic Allocation	Real Return
Public equity	42.00%	4.54%
Private equity	13.00%	3.84%
Fixed income	30.00%	7.28%
Real assets	15.00%	0.27%
Private debt	5.00%	0.50%
Strategic leverage	-5.00%	-0.59%
Total	100.00%	

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 10 – Employee Retirement Systems (Continued)

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

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

	Classic & PEPRA Plans	
	2024	2023
1% Decrease	5.90%	5.90%
Net Pension Liability	\$ 27,471,747	\$ 25,863,266
Current Discount Rate	6.90%	6.90%
Net Pension Liability	\$ 17,930,299	\$ 16,832,760
1% Increase	7.90%	7.90%
Net Pension Liability	\$ 10,076,868	\$ 9,402,895

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

Payable to the Pension Plan - The District had no outstanding contributions to the pension plan required for the year ended June 30, 2024.

Note 11 – Health Savings Plan

The Voluntary Employee Benefits Association ("VEBA") plan is a medical savings plan establishing a funded health reimbursement plan for eligible employees, former employees, and their dependents and beneficiaries as defined in the Plan pursuant to Internal Revenue Code Section 501 (c) (9). The District's VEBA plan was implemented on July 1, 2014 following the District's Board of Directors adoption of a resolution approving the VEBA program at the June 18, 2014 board meeting. During the years ended June 30, 2024 and 2023, the District contributed \$34,600 and \$32,000 to the VEBA plan, respectively.

Note 12 – Deferred Compensation Plan and Defined Contribution Plan

The Board has adopted two deferred compensation plans and a defined contribution plan (the Plans) in accordance with Sections 457(b) and 401(a), respectively, of the Internal Revenue Code, and has discretion to amend the Plans. These plans permit all eligible employees to defer taxation of a portion of their income until future years.

All District employees are eligible to participate in the 457(b) plan. Participation in the 457(b) plan is not required and employee contributions may be modified from time to time at the employee's direction. The District makes annual longevity match contributions to the 457(b) plan as specified in its Memorandum of Understanding (MOU) with its Employees Association and Bargaining Unit Members Association.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 12 – Deferred Compensation Plan and Defined Contribution Plan (Continued)

Eligible participants of the 401(a) plan are the General Manager, Managers, and Supervisors. The District makes annual contribution to the 401(a) plan on behalf of the General Manager, Managers, and Supervisors as specified in the compensation plan.

Contributions to the Plans and interest earnings are 100 percent vested immediately. Benefits depend solely on the amounts contributed to the Plans plus investment earnings. Plan contributions and earnings are not available to employees until termination, retirement, death, disability, or unforeseeable emergencies. All assets and income of the Plans are held in a trust for the exclusive benefit of plan participants and their beneficiaries. The Plans are not considered part of the District's financial reporting entity.

For fiscal year 2024, the employee and employer contributions to the 457(b) plan were \$541,359 and \$104,500, respectively, and the 401(a) plan had employer contributions of \$28,000.

Note 13 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. The District purchases commercial insurance for its exposure to risk other than those under the workers' compensation laws from the Association of California Water Agencies Joint Powers Insurance Authority (JPIA). JPIA is an intergovernmental risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Commercial insurance expense amounted to \$464,988 and \$482,802 for the years ended June 30, 2024 and 2023, respectively.

The District's coverage as part of its participation in the self-insurance programs of JPIA is as follows:

General, Automobile, Employment Practices & Public Officials' Liability: Broad coverage against third-party claims for the District, its directors, employees and volunteers. Covered up to the following limits: the JPIA pools for the first \$5 million and purchases excess coverage with limit up to \$55 million with aggregated policy limits.

Property Loss: Covered up to replacement value with a \$10,000 deductible per occurrence on scheduled buildings, fixed equipment and contents. Replacement cost value on scheduled mobile equipment with a \$1,000 deductible per occurrence and replacement cash value on scheduled vehicles with \$500, deductible per occurrence. JPIA is self-insured up to \$10,000,000 per loss and has purchased re-insurance coverage up to a \$500,000,000 limit per occurrence. Scheduled fixed equipment is covered for Accidental Mechanical Breakdown up to sub-limit of \$100,000,000 with deductible \$25,000 to \$50,000 depending on type of equipment. Property Program includes Earthquake with aggregate limit of \$2,500,000, and is subject to minimum \$75,000 deductible, Flood Coverage with aggregate limit of \$25,000,000 and subject to a \$100,000 deductible.

Cyber Liability: Including Cyber Security up to \$2,000,000 per occurrence and \$5,000,000 Aggregate Limit. Cyber Liability Deductible varies from \$10,000 to \$100,000 depending on District Total Insured Values.

Employee Dishonesty/Crime Supplement: Insured up to \$1,100,000 per occurrence with a \$1,000 deductible for employee dishonesty, forgery or alteration and computer fraud. The program covers all employees, the Board of Directors, and the Treasurer.

Additionally, the District carries an Excess Crime Policy with a limit of \$1,000,000 per occurrence and \$100,000 deductible that is in full effect.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 13 – Risk Management (Continued)

The District's workers' compensation risk exposure is handled by the District's participation in the Special District Risk Management Authority (SDRMA) established by the California Special Districts Association. SDRMA is a risk pooling joint powers authority formed under the California Government Code to provide workers' compensation coverage for SDRMA's member districts. SDRMA purchases excess insurance from commercial carriers to reduce its exposure to large losses. Workers' compensation expense amounted to \$112,787 and \$123,103 for the years ended June 30, 2024 and 2023, respectively. There were no instances in the past three years where a settlement exceeded the District's coverage provided through SDRMA or through the District's commercial carriers.

Workers' Compensation Coverage and Employer's Liability (SDRMA): Statutory limit per occurrence for Workers' Compensation and \$5.0 Million for Employer's Liability Coverage, subject to the terms, conditions and exclusions as provided in the Certificate of Coverage, effective July 1, 2023.

Note 14 – Net Position

A. Net Investment in Capital Assets

Net Investment in Capital Assets at June 30 consisted of the following:

	2024	2023
Net investment in capital assets		
Capital assets, nondepreciable	\$ 48,449,778	\$ 42,225,443
Capital assets, depreciable/amortizable, net	322,752,333	332,489,700
Deferred amount on refunding	716,964	857,886
Unspent debt proceeds	810,633	3,877,108
Current portion of long-term debt:		
Wastewater revenue bonds	(798,190)	(787,310)
Water revenue refunding bonds	(2,650,000)	(2,520,000)
Special assessment debt with government commitment	(892,931)	(883,019)
Note payable	(846,161)	(415,868)
Subscription liability	(38,096)	(67,952)
Long-term debt, non-current portion:		
Waste water revenue bonds	(5,947,720)	(6,745,910)
Water revenue refunding bonds	(18,954,304)	(21,958,273)
Special assessment debt with government commitment	(2,797,851)	(3,711,672)
Note payable	(9,083,311)	(9,929,472)
Subscription liability	(9,704)	(47,800)
Total net investment in capital assets	<u>\$ 330,711,440</u>	<u>\$ 332,382,861</u>

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 14 – Net Position (Continued)

B. Restricted Net Position

Restricted net position at June 30 consisted of the following:

	2024	2023
Net position restricted for debt service:		
<u>Restricted Assets:</u>		
Cash	\$ 2,387,890	\$ 2,266,117
Investments	50,227	54,144
Taxes/assessments receivable	49,448	53,206
Total restricted assets for debt service	2,487,565	2,373,467
Less liabilities payable from restricted assets	(292,603)	(115,265)
Net position restricted for debt service	2,194,962	2,258,202
Net position restricted for construction:		
<u>Restricted Assets:</u>		
Cash	4,081,101	3,533,641
Investments	2,515,074	2,707,257
Grants receivable	6,772,199	2,078,788
Total restricted assets for construction	13,368,374	8,319,686
Less liabilities from restricted assets	(109,838)	(74,242)
Less: grants payable	(3,324,102)	-
Net position restricted for construction	9,934,434	8,245,444
Total restricted net position	\$ 12,129,396	\$ 10,503,646

C. Unrestricted Funds

Unrestricted funds are the District's Designated Fund Balances. These funds are designated by the District's Board of Directors to carry out specific purposes as stated in the Board Designated Funds Balances Policy ("Policy"). Unrestricted funds are reviewed annually with the Board to ensure compliance with the Policy. Changes to the Policy will require Board's approval. Unrestricted funds at June 30 consisted of the following:

	2024	2023
Capital replacement reserve	\$ 49,772,400	\$ 45,586,928
Rate stabilization reserve	14,491,220	14,492,666
Pension stabilization reserve	738,765	481,838
Operating reserve	8,396,278	7,785,182
	\$ 73,398,663	\$ 68,346,614

The District received refund payments from the San Diego County Water Authority (SDCWA) in 2021 in the amount of \$3,661,917 for overpayments on water wholesale costs to the Metropolitan Water District of Southern California (MWD). The District's Board of Directors voted to return these refund payments to the District's potable water customers on their monthly water bills as a Rate Reimbursement Credit (RRC) of 6.9 cents per unit of water billed, which was later increased to 11 cents per unit of water billed. These funds are held and paid from the District's rate stabilization reserves. As of June 30, 2024, the District has refunded \$1,075,404 to its customers via the RRC, leaving \$2,586,513 in the District's rate stabilization reserves for future refunds.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 15 – Capital Contributions

Capital contributions for the years ended June 30, 2024 and 2023 were as follows:

	2024	2023
Contributions of capital assets	\$ 605,565	\$ 386,344
Other	6,378,506	3,254,238
Total	<u>\$ 6,984,071</u>	<u>\$ 3,640,582</u>

Note 16 – Economic Dependency

All potable water sold by the District is purchased from the San Diego County Water Authority (SDCWA). The District purchased 15,635.4 acre-feet (AF) of potable water during fiscal year 2024, and 15,921.4 AF during fiscal year 2023. An acre foot (AF) is a unit of measure equivalent to 325,900 gallons of water, which meets the needs of two average families for one year. The District continues to offset potable water consumption used for irrigation with recycled water through the expansion of its recycled water system. The prospect of future droughts as well as water supply shortages drives the need to diversify water supplies by developing alternative water sources locally to reduce reliance on potable water purchased from SDCWA. Recycled water sold by the District to its retail customers is either produced at the 4S Ranch Water Reclamation Facility or purchased from Rancho Santa Fe Community Services District, the City of San Diego, San Elijo Joint Powers Authority, and Vallecitos Water District.

The District's recycled water system is comprised of two non-contiguous recycled water service areas, the Northwest and Southeast Quadrant. Recycled water sold by the District in the Northwest Quadrant is purchased from Vallecitos Water District and San Elijo Joint Powers Authority. Recycled water sold by the District in the Southeast Quadrant comes from the District's 4S Water Reclamation Facility and purchases from the District's recycled water supplier, the Rancho Santa Fe Community Services District and the City of San Diego.

Note 17 – Commitments and Contingencies

A. Contracts

The District has entered into contracts for the engineering and construction of additions to capital assets. Unfulfilled commitments under open contracts as of June 30 are summarized as follows:

	2024	2023
Total open contracts	\$ 19,374,968	\$ 11,529,585
Less costs incurred as of June 30,	(8,692,148)	(5,959,591)
Remaining contractual commitments	<u>\$ 10,682,820</u>	<u>\$ 5,569,994</u>

B. Litigation

Management is of the opinion that there are no outstanding legal litigations that would have a material effect on the basic financial statements.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 17 – Commitments and Contingencies (Continued)

C. Grant Awards

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

Note 18 – Segment Information

Although the District's financial statements jointly account for water and wastewater (sewer) services, investors in the 2015 and 2016 Water System Refunding Revenue Bonds rely solely on the revenues of the District's water services for repayment. Similarly, investors in the 2021A and 2021B Wastewater Revenue Bonds rely solely on the revenues of the District's wastewater services for repayment. The following condensed financial statements provide a summary of the District's financial information for water and wastewater services for the fiscal year ended June 30, 2024.

Condensed Statement of Net Position
June 30, 2024

	Water Services	Wastewater Services	Total
ASSETS			
Current assets	\$ 94,933,953	\$ 17,566,448	\$ 112,500,401
Capital assets	309,452,671	61,749,440	371,202,111
Long-term assets	10,556,981	-	10,556,981
Other assets	13,717	-	13,717
Total assets	414,957,322	79,315,888	494,273,210
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	716,964	-	716,964
Pension-related deferred outflows of resources	5,786,586	1,247,219	7,033,805
Total deferred outflows of resources	6,503,550	1,247,219	7,750,769
LIABILITIES			
Current liabilities	18,254,568	1,709,458	19,964,026
Long-term liabilities	45,639,359	10,071,689	55,711,048
Total liabilities	63,893,927	11,781,147	75,675,074
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferred inflows of resources	229,727	68,620	298,347
Lease-related deferred inflows of resources	9,811,059	-	9,811,059
Total deferred inflows of resources	10,040,786	68,620	10,109,406
NET POSITION			
Net investment in capital assets	274,897,276	55,814,164	330,711,440
Restricted for debt service	2,194,962	-	2,194,962
Restricted for construction	9,934,434	-	9,934,434
Unrestricted	60,499,487	12,899,176	73,398,663
Total net position	\$ 347,526,159	\$ 68,713,340	\$ 416,239,499

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 18 – Segment Information (Continued)

Changes in Net Position
For the Year Ended June 30, 2024

	Water Services	Wastewater Services	Total
Operating Revenues			
Water sales	\$ 56,723,757	\$ -	\$ 56,723,757
Sewer charges	-	5,443,940	5,443,940
Other water operating revenues	1,606,103	-	1,606,103
Total operating revenues	58,329,860	5,443,940	63,773,800
Operating Expenses			
Cost of purchased water sold	30,712,658	-	30,712,658
Pumping and water treatment	5,246,548	-	5,246,548
Transmission and distribution	4,992,405	-	4,992,405
Sewer collection and treatment	-	2,026,890	2,026,890
Elfin Forest recreation operations	493,779	-	493,779
Facilities maintenance	1,361,448	79,685	1,441,133
Customer services	2,412,185	-	2,412,185
General and administrative	6,957,913	1,742,261	8,700,174
Other operating expenses	395,808	-	395,808
Depreciation and amortization	13,855,789	2,351,743	16,207,532
Total operating expenses	66,428,533	6,200,579	72,629,112
Operating income (loss)	(8,098,673)	(756,639)	(8,855,312)
Nonoperating Revenues (Expenses)			
Fair market value adjustment	1,136,334	218,873	1,355,207
Investment income	2,533,159	661,984	3,195,143
Property taxes	4,802,446	-	4,802,446
Capacity charges	577,702	-	577,702
Benefit assessments	1,048,779	-	1,048,779
Other nonoperating revenues	1,245,175	116,156	1,361,331
Interest expense, net	(959,973)	(211,543)	(1,171,516)
Other nonoperating expenses	(4,221,089)	(70,384)	(4,291,473)
Total nonoperating revenues (expenses)	6,162,533	715,086	6,877,619
Income (loss) before capital contributions	(1,936,140)	(41,553)	(1,977,693)
Capital contributions	6,497,955	486,116	6,984,071
Change in net position	4,561,815	444,563	5,006,378
Net position, beginning of year	342,964,344	68,268,777	411,233,121
Net position, end of year	\$ 347,526,159	\$ 68,713,340	\$ 416,239,499

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 18 – Segment Information (Continued)

Condensed Statement of Cash Flows
For the Year Ended June 30, 2024

	Water Services	Wastewater Services	Total
Net cash provided by operating activities	\$ 4,653,509	\$ 2,271,881	\$ 6,925,390
Net cash provided by noncapital and related financing activities	5,852,863	-	5,852,863
Net cash (used in) capital and related financing activities	(10,303,899)	(5,341,157)	(15,645,056)
Net cash provided by (used in) investing activities	5,830,252	1,370,412	7,200,664
Net increase (decrease) in cash and cash equivalents	6,032,725	(1,698,864)	4,333,861
Cash and cash equivalents, beginning	40,756,590	12,665,155	53,421,745
Cash and cash equivalents, ending	\$ 46,789,315	\$ 10,966,291	\$ 57,755,606

The following condensed financial statements provide a summary of the District's financial information for water and wastewater services for the fiscal year ended June 30, 2023.

Condensed Statement of Net Position
June 30, 2023

	Water Services	Wastewater Services	Total
ASSETS			
Current assets	\$ 84,070,451	\$ 19,797,922	\$ 103,868,373
Capital assets	315,590,122	59,125,021	374,715,143
Long-term assets	9,355,778	-	9,355,778
Other assets	17,219	-	17,219
Total assets	409,033,570	78,922,943	487,956,513
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	857,886	-	857,886
Pension-related deferred outflows of resources	5,988,696	1,307,590	7,296,286
Total deferred outflows of resources	6,846,582	1,307,590	8,154,172
LIABILITIES			
Current liabilities	13,609,505	1,178,672	14,788,177
Long-term liabilities	49,798,425	10,617,445	60,415,870
Total liabilities	63,407,930	11,796,117	75,204,047
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferred inflows of resources	554,532	165,639	720,171
Lease-related deferred inflows of resources	8,953,346	-	8,953,346
Total deferred inflows of resources	9,507,878	165,639	9,673,517
NET POSITION			
Net investment in capital assets	276,913,948	55,468,913	332,382,861
Restricted for debt service	2,258,202	-	2,258,202
Restricted for construction	8,245,444	-	8,245,444
Unrestricted	55,546,750	12,799,864	68,346,614
Total net position	\$ 342,964,344	\$ 68,268,777	\$ 411,233,121

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 18 – Segment Information (Continued)

Changes in Net Position
For the Year Ended June 30, 2023

	Water Services	Wastewater Services	Total
Operating Revenues			
Water sales	\$ 53,633,877	\$ -	\$ 53,633,877
Sewer charges	-	5,621,985	5,621,985
Other water operating revenues	1,084,666	-	1,084,666
Total operating revenues	54,718,543	5,621,985	60,340,528
Operating Expenses			
Cost of purchased water sold	29,609,781	-	29,609,781
Pumping and water treatment	4,353,775	-	4,353,775
Transmission and distribution	4,434,815	-	4,434,815
Sewer collection and treatment	-	2,026,695	2,026,695
Elfin Forest recreation operations	386,905	-	386,905
Facilities maintenance	1,203,294	71,457	1,274,751
Customer services	1,753,430	760	1,754,190
General and administrative	5,509,052	1,356,172	6,865,224
Other operating expenses	212,580	-	212,580
Depreciation and amortization	13,582,136	2,328,654	15,910,790
Total operating expenses	61,045,768	5,783,738	66,829,506
Operating income (loss)	(6,327,225)	(161,753)	(6,488,978)
Nonoperating Revenues (Expenses)			
Fair market value adjustment	(106,538)	(100,747)	(207,285)
Investment income	1,586,693	518,655	2,105,348
Property taxes	4,577,755	-	4,577,755
Capacity charges	1,327,295	-	1,327,295
Benefit assessments	1,045,315	-	1,045,315
Other nonoperating revenues	1,055,260	-	1,055,260
Interest expense, net	(1,073,928)	(146,228)	(1,220,156)
Other nonoperating expenses	(1,799,800)	(136,149)	(1,935,949)
Total nonoperating revenues (expenses)	6,612,052	135,531	6,747,583
Income (loss) before capital contributions	284,827	(26,222)	258,605
Capital contributions	3,183,050	457,532	3,640,582
Change in net position	3,467,877	431,310	3,899,187
Net position, beginning of year	339,496,467	67,837,467	407,333,934
Net position, end of year	\$ 342,964,344	\$ 68,268,777	\$ 411,233,121

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 18 – Segment Information (Continued)

Condensed Statement of Cash Flows
For the Year Ended June 30, 2023

	Water Services	Wastewater Services	Total
Net cash provided by operating activities	\$ 7,471,972	\$ 1,820,459	\$ 9,292,431
Net cash provided by noncapital and related financing activities	5,602,430	-	5,602,430
Net cash (used in) capital and related financing activities	(15,518,398)	(3,065,805)	(18,584,203)
Net cash (used in) investing activities	1,204,195	(40,133)	1,164,062
Net increase (decrease) in cash and cash equivalents	(1,239,801)	(1,285,479)	(2,525,280)
Cash and cash equivalents, beginning	41,996,391	13,950,634	55,947,025
Cash and cash equivalents, ending	<u>\$ 40,756,590</u>	<u>\$ 12,665,155</u>	<u>\$ 53,421,745</u>

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REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

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Olivenhain Municipal Water District
Required Supplementary Information (Unaudited)
For the Years Ended June 30, 2024 and 2023

Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets

In accordance with GASB Statement No. 34, the District is required to account for and report infrastructure capital assets. The District defines infrastructure as the basic physical assets including water storage tanks system, used by the District to conduct its business. Each major infrastructure system can be divided into subsystems.

The District has elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting for its Steel Water Storage Tanks System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The District manages the eligible infrastructure capital assets using an assets management system with characteristics of: (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.

The District documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

In September 2007, the District commissioned a study of the physical condition assessment of the steel water storage tanks. Tank assessment components include tank structure, tank exterior coating, tank interior coating, tank dry interior, tank foundations, tank security and tank safety. The condition assessment will be performed at least every three years. Each tank was assigned a physical condition based on potential defects. A Tank Assessment Index (TAI), a nationally recognized index, was assigned to each tank and expressed in a continuous scale from 1.0 to 10.0, where 1.0 is assigned to the least acceptable physical condition and 10.0 is assigned the physical characteristics of a new tank. During fiscal year 2024, inspections on the various tanks ended in July 2024.

The following conditions were defined:

Condition	TAI Range
Very Good	9.0 - 10.0
Good	7.0 - 8.9
Satisfactory	5.0 - 6.9
Sub Standard	3.0 - 4.9
Unacceptable	1.0 - 2.9

According to the District's policy, a minimum average rating of 5.0 for all steel tanks is considered a satisfactory rating. As of June 30, 2024, 2023, 2022, 2021, and 2020 the District's steel water storage tanks were rated as follows:

Tank #	Name	Size (Gallons)	Type	TAI				
				FY 23/24	FY 22/23	FY 21/22	FY 20/21	FY 19/20
1	4 S-2 Tank	4,000,000	Ground Storage	9.4	9.4	9.4	9.4	8.8
2	Zorro Tank	1,200,000	Ground Storage	9.4	9.5	9.5	9.6	7.8
3	Wiegand Tank	1,000,000	Ground Storage	8.6	8.8	9.0	9.0	9.2
4	Peay Tank	10,000,000	Ground Storage	8.5	8.7	9.0	9.1	8.5
5	Denk Tank	10,000,000	Ground Storage	9.7	9.7	8.2	8.2	8.0
6	4S Tank	10,000,000	Ground Storage	8.9	9.1	9.6	8.7	7.3
7	Cielo Tank	1,000,000	Ground Storage	8.2	8.2	8.3	8.5	8.6
8	Roger Miller Tank	8,000,000	Ground Storage	9.1	9.4	9.4	9.5	9.7
9	Thelma Miller Tank	1,000,000	Ground Storage	9.9	9.9	8.9	8.9	8.9

Olivenhain Municipal Water District
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2024 and 2023

Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets (Continued)

The District expensed \$873,295 and \$865,427 on the steel water storage tanks maintenance for the fiscal years ended June 30, 2024 and 2023, respectively. These expenses delayed deterioration; however, the overall condition of the steel water storage tanks was not improved through these maintenance expenses. The District has estimated that the amount of annual expenses required to maintain the District's steel water storage tanks at the average TAI rating of 5.0 through the year 2024 is a minimum of \$873,294.

A schedule of actual expenses to maintain and preserve the steel water storage tanks at the current level is presented below:

Tank #	Name	Maintenance Expenses 2024		Maintenance Expenses 2023		Maintenance Expenses 2022		Maintenance Expenses 2021		Maintenance Expenses 2020	
		Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
1	4 S-2 Tank	\$ 61,329	\$ 61,329	\$ 63,539	\$ 60,776	\$ 58,290	\$ 58,842	\$ 55,251	\$ 55,251	\$ 55,251	\$ 55,251
2	Zorro Tank	35,778	35,779	37,068	35,456	34,006	34,328	32,233	32,233	32,233	32,233
3	Wiegand Tank	26,877	26,877	27,845	26,635	25,545	25,787	24,213	24,213	24,213	24,213
4	Peay Tank	174,643	174,643	180,936	173,070	165,989	167,563	157,336	157,336	157,336	157,336
5	Denk Tank	185,160	185,160	191,832	183,492	175,985	177,654	166,811	166,811	166,811	166,811
6	4S Tank	175,456	175,456	181,779	173,875	166,762	168,343	158,068	158,068	158,068	158,068
7	Cielo Tank	30,694	30,694	31,800	30,418	29,174	29,450	27,653	27,653	27,653	27,653
8	Roger Miller Tank	155,002	155,002	160,588	153,606	147,322	148,718	139,642	139,642	139,642	139,642
9	Thelma Miller Tank	28,355	28,355	29,377	28,100	26,950	27,206	25,545	25,545	25,545	25,545
	Total	\$ 873,294	\$ 873,295	\$ 904,764	\$ 865,428	\$ 830,023	\$ 837,891	\$ 786,752	\$ 786,752	\$ 786,752	\$ 786,752

Olivenhain Municipal Water District
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2024 and 2023

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 1,963,308	\$ 2,065,470	\$ 1,854,789	\$ 1,733,027	\$ 1,509,929	\$ 1,321,485	\$ 1,144,038	\$ 1,026,323	\$ 898,330	\$ 825,748
Contributions in relation to the actuarially determined contributions	2,274,308	2,376,470	1,854,789	2,183,027	1,809,929	1,321,485	1,144,038	1,026,323	898,330	825,748
Contribution deficiency (excess)	\$ (311,000)	\$ (311,000)	\$ -	\$ (450,000)	\$ (300,000)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 8,953,066	\$ 8,748,704	\$ 7,687,861	\$ 7,502,733	\$ 7,168,522	\$ 6,921,133	\$ 6,760,547	\$ 6,392,406	\$ 6,083,865	\$ 5,906,665
Contributions as a percentage of covered payroll	25.40%	27.16%	24.13%	29.10%	25.25%	19.09%	16.92%	16.06%	14.77%	13.98%

Notes to Schedule:

Valuation Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
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Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age*
Amortization method	Level percentage of payroll, closed*
Asset valuation method	Market Value**
Inflation	2.75%*
Salary increases	Depending on age, service, and type of employment*
Investment rate of return	6.90%, net of pension plan investment expense, including inflation*
Retirement age	50 (2.5% @ 55), 52 years (2% @ 62)

* The valuations for June 30, 2013, 2014, and 2015 (applicable to fiscal years ended June 30, 2015, 2016, and 2017 respectively) included the same actuarial assumptions.

** The valuations for June 30, 2013 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value of asset valuation method was utilized for the June 30, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, and 2022 valuations (applicable to fiscal years ended June 30, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, and 2024 respectively).

Olivenhain Municipal Water District
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2024 and 2023

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Miscellaneous & PEPRA Plan										
Plan's Proportion of the Net Pension Liability	0.35858%	0.35973%	0.41183%	0.34634%	0.34363%	0.33439%	0.32551%	0.12734%	0.12610%	0.10475%
Plan's Proportionate Share of the Net Pension Liability	\$ 17,930,299	\$ 16,832,760	\$ 7,819,768	\$ 14,608,844	\$ 13,760,678	\$ 12,602,286	\$ 12,831,806	\$ 11,018,852	\$ 8,653,737	\$ 6,517,867
Plan's Covered Payroll	\$ 8,748,704	\$ 7,687,861	\$ 7,502,733	\$ 7,168,522	\$ 6,921,133	\$ 6,760,547	\$ 6,392,406	\$ 6,083,865	\$ 5,906,665	\$ 5,808,158
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	204.95%	218.95%	104.23%	203.79%	198.82%	186.41%	200.74%	181.12%	146.51%	112.22%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.58%	74.59%	87.14%	74.69%	74.59%	75.38%	73.57%	74.06%	79.86%	83.03%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 2,274,308	\$ 2,376,470	\$ 2,084,274	\$ 1,926,217	\$ 1,673,663	\$ 1,469,602	\$ 1,351,241	\$ 1,196,711	\$ 1,116,013	\$ 862,289

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2022:

There were no changes in assumptions.

Fiscal year June 30, 2023:

The discount rate was reduced from 7.15% to 6.90%.

Fiscal year June 30, 2024:

There were no changes in assumptions.

STATISTICAL SECTION

Government Accounting Standards Board (GASB) Statement No. 44 "Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)" requires that statistical information be presented as part of the Annual Comprehensive Financial Report.

<u>Contents</u>	<u>Table No.</u>
Financial Trends	I - II
These tables show the current and historical financial trends regarding the nature of investments and ownership during the reporting period to assess the liquidity and financial strength of the District.	
Net Position is the accumulated value of the District's assets minus its liabilities. Changes in Net Position (total revenue less total expenses) measures the success of the District's operations during the reporting period and its ability to meet its financial commitments.	
Revenue Capacity	III - IX
These tables provide more detailed information about the District's revenues and expenses. Tables presented in this section show the District's activities during the reporting year broken down by sources to provide the reader with more information in assessing the District's financial health over the reporting period. These tables can also be used to assess whether or not the District has successfully recovered all of its costs through its users fees and other charges.	
The District's user rates and charges are established by the Board of Directors and are not subject to regulation by the California Public Utilities Commission or by any other local, state, or federal agency. The District is in compliance with Article XIID of the California State Constitution and Proposition 218 Omnibus Implementation Act.	
While the District does not assess a special tax rate, it receives a proportionate amount of ad-valorem tax as established by Proposition 13. The District levies and collects, through the San Diego County Tax Assessor office, for the Reassessment District 96-1 bonds. This assessment revenue is collected to repay for bonds issued to finance the construction of the Olivenhain Dam and Reservoir project.	
Debt Capacity	X - XV
These tables provide information on the District's ability to issue additional debt in the future.	
Demographic and Economic Information	XVI - XVII
Tables presented in this section will help the reader assess the District's community profile. Since the District's service area overlaps between several major cities and includes an unincorporated area, statistical information included in these tables represent the San Diego County economic data as a whole. Demographic and economic data presented have been collected from reasonably accurate sources, however, they should not be relied on in connection with any issuance of bonds.	
Operating Information	XVIII - XIX
Tables presented contain internal information about the District's water and sewer operations to measure operational efficiency.	

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Table I - Combined Net Position by Component (Water and Wastewater)

Last Ten Fiscal Years

	Fiscal Year ended June 30									
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Primary government										
Net investment in capital assets	\$ 330,711,440	\$ 332,382,861	\$ 328,832,740	\$ 330,855,961	\$ 330,720,794	\$ 321,290,220	\$ 322,232,147	\$ 322,388,785	\$ 322,493,799	\$ 315,240,098
Restricted	12,129,396	10,503,646	7,727,858	7,121,300	6,593,159	10,947,134	10,912,202	11,690,890	15,355,420	20,852,200
Unrestricted	(1) 73,398,663	68,346,614	70,773,336	69,458,948	60,757,811	62,445,287	57,908,178	53,114,033	48,664,923	50,582,280
Total Net Position	\$ 416,239,499	\$ 411,233,121	\$ 407,333,934	\$ 407,436,209	\$ 398,071,764	\$ 394,682,641	\$ 391,052,527	\$ 387,193,708	\$ 386,514,142	\$ 386,674,578

Source: Olivenhain Municipal Water District

2586513

Notes:

- (1) *Unrestricted Net Position includes \$2,586,513 in rebate payments from SDCWA that are being refunded to the District's customers via the Rate Reimbursement Credit (RRC) program. The District received a total of \$3,661,917 from SDCWA in 2022 and 2021, \$1,075,404 of which has been refunded to customers as of June 2024.*

Table II - Changes in Net Position

Last Ten Fiscal Years

	Fiscal Year ended June 30									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Operating Revenues										
Water sales	\$56,723,757	\$53,633,877	\$57,747,541	\$ 58,169,813	\$ 50,430,847	\$ 48,238,490	\$ 53,444,449	\$ 45,433,161	\$ 40,936,218	\$ 45,145,400
Sewer charges	5,443,940	5,621,985	5,480,925	5,127,136	4,952,194	5,245,015	4,464,710	4,447,426	4,474,853	4,656,781
Other water operating revenues	1,606,103	1,084,666	1,303,126	1,461,229	2,200,252	2,269,665	2,271,495	2,217,932	1,560,779	1,077,003
Total operating revenues	\$ 63,773,800	\$ 60,340,528	\$ 64,531,592	\$ 64,758,178	\$ 57,583,293	\$ 55,753,170	\$ 60,180,654	\$ 52,098,519	\$ 46,971,850	\$ 50,879,184
Operating Expenses										
Cost of purchased water sold	\$ 30,712,658	\$ 29,609,781	\$ 31,265,804	\$ 30,601,983	\$ 27,188,350	\$ 25,532,687	\$ 27,578,413	\$ 24,568,729	\$ 21,979,036	\$ 23,634,844
Pumping and water treatment	5,246,548	4,353,775	4,322,820	4,378,418	4,139,526	4,028,711	4,129,127	3,988,991	3,390,124	3,629,349
Transmission and distribution	4,992,405	4,434,815	4,485,962	4,220,269	4,090,468	3,480,238	3,557,507	3,874,766	3,482,086	3,348,083
Sewer collection and treatment	2,026,890	2,026,695	2,170,341	2,085,237	1,980,603	1,631,657	1,845,906	1,672,289	1,758,907	1,703,761
Elfin Forest Recreational Reserve	493,779	386,905	428,174	415,386	381,540	376,635	337,557	316,387	287,923	187,525
Facilities maintenance	1,441,133	1,274,751	1,387,010	1,363,564	1,456,702	1,224,506	1,083,246	1,154,241	843,456	888,677
Customer services	2,412,185	1,754,190	2,036,267	2,348,700	2,404,916	1,817,086	1,734,656	1,789,423	1,757,388	1,205,838
General and administrative	8,700,174	6,865,224	7,745,048	7,041,160	7,326,820	6,926,933	7,252,941	6,265,690	5,388,804	5,141,239
Other operating expenses	395,808	212,580	304,037	228,939	329,185	407,811	244,817	388,995	-	-
Depreciation and amortization	16,207,532	15,910,790	16,132,953	15,559,523	15,029,936	14,892,827	14,584,093	15,069,090	13,053,286	13,757,848
Total operating expenses	\$ 72,629,112	\$ 66,829,506	\$ 70,278,416	\$ 68,243,179	\$ 64,328,046	\$ 60,319,091	\$ 62,348,263	\$ 59,088,601	\$ 51,941,010	\$ 53,497,164
Operating income (loss)	(8,855,312)	(6,488,978)	(5,746,824)	(3,485,001)	(6,744,753)	(4,565,921)	(2,167,609)	(6,990,082)	(4,969,160)	(2,617,980)
Non-operating Revenues (expenses)										
Investment income, net of market value adjustment ⁽¹⁾	\$ 4,550,350	\$ 1,898,063	\$ (2,064,940)	\$ (107,057)	\$ 1,542,608	\$ 2,135,687	\$ 658,473	\$ 230,271	\$ 514,911	\$ 457,182
Property taxes	4,802,446	4,577,755	4,242,794	4,027,357	3,863,252	3,714,060	3,557,919	3,414,858	3,268,438	3,066,946
Capacity charges	577,702	1,327,295	1,530,925	2,754,730	3,200,022	2,337,015	645,964	3,624,426	1,482,945	1,792,125
Benefit assessments	1,048,779	1,045,315	1,058,241	1,177,302	1,115,704	1,474,830	1,414,791	1,460,881	1,451,751	1,375,093
Other non-operating revenues	1,361,331	1,055,260	2,237,334 ⁽²⁾	6,592,672 ⁽²⁾	91,836	67,097	2,669	278,589	53,458	137,836
Interest expense, net	(1,171,516)	(1,220,156)	(1,322,948)	(1,419,009)	(1,457,739)	(1,794,797)	(2,120,456)	(2,342,667)	(2,629,591)	(2,879,588)
Other non-operating expenses ⁽³⁾	(4,291,473) ⁽⁴⁾	(1,935,949) ⁽⁴⁾	(606,602)	(1,076,547)	(1,458,033)	(1,036,442)	(561,079)	(1,012,913)	(1,211,973)	(358,178)
Total non-operating revenues (expenses)	\$ 6,877,619	\$ 6,747,583	\$ 5,074,804	\$ 11,949,448	\$ 6,897,650	\$ 6,897,450	\$ 3,598,281	\$ 5,653,445	\$ 2,929,939	\$ 3,591,416
Income before capital contributions	(1,977,693)	258,605	(672,020)	8,464,447	152,897	2,331,529	1,430,672	(1,336,637)	(2,039,221)	973,436
Capital contributions	6,984,071	3,640,582	569,745	899,998	3,236,226	1,298,585	2,428,147	2,016,203	1,878,785	4,524,509
Change in net position	5,006,378	3,899,187	(102,275)	9,364,445	3,389,123	3,630,114	3,858,819	679,566	(160,436)	5,497,945
Net Position										
Beginning of year	\$ 411,233,121	\$ 407,333,934	\$ 407,436,209	\$ 398,071,764	\$ 394,682,641	\$ 391,052,527	\$ 387,193,708	\$ 386,514,142	\$ 386,674,578	\$ 389,896,221
Prior Year Adjustment/Equity Adjustment	-	-	-	-	-	-	-	-	-	(8,719,588)
End of year	\$ 416,239,499	\$ 411,233,121	\$ 407,333,934	\$ 407,436,209	\$ 398,071,764	\$ 394,682,641	\$ 391,052,527	\$ 387,193,708	\$ 386,514,142	\$ 386,674,578

Source: Olivenhain Municipal Water District

(1) Fair market value adjustment of \$1,355,207 for FY 2024, \$(207,285) for FY 2023, \$(2,467,642) for FY 2022 and \$(562,019) for FY 2021

(2) Includes rate refunds from SDCWA in the amount of \$2,039,332 in FY 2021 and \$1,622,585 in FY 2022, a total of \$3,661,917. These amounts are currently being refunded to customers as part of the District's Rate Reimbursement Credit (RRC) program.

As of June 2024, the District has refunded \$1,075,404 to customers via the RRC program.

(3) Includes mainly MET Rate Reimbursement Credit, Loss on sale of fixed assets, and grant pass-through amounts.

(4) Includes of grant pass through expenses for the Tittle 16 Grant. \$3.3 million in FY 2024 and \$1.0 million in FY 2023

Table III - Revenues by Source

Last Ten Fiscal Years

Fiscal Year Ended	OPERATING REVENUES						NONOPERATING REVENUES						
	Water Sales ⁽¹⁾	Service Charges ⁽¹⁾	Meter Installs	Sewer Charges	Other ⁽²⁾	Total Operating Revenues	Investment Income ⁽³⁾	Prop. Taxes & Benefit Assessment	Capacity Charges ⁽⁴⁾	Capital Contributions ⁽⁵⁾	Other ⁽²⁾	Total Non-operating Revenues	TOTAL REVENUES
2024	\$ 39,767,355	\$ 16,956,402	\$ (891)	\$ 5,443,940	\$ 1,606,994	\$ 63,773,800	\$ 4,550,350	\$ 5,851,225	\$ 577,702	\$ 6,984,071	\$ 1,361,331	\$ 19,324,679	\$ 83,098,479
2023	37,503,235	16,130,642	2,017	5,621,985	1,082,649	60,340,528	1,898,063	5,623,070	1,327,295	3,640,582	1,055,260	13,544,270	73,884,798
2022	42,215,756	15,531,785	1,116	5,480,925	1,302,009	64,531,591	(2,064,940)	5,301,035	1,530,925	569,745	2,237,334	7,574,099	72,105,690
2021	42,879,845	15,289,968	11,940	5,127,136	1,449,289	64,758,178	(107,057)	5,204,659	2,754,730	899,998	6,592,672	15,345,002	80,103,180
2020	35,794,646	14,636,202	5,279	4,952,194	2,194,973	57,583,294	1,542,608	4,978,956	3,200,022	3,236,226	91,836	13,049,648	70,632,942
2019	33,747,315	14,491,175	5,891	5,245,015	2,263,774	55,753,170	2,135,687	5,188,890	2,337,015	1,298,585	67,097	11,027,274	66,780,444
2018	39,411,902	14,032,547	5,405	4,464,710	2,266,090	60,180,654	658,473	4,972,710	645,964	2,428,147	2,669	8,707,963	68,888,617
2017	32,160,956	13,272,205	8,590	4,447,426	2,209,342	52,098,519	230,271	4,875,739	3,624,426	2,016,203	278,589	11,025,228	63,123,747
2016	28,335,031	12,601,187	(23,890)	4,474,853	1,584,669	46,971,850	514,911	4,720,189	1,482,945	1,878,785	53,458	8,650,288	55,622,138
2015	33,309,929	11,835,471	49,247	4,656,781	1,027,756	50,879,184	457,182	4,442,039	1,792,125	4,524,509	137,836	11,353,691	62,232,875

Source: Olivenhain Municipal Water District

Notes:

- (1) Includes estimated unbilled water revenue, miscellaneous water sales, recycled commodity sales, and fixed monthly fees.
(2) Other revenues includes excess treated water capacity revenues, rental income, MWD lawsuit settlements, sale of District parcels, and demand offset fees.
(3) Net of fair market value adjustment (fair market value adjustment of \$(207,285) for FY 2023, \$(2,467,642) for FY 2022 and \$(562,019) for FY 2021)
(4) Fees paid by developers and new customers for water services.
(5) Cash contributions or contributions of capital assets in kind or when governmental constructions are earned.

Table IV - Expenses by Function

Last Ten Fiscal Years

Fiscal Year Ended	OPERATING EXPENSES							NONOPERATING EXPENSES				
	Cost of Water Sold	Pumping & Water Treatment	Transmission and Distribution	Sewer Collection & Treatment	Customer Services	Depreciation & Amortization	Other ⁽¹⁾	Total Operating Expenses	Interest Expense	Other ⁽²⁾	Total Non- operating Expenses	TOTAL EXPENSES
2024	\$ 30,712,658	\$ 5,246,548	\$ 4,992,405	\$ 2,026,890	\$ 2,412,185	\$ 16,207,532	\$ 11,030,894	\$ 72,629,112	\$ 1,171,516	\$ 4,291,473	\$ 5,462,989	\$ 78,092,101
2023	29,609,781	4,353,775	4,434,815	2,026,695	1,754,190	15,910,790	8,739,460	66,829,506	1,220,156	1,935,949	3,156,105	69,985,611
2022	31,265,804	4,322,820	4,485,962	2,170,341	2,036,267	16,132,953	9,864,269	70,278,416	1,322,948	606,602	1,929,550	72,207,966
2021	30,601,983	4,378,418	4,220,269	2,085,237	2,348,700	15,559,523	9,049,049	68,243,179	1,419,009	1,076,547	2,495,556	70,738,735
2020	27,188,350	4,139,526	4,090,468	1,980,603	2,404,916	15,029,936	9,494,247	64,328,046	1,457,739	1,458,033	2,915,772	67,243,818
2019	25,532,687	4,028,711	3,480,238	1,631,657	1,817,086	14,892,827	8,935,885	60,319,091	1,794,797	1,036,442	2,831,239	63,150,330
2018	27,578,413	4,129,127	3,557,507	1,845,906	1,734,656	14,584,093	8,918,561	62,348,263	2,120,456	561,079	2,681,535	65,029,798
2017	24,568,729	3,988,991	3,874,766	1,672,289	1,789,423	15,069,090	8,125,313	59,088,601	2,342,667	1,012,913	3,355,580	62,444,181
2016	21,979,036	3,390,124	3,482,086	1,758,907	1,757,388	13,053,286	6,520,183	51,941,010	2,629,591	1,211,973	3,841,564	55,782,574
2015	23,634,844	3,629,349	3,348,083	1,703,761	1,205,838	13,757,848	6,217,441	53,497,164	2,879,588	358,178	3,237,766	56,734,930

Source: Olivenhain Municipal Water District

Notes:

(1) Includes General and Administrative, Facilities Maintenance, and Elfin Forest Recreational Reserve operations, and miscellaneous operating expenses such as expenses related to Work for Others projects.

(2) Includes loss on disposal of capital assets, water rebate payments to customers from SDCWA/MWD rate refunds, and miscellaneous other non-operating expenses such as bank fees and bond consultants. Fiscal Years 2024 and 2023 also include approximately \$3.3 million and \$1.0 million, respectively, of pass-through grant funds that were disbursed to subrecipient members of the North San Diego Water Reuse Coalition (NSDWRC).

Table V- Water Sales by Source ⁽¹⁾

Last Ten Fiscal Years

Fiscal Year Ended	Domestic/Commercial			Agricultural			Recycled Water			Total		Combined Direct Rate ⁽²⁾	Combined Direct Rate ⁽²⁾
	Value	Acre Feet	% of Total	Value	Acre Feet	% of Total	Value	Acre Feet	% of Total	Value	Acre Feet	\$/Acre Feet	\$/HCF
2024	\$ 34,742,474	14,158.6	88.8%	\$ 453,107	163.2	1.2%	\$ 3,918,060	2,192.4	10.0%	\$ 39,113,642	16,514.2	\$ 2,368	\$ 5.44
2023	33,831,813	14,657.2	88.7%	475,857	183.9	1.2%	3,821,445	2,270.1	10.0%	38,129,114	17,111.2	2,228	5.12
2022	38,105,626	17,179.4	88.7%	373,711	237.5	0.9%	4,481,597	2,773.8	10.4%	42,960,934	20,190.6	2,128	4.88
2021	37,551,897	17,477.5	88.2%	820,954	479.3 ⁽³⁾	1.9%	4,204,817	2,719.3	9.9%	42,577,668	20,676.1	2,059	4.73
2020	30,779,447	15,174.0	87.9%	631,705	420.7	1.8%	3,619,602	2,182.8	10.3%	35,030,754	17,777.5	1,971	4.52
2019	30,025,491	15,221.1	87.5%	629,535	457.6	1.8%	3,655,658	2,227.7	10.7%	34,310,684	17,906.3	1,916	4.40
2018	33,672,603	17,455.7	87.2%	805,794	583.1	2.1%	4,137,994	2,615.3	10.7%	38,616,391	20,654.0	1,870	4.29
2017	27,946,765	15,500.9	87.8%	630,479	475.3	2.0%	3,262,852	2,252.3	10.2%	31,840,096	18,228.5	1,747	4.01
2016	25,085,001	14,310.2	88.3%	787,221	497.0	2.8%	2,533,961	1,856.2	8.9%	28,406,182	16,663.4	1,705	3.91
2015	29,914,133	17,992.9	87.7%	1,092,527	706.8	3.2%	3,112,981	2,323.3	9.1%	34,119,641	21,023.0	1,623	3.73

Source: Olivenhain Municipal Water District

Notes:

- (1) Excludes unbilled water sales.
- (2) Calculated based on total water sales divided by total volume. 1 acre-foot = 43,600 cubic feet = 325,900 gallons.
- (3) Decrease in FY 2022 due to reclassing certain Agricultural customers to Domestic/Commercial that did not meet requirements for the PSAWR (Ag) program set forth by SDCWA.

Table VI - Rate by Activity

Last Ten Fiscal Years

		Fiscal Year ended June 30									
		2024	2023	2022	2021	2020	2019	2018	2017	2016 (5)	2015
Potable Water ⁽¹⁾											
Monthly System Access Charge	\$	44.79	\$ 41.94	\$ 40.41	\$ 39.44	\$ 38.46	\$ 37.70	\$ 37.70	\$ 36.08	\$ 33.88	\$ 31.97
Monthly Commodity Charge											
Domestic Rate											
1 st Tier		4.24	3.92	3.68	3.39	3.30	2.71	2.64	2.53	2.50	2.25
2 nd Tier		6.14	5.69	5.34	5.02	4.90	4.75	4.62	4.43	4.35	3.93
3 rd Tier		6.85	6.35	5.96	5.63	5.49	5.61	5.46	5.23	5.60	4.65
4 th Tier		8.14	7.55	7.09	6.74	6.58	6.58	6.40	6.13	6.26	5.44
Rate Reimbursement Credit ⁽⁶⁾	(0.110)	(0.069)	(0.069)	-	-	-	-	-	-	-	-
Commercial Rate											
1 st Tier		5.78	5.35	5.02	4.71	4.59	4.07	3.96	3.79	3.64	3.36
Irrigation ⁽²⁾											
1 st Tier		6.50	6.02	5.65	5.33	5.20	4.35	4.23	4.05	3.99	3.60
2 nd Tier		6.94	6.43	6.04	5.71	5.57	5.90	5.74	5.50	5.61	4.88
Agricultural Rate		6.75	6.26	5.88	5.55	5.42	4.75	4.62	4.43	4.26	3.93
PSAWR/TSWR Credit ⁽³⁾	(1.34)	(1.17)	(1.11)	(0.97)	(0.99)	(0.94)	(0.94)	(0.95)	(0.89)	(0.90)	(0.77)
Recycled ⁽¹⁾											
Monthly System Access Charge	\$	44.79	\$ 41.94	\$ 40.41	\$ 39.44	\$ 38.46	\$ 37.70	\$ 37.70	\$ 36.08	\$ 33.88	\$ 31.97
Monthly Commodity Charge Uniform Rate		4.29	4.04	3.79	3.65	3.61	3.85	3.75	3.59	3.37	3.18
Sewer ⁽¹⁾											
Annual System Access Charge per EDU ⁽⁴⁾											
4S Ranch	\$	197.52	\$ 191.76	\$ 186.17	\$ 181.09	\$ 181.09	\$ 175.81	\$ 170.68	\$ 165.70	\$ 147.00	\$ 147.00
Rancho Cielo		197.52	191.76	186.17	181.09	181.09	175.81	170.68	165.70	147.00	147.00
Multi-Family and Commercial		156.31	151.75	147.33	181.09	181.09	175.81	170.68	165.70	147.00	147.00
Commodity Charge per unit											
Domestic Rate		7.24	7.02	6.81	6.59	6.59	6.39	6.20	6.01	6.00	6.00
Multi-Family Rate		7.24	7.02	6.81	6.59	6.59	6.39	6.20	6.01	6.00	6.00
Commercial Rate											
Group I		7.24	7.02	6.81	6.59	6.59	6.39	6.20	6.01	6.00	6.00
Group II		10.02	9.72	9.43	10.16	10.16	9.86	9.57	9.29	9.29	9.29
Group III		-	-	-	11.36	11.36	11.02	10.69	10.37	15.86	15.86

Source: Olivenhain Municipal Water District

Notes:

- (1) Commodity charges are for one unit of water (1 unit = 748 gallons).
- (2) Irrigation tiers are based on seasonal allotments by meter size.
- (3) Permanent/Transitional Special Agricultural Water Rate is calendar year based (Jan 1st to Dec 31st).
- (4) An Equivalent Dwelling Unit (EDU) means the standard measurement of sewage discharged into the sewer system equal to the average discharge from a detached single family unit.
- (5) Water Supply Shortage Level 2 Rate.
- (6) Rate refunds received in FY 2021 and 2022 from SDCWA/MWD given back to customers as a per unit bill credit each month.

Table VII - Principal Water Consumers

Current and Nine Years Ago

FISCAL YEAR ENDED 2024

Customer Name	Usage (AF)	% of Water Sold
The Bridges Club at RSF Inc ⁽¹⁾	760.7	4.61%
4S Ranch Master HOA ⁽²⁾	449.4	2.72%
Bando National Corporation ⁽²⁾⁽³⁾	252.7	1.53%
La Costa Glen Carlsbad LLC ⁽¹⁾	226.9	1.37%
La Costa Oaks Association ⁽²⁾	222.9	1.35%
Rancho Santa Fe Farms Golf Inc ⁽²⁾	217.8	1.32%
Del Mar Country Club ⁽²⁾	188.7	1.14%
Cielo Homeowners Assn ⁽¹⁾	186.0	1.13%
Crosby Estate HOA ⁽²⁾	177.8	1.08%
Sea Point La Costa HOA ⁽¹⁾	159.9	0.97%
Total top ten consumers	2,842.8	17.21%
Other consumers	13,671.4	82.79%
Total water billed	16,514.2	100.00%

FISCAL YEAR ENDED 2015

Customer Name	Usage (AF)	% of Water Sold
4S Ranch Master Hoe	467.9	2.23%
Fairbanks Ranch Country Club	373.7	1.78%
The Bridges Club At Rest Inc.	327.1	1.56%
Del Mar Country Club	243.8	1.16%
La Costa Oaks Association	215.6	1.03%
Rancho Santa Fe Farms Golf Inc.	194.4	0.92%
Crosby National Golf Club	192.4	0.92%
Crosby Estates HOA	178.6	0.85%
La Costa Glen Carlsbad	138.9	0.66%
Cielo Homeowners Assn	134.4	0.64%
Total top ten consumers	2,466.8	11.73%
Other consumers	18,556.3	88.27%
Total water billed	21,023.0	100.00%

Source: Olivenhain Municipal Water District

Notes:

(1) Mainly potable water customer

(2) Mainly recycled water customer

(3) Previously named Crosby National Golf Club.

Table VIII - Principal Wastewater (Sewer) Customers

Current and Four Years Ago

FISCAL YEAR ENDED 2024

Customer Name	Amount Billed	% of Total Sewer Billed
4S Ranch Holdco LLC	\$ 553,237	10.16%
Cymer Inc	545,768	10.03%
Amante and Ravenna at 4S Ranch	392,336	7.21%
Summit of Rancho Bernardo HOA	288,439	5.30%
Poway Unified School District	265,484	4.88%
Gianni at 4S Ranch	226,780	4.17%
Bridgeport 4S	212,812	3.91%
San Moritz at 4S Ranch HOA	167,578	3.08%
4S Regency Partners LLC	162,184	2.98%
Dove Canyon Apartments	154,045	2.83%
Total top ten customers	2,968,664	54.53%
Other customers	2,475,276	45.47%
Total Sewer billed	\$ 5,443,940	100.00%

FISCAL YEAR ENDED 2020

Customer Name	Amount Billed	% of Total Sewer Billed
4S Ranch Holdco LLC	\$ 470,755	9.53%
Cymer Inc	465,287	9.42%
Amante and Ravenna at 4S Ranch	355,164	7.19%
Summit of Rancho Bernardo HOA	304,500	6.16%
Poway Unified School District	261,516	5.29%
Gianni at 4S Ranch	213,207	4.32%
Bridgeport 4S	188,358	3.81%
San Moritz at 4S Ranch HOA	150,443	3.05%
4S Regency Partners LLC	139,674	2.83%
Dove Canyon Apartments	135,630	2.75%
Total top ten customers	2,684,534	54.34%
Other customers	2,255,477	45.66%
Total Sewer billed	\$ 4,940,010	100.00%

Source: Olivenhain Municipal Water District

Table IX - Property Tax and Special Assessment

Last Ten Fiscal Years

Fiscal Year Ended	Current Year Levy ⁽¹⁾			Total Collection Thru 6/30 ⁽⁴⁾	Net Uncollected at 6/30	Percent Uncollected at 6/30
	Property Taxes ⁽²⁾	Special Assessment ⁽³⁾	Total Levy			
2024	\$ 4,716,595	\$ 1,032,120	\$ 5,748,715	\$ 5,835,739	\$ (87,024)	-1.51%
2023	4,466,104	1,032,342	5,498,447	5,584,041	(85,594)	-1.56%
2022	4,157,765	1,029,837	5,187,602	5,247,821	(60,219)	-1.16%
2021	3,998,833	1,054,717	5,053,550	5,103,286	(49,737)	-0.98%
2020	3,878,790	1,027,879	4,906,669	4,890,204	16,465	0.34%
2019	3,670,386	1,417,674	5,088,059	5,103,906	(15,847)	-0.31%
2018	3,578,486	1,417,716	4,996,202	4,973,806	22,396	0.45%
2017	3,371,836	1,438,673	4,810,509	4,856,043	(45,534)	-0.95%
2016	3,237,786	1,432,319	4,670,105	4,698,456	(28,351)	-0.61%
2015	3,065,704	1,436,411	4,502,115	4,457,893	44,222	0.98%

Source: County of San Diego Office of the Auditor Controller

Notes:

- (1) Excludes Wastewater Service fees and Stand-by Charges collected on the county's tax roll.
- (2) Includes only current secured and unsecured charges. Excludes delinquent charges, which were reported in previous year.
- (3) Special Assessment includes special assessment debt with government commitment (RAD 96-1).
- (4) Includes monies collected for all outstanding years, and includes late charges and interest on delinquent payments collected.

Table X - Assessed Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year Ended	SECURED			Net Assessed Secured Value	Assessed Unsecured Value	Total Assessed Value
	Real Property	Personal Property	Exemptions			
2024	\$ 29,750,083,901	\$ 31,170,448	\$ (344,505,718)	29,436,748,631	\$ 516,144,903	29,952,893,534
2023	28,259,090,456	29,421,612	(326,716,447)	27,961,795,621	428,194,797	28,389,990,418
2022	26,419,545,022	19,958,978	(303,262,519)	26,136,241,481	335,348,712	26,471,590,193
2021	25,473,591,937	40,376,998	(303,002,411)	25,210,966,524	438,607,395	25,649,573,919
2020	24,494,325,764	37,689,822	(283,228,046)	24,248,787,540	370,522,672	24,619,310,212
2019	23,391,490,448	39,283,241	(271,258,202)	23,159,515,487	372,459,608	23,531,975,095
2018	22,371,096,064	48,645,131	(270,514,800)	22,149,226,395	281,799,829	22,431,026,224
2017	21,383,894,218	67,716,928	(259,092,644)	21,192,518,502	247,856,828	21,440,375,330
2016	20,566,012,446	83,195,335	(226,276,546)	20,422,931,235	211,765,389	20,634,696,624
2015	19,505,795,291	94,184,239	(219,022,211)	19,380,957,319	241,734,960	19,622,692,279

Source: Office of the Auditor Controller, County of San Diego

Note: The District receives its proportionate share of property taxes levied by the County of San Diego in accordance with Proposition 13. The District neither sets its own tax rate nor assesses a tax rate. The County of San Diego bills and collects the District's sewer service charges on behalf of the District.

Table XI - Ratios of Net Bonded Debt to Assessed Value and Net Bonded Debt Per Capita

Last Ten Fiscal Years

Fiscal Year Ended	Gross Bonded Debt ⁽¹⁾	Add: Premium ⁽²⁾	Less: Reserve Funds ⁽³⁾	Net Bonded Debt	Total Secured Real Property ⁽⁴⁾	Debt to Total Secured Real Property	Population Estimate ⁽⁵⁾	Net Bonded Debt Per Capita	Personal Income	As a Share of Personal Income
2024	\$ 3,690,782	\$ -	\$ 54,918	\$ 3,635,864	\$ 29,750,083,901	0.01%	86,458	\$ 42	\$ 6,775,367,628	0.05%
2023	4,594,691	-	79,155	4,515,536	28,259,090,456	0.02%	86,441	52	\$ 6,355,401,643	0.07%
2022	5,457,755	-	82,152	5,375,603	26,419,545,022	0.02%	86,614	62	\$ 6,055,791,038	0.09%
2021	6,300,863	-	247,578	6,053,286	25,473,591,937	0.02%	86,649	70	\$ 5,717,794,212	0.11%
2020	7,130,000	-	71,899	7,058,101	24,494,325,764	0.03%	87,084	81	\$ 5,379,178,680	0.13%
2019	9,765,000	22,870	1,438,918	8,348,951	23,391,490,448	0.04%	86,997	96	\$ 5,167,708,797	0.16%
2018	10,625,000	25,671	1,431,668	9,219,003	22,371,096,064	0.04%	86,478	107	\$ 4,987,791,606	0.18%
2017	11,670,000	28,471	1,435,593	10,262,879	21,383,894,218	0.05%	85,792	120	\$ 4,842,786,816	0.21%
2016	12,485,000	31,272	1,397,568	11,118,704	20,566,012,446	0.05%	85,010	131	\$ 4,690,851,800	0.24%
2015	13,270,000	34,072	1,398,953	11,905,119	19,505,795,291	0.06%	84,352	141	\$ 4,529,364,992	0.26%

Source: Olivenhain Municipal Water District, the Office of the Auditor Controller, County of San Diego, California Department of Finance, and California Department of Transportation

Notes:

(1) Gross Bonded Debt is a special assessment debt with government commitment. It is the outstanding balance of Reassessment District 96-1 Bond at the end of the fiscal year.

(2) Premium was eliminated in fiscal year 2020 due to refinancing of the Reassessment District 96-1 Bond.

(3) Reserve Funds decreased significantly in fiscal year 2020 due to refinancing of the Reassessment District 96-1 Bond.

(4) Total Secured Real Property is the total secured value of land and Improvements as stated on County of San Diego Assessed Valuation report for each fiscal year, exclusive of personal property, exemptions and unsecured property.

(5) Population estimate is based on California Department of Finance's Special District Population Benchmark based on 2010 and 2020 census data and population growth estimates for San Diego County.

Table XII - Direct and Overlapping Debt

June 30, 2024

2023-24 Assessed Valuation: \$29,952,893,534

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:

	Total Debt As of 6/30/24	% Applicable ⁽¹⁾	District's Share of Debt As of 6/30/24
Metropolitan Water District	\$18,210,000	0.774%	\$ 140,945
Mira Costa Community College District	359,270,000	15.847%	56,933,517
Palomar Community College District	627,562,522	4.544%	28,516,441
Poway Unified School District School Facilities Improvement District No. 2002-1	95,780,766	5.278%	5,055,309
Poway Unified School District School Facilities Improvement District No. 2007-1	156,777,094	3.270%	5,126,611
San Marcos Unified School District	263,560,519	0.085%	224,026
Escondido Union High School District	73,705,512	1.497%	1,103,372
San Dieguito Union High School District	408,120,000	26.330%	107,457,996
Cardiff School District	22,316,035	4.586%	1,023,413
Encinitas Union School District	39,845,765	57.404%	22,873,063
Escondido Union School District	171,634,622	1.545%	2,651,755
Rancho Santa Fe School District	26,060,317	27.431%	7,148,606
Solano Beach School District School Facilities Improvement District No. 2016-1	87,455,000	27.312%	23,885,710
Palomar Health District	391,373,366	6.577%	25,740,626
Poway Unified School District Community Facilities Districts	146,301,176	19.641 - 100%	137,898,051
San Dieguito Union High School District Community Facilities Districts	56,775,000	16.758 - 100%	26,510,566
City of Encinitas Community Facilities District No. 1	14,975,000	25.865%	3,873,284
Rancho Santa Fe Community Services District Community Facilities District No. 1	21,645,000	100%	21,645,000
Olivenhain Municipal Water District	-	100%	-
Olivenhain Municipal Water District Assessment District No. 96-1	3,720,000	100%	3,720,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 481,528,291
OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	\$374,600,000	4.260%	\$ 15,957,960
San Diego County Pension Obligation Bonds	211,225,000	4.260%	8,998,185
San Diego County Superintendent of Schools General Fund Obligations	6,050,000	4.260%	257,730
Mira Costa Community College District General Fund Obligations	49,425,000	15.847%	7,832,380
Palomar Community College District General Fund Obligations	1,175,000	4.544%	53,392
Poway Unified School District Certificates of Participation	52,870,000	11.823%	6,250,820
Other School District General Fund Obligations	183,162,981	Various	5,967,410
City of Encinitas Certificates of Participation	39,240,000	36.441%	14,299,448
City of San Diego General Fund Obligations	606,226,846	0.268%	1,624,688
Other Cities' General Fund Obligations	1,565,000	Various	1,706
TOTAL OVERLAPPING GENERAL FUND DEBT			\$ 61,243,719
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	\$ 177,795,000	0.123%	\$ 218,688
TOTAL DIRECT DEBT			\$ -
TOTAL OVERLAPPING DEBT			\$ 542,990,698
COMBINED TOTAL DEBT			\$ 542,990,698 ⁽²⁾

(1) The percentage of overlapping debt applicable to the District is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping District's assessed value that is within the boundaries of the overlapping District divided by the District's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded lease obligations.

Ratios to 2023-24 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	1.61%
Combined Total Debt	1.81%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$14,935,189):

Total Overlapping Tax Increment Debt	1.46%
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Source: California Municipal Statistics, Inc.

Table XIII - Water System Revenue to Debt Service Ratio

Last Ten Fiscal Years

Fiscal Year Ended	Water Sales	(1) Property Taxes	Capacity Charges	Other Non Operating Revenues	(2) Total Water System Revenues	Less: Cost of water sold	Less: Operations and Maintenance Costs	(3) Net Water System Revenues	(4) Debt Service Payment	(5) Revenue to Debt Service Ratio	Pledged Revenue Debt Limit
2024	\$ 58,329,860	\$ 4,802,446	\$ 577,702	\$ 6,473,199	\$ 70,183,207	\$ 30,712,658	\$ 20,774,816	\$ 18,695,733	\$ 4,457,329	4.19	125%
2023	54,718,543	4,577,755	1,327,295	4,622,474	65,246,067	29,609,781	19,271,036	16,365,250	4,462,579	3.67	125%
2022	58,746,630	4,242,794	1,530,925	2,963,069	67,483,418	31,265,804	18,435,197	17,782,417	4,451,579	3.99	125%
2021	59,402,103	4,027,357	2,754,730	4,522,808	70,706,998	30,601,983	17,883,079	22,221,936	4,450,079	4.99	125%
2020	52,301,914	3,863,252	620,224	1,345,972	58,131,362	27,188,350	18,112,974	12,830,038	4,453,579	2.88	125%
2019	50,100,344	3,714,060	1,761,723	1,779,546	57,355,673	25,532,687	16,223,249	15,599,737	4,457,329	3.50	125%
2018	55,471,127	3,557,919	645,964	533,766	60,208,776	27,578,413	16,487,251	16,143,112	4,513,537	3.58	125%
2017	47,262,098	3,414,858	3,624,426	474,085	54,775,467	24,568,729	15,906,059	14,300,679	4,716,802	3.03	125%
2016	42,496,997	3,268,438	1,482,945	452,463	47,700,843	21,979,036	13,743,834	11,977,973	4,681,052	2.56	115%
2015	46,222,403	3,066,946	1,792,125	509,070	51,590,544	23,634,844	12,955,907	14,999,793	4,945,400 ⁽⁶⁾	3.03	115%

Source: Olivenhain Municipal Water District

Notes:

- (1) Includes potable and recycled water sales and other water operating revenues. Excludes other operating revenues related to the District's Work for Other projects. Credits from the District's Rate Reimbursement Credit (RRC) program are excluded from Water Sales and recorded as part of the Other Nonoperating Expenses section of the District's financial statements.
- (2) Includes investment income, gain on sale of capital assets, settlement payments from MWD lawsuit (2022 & 2021 only), sale of District parcels, and contributions from federal and state grant funding for reimbursement of certain capital expenditures. Excludes Wastewater (Sewer) revenues, unrealized gains and losses on investments, contributed assets from developers, GASB year-end adjustments.
- (3) Excludes Elfin Forest Recreational Reserve operations & other operating expenses related to the District's Work for Other projects.
- (4) Includes Total Water System Revenues less Cost of water sold and Operations and Maintenance Costs.
- (5) Debt Service Payments include Interest and Principal paid on Water Revenue Refunding Bonds Series 2015A, 2016A, Water Revenue Bonds Series 2009, and 2013 State Revolving Fund Loan. Excludes Wastewater Bonds.
- (6) Includes 2013 principal and interest paid for the 2013 State Revolving Fund Loan during fiscal year 2015 not due until July 1, 2015.

Table XIV - Reassessment District 96-1 Billings and Collections ⁽¹⁾

Last Ten Fiscal Years

Fiscal Year Ended	AMOUNT LEVIED				Amount Collected ⁽³⁾	Percent Collected
	Principal	Interest	Other ⁽²⁾	Total		
2024	\$ 893,750	\$ 77,234	\$ 61,136	\$ 1,032,120	\$ 1,039,275	100.7%
2023	879,601	95,670	57,071	1,032,342	1,034,916	100.2%
2022	862,309	113,983	53,546	1,029,837	1,037,863	100.8%
2021	844,142	131,835	78,740	1,054,717	1,067,741	101.2%
2020	815,000	162,677	50,202	1,027,879	1,047,644	101.9%
2019	915,294	473,591	28,789	1,417,674	1,410,387	99.5%
2018	876,008	511,464	30,244	1,417,716	1,414,221	99.8%
2017	844,112	548,651	45,911	1,438,673	1,446,310	100.5%
2016	804,478	581,889	45,952	1,432,319	1,434,925	100.2%
2015	779,900	613,211	43,300	1,436,411	1,379,474	96.0%

Source: Olivenhain Municipal Water District

Notes:

- (1) The Reassessment District (RAD) 96-1 Bond was refinanced in fiscal year 2020 resulting in a decrease to principal and interest. The District issued RAD 2019 96-1 bonds to refund and refinance the outstanding principal on the 2007 RAD 96-1 bonds.
- (2) Includes administration and delinquency management fees as well as fund credits.
- (3) As of June 30 of the fiscal year listed. Includes penalties and interest for delinquent payments.

Table XV - Net Outstanding Long-Term Debt by Type

Last Ten Fiscal Years

Fiscal Year Ended	Water Revenue Bonds				Sewer Revenue Bonds			Special Assessment Bonds	Note Payable		SBITA Liability	Total Net Outstanding Debt	Percentage of Personal Income	Per Capita
	2016 Water Revenue Refunding Bonds	2015 Water Revenue Refunding Bonds	2009 Water Revenue Bonds	2006 Water Revenue Refunding Bonds	2018 Sewer Revenue Bonds	2021A Sewer Revenue Bonds	2021B Sewer Revenue Refunding Bonds ⁽³⁾	Limited Obligation Reassessment District 96-1 ⁽²⁾	2013 State Revolving Fund	2012 California Bank and Trust ⁽¹⁾	SBITA Liability ⁽⁴⁾			
2024	\$ 11,753,286	\$ 7,201,018	\$ -	\$ -	\$ -	\$ 4,161,270	\$ 1,786,450	\$ 2,797,851	\$ 9,083,311	\$ -	\$ 9,704	\$ 36,792,890	0.54%	426
2023	13,038,237	11,440,036	-	-	-	4,589,160	2,944,060	4,594,691	10,345,340	-	115,752	47,067,276	0.74%	545
2022	13,689,319	13,607,376	-	-	-	4,796,400	3,513,900	5,457,755	11,162,925	-	181,698	52,409,374	0.87%	605
2021	14,316,208	15,730,315	-	-	4,013,000	-	-	6,300,863	11,961,998	-	-	52,322,384	0.92%	604
2020	14,923,628	17,816,383	-	-	4,520,000	-	-	7,130,000	12,742,976	-	-	57,132,987	1.06%	656
2019	15,511,305	19,873,396	-	-	5,011,000	-	-	9,787,870	13,506,271	-	-	63,689,842	1.23%	732
2018	16,084,017	21,899,196	-	-	5,500,000	-	-	10,650,671	14,252,283	-	-	68,386,167	1.37%	791
2017	16,577,296	23,627,014	-	-	-	-	-	11,698,471	15,339,748	-	-	67,242,530	1.39%	784
2016	-	25,289,832	16,925,215	-	-	-	-	12,516,272	15,693,954	518,339	-	70,943,613	1.51%	835
2015	-	-	17,353,724	26,414,577	-	-	-	13,304,072	16,390,314	1,540,841	-	75,003,529	1.66%	889

Source: Olivenhain Municipal Water District

Notes:

(1) 2012 California Bank and Trust note was paid off in February 2017.

(2) The Limited Obligation Reassessment District (RAD) 96-1 bonds were refinanced in September, 2019.

The District issued the 2019 RAD 96-1 bonds to refund and refinance the outstanding principal on the 2007 RAD 96-1 bonds.

(3) The District issued 2021B Sewer Revenue Refunding Bonds to refund and refinance the 2018 Sewer Revenue Bonds.

(4) The District implemented GASB 96 Accounting for Subscription-Based Information Technology Arrangements starting with fiscal year 2022.

Table XVI - Demographic Statistics

SD County Current and Prior Nine Years

Year	Population Estimate	Personal Income	Per Capita Personal Income ⁽¹⁾	Unemployment Rate ⁽²⁾
2024	86,458	6,775,367,628	78,366	4.5%
2023	86,441	6,355,401,643	73,523	3.9%
2022	86,614	6,055,791,038	69,917	3.5%
2021	86,649	5,717,794,212	65,988	7.3% ⁽³⁾
2020	87,084	5,379,178,680	61,770	13.3% ⁽³⁾
2019	86,997	5,167,708,797	59,401	3.4%
2018	86,478	4,987,791,606	57,677	3.6%
2017	85,792	4,842,786,816	56,448	4.3%
2016	85,010	4,690,851,800	55,180	4.7%
2015	84,352	4,529,364,992	53,696	5.2%

Source: California Department of Finance and California Employment Development Department

Notes:

- (1) Per capita personal income is for the San Diego County Region. Source: CA Employment Development Department.
- (2) Estimate for the San Diego County Region as of June in respective FY. Source: CA Employment Development Department.
- (3) COVID-19 Pandemic

Table XVII - San Diego County Principal Employers

Current and Ten Years Ago

SAN DIEGO COUNTY - FISCAL YEAR 2024

Employer Name	Number of Employees ⁽¹⁾	Percentage of Total County Employment
University of California San Diego ⁽⁴⁾	52,701	3.49%
Naval Base San Diego	48,000	3.18%
County of San Diego	22,978	1.52%
Sharp HealthCare	18,000	1.19%
San Diego Unified School District	16,774	1.11%
Scripps Health	15,000	0.99%
City of San Diego	13,888	0.92%
Qualcomm Inc. ⁽²⁾	11,000	0.73%
San Diego State University	10,438	0.69%
Kaiser Permanente San Diego	9,500	0.63%
Total Top Ten County Employers	165,578	10.96%
All Other County Employers	1,345,122	89.04%
Total County Employment ⁽³⁾	1,510,700	100.00%

SAN DIEGO COUNTY - FISCAL YEAR 2014 ⁽⁵⁾

Employer Name	Number of Employees ⁽⁵⁾	Percentage of Total County Employment
US Navy, Marines, & Civic Services	30,588	2.13%
University of California San Diego ⁽⁴⁾	28,672	2.00%
Sharp Health Care	16,446	1.15%
County of San Diego	16,215	1.13%
Qualcomm Inc.	13,725	0.96%
San Diego Unified School District	13,071	0.91%
City of San Diego	10,411	0.73%
Kaiser Permanente	8,172	0.57%
UC San Diego Medical Center ⁽⁴⁾	6,302	0.44%
San Diego Gas & Electric Co.	4,457	0.31%
Total	148,059	10.32%
All Other County Employers	1,286,641	89.68%
Total County Employment ⁽⁵⁾	1,434,700	100.00%

Source: California Employment Development Department, PublicPay.ca.gov, military.com, Company Websites

Notes:

- (1) Numbers are based on most recent data available from California Employment Development Department, company websites, or PublicPay.ca.gov
- (2) Approximate based on secondary sources, no primary sources available
- (3) California Employment Development Department in June
- (4) UC San Diego and UC San Diego Health numbers are combined starting in FY 2022
- (5) 2014 numbers pulled from City of San Diego FY 2014 CAFR (ACFR)

Table XVIII - Full-time Equivalent Employees by Activity

Last Ten Fiscal Years

	Full-time Equivalent Employees ⁽¹⁾									
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Water Operations ⁽²⁾	36	37	36	35	37	34	36	34	31	36
Wastewater and Recycled Operations ⁽³⁾	9	8	8	8	8	7	7	6	6	6
Elfin Forest Recreation Operations	3	3	3	3	3	3	3	3	3	3
General and Administration										
General Manager	4	4	4	4	4	4	4	4	2	2
Engineering	10	10	8	9	8	8	8	8	11	9
Finance	8	8	8	7	8	8	8	8	8	8
Human Resources	4	4	4	4	4	4	4	4	4	4
Customer Service & Public Relations	17	16	16	14	16	15	16	14	14	14
Total	91	90	87	84	88	83	86	81	79	82

Source: Olivenhain Municipal Water District

Notes:

(1) Based on active full-time employees included in the District's payroll as of 6/30/2023, excludes temporary labor and interns.

(2) Includes treatment plant operations at the David C. McCollom Water Treatment Plant.

(3) Includes treatment plant operations at the 4S wastewater treatment plant and water reclamation facility.

Table XIX - Capital and Operating Indicators by Activity

Last Ten Fiscal Years

	Fiscal Year ended June 30									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Potable										
Service area (acres)	31,117.9	31,123.0	31,123.0	31,123.0	31,123.0	31,123.0	31,123.0	31,123.0	31,123.0	31,123.0
Miles of water main ⁽¹⁾	466.6	466.5	466.2	466.2	466.2	466.2	466.2	466.2	419.0	419.0
Number of treated reservoirs in service	12	12	12	12	12	12	12	12	12	12
Total treated reservoirs capacity (million gallons)	66.9	66.9	66.9	66.9	66.9	66.9	66.9	66.9	65.9	65.9
Number of service connections	29,242	28,888	28,871	28,848	28,803	28,664	28,585	28,563	28,477	28,343
Number of meters in service	29,085	28,731	28,713	28,696	28,657	28,504	28,431	28,393	28,295	28,161
Potable water peak demand (million gallons) ⁽²⁾	23.6	24.0	27.0	25.8	25.5	26.7	25.4	29.8	23.9	29.9
Average treated water demand (MGD) ⁽²⁾	13.9	14.2	17.4	17.4	15.3	15.0	17.3	18.9	14.4	17.5
David McCollom treatment plant maximum capacity (MGD)	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0
Average treatment plant production (MGD) ⁽²⁾	15.2	14.3	17.6	20.8	18.1	17.7	21.4	18.7	13.9	17.1
Sewer										
Service area (acres)	5,549.5	5,549.5	5,508.0	5,508.0	5,508.0	5,508.0	5,508.0	5,508.0	5,338.0	5,338.0
Maximum system capacity (MGD)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Number of in-service equivalent dwelling units ⁽³⁾	7,340	7,334	7,250	7,247	7,244	7,239	7,236	7,063	7,043	6,939
Recycled										
Service area (acres)	10,638.0	10,638.0	10,638.0	10,638.0	10,638.0	10,638.0	10,638.0	10,637.8	10,567.0	10,567.0
Miles of recycled water main ⁽⁶⁾	68.2	67.3	67.1	67.1	67.1	67.1	67.0	54.5	48.0	48.0
Total recycled storage capacity (million gallons) ⁽⁴⁾	136.0	136.0	136.0	136.0	136.0	136.0	136.0	135.6	135.6	4.0
4S WRF maximum capacity (MGD)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Average treatment daily plant flow (MGD)	1.2	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Number of meters in service	328	320	314	314	308	295	293	288	278	273
General Information										
Average years of service of employees ⁽⁵⁾	9.5	9.1	8.5	9.1	8.6	10.0	9.3	9.1	9.5	10.1

Source: Olivenhain Municipal Water District

Notes:

(1) Total miles for FY 2017 and beyond include hydrant laterals in Geographic Information System (GIS)

(2) FY 2017 and beyond include selling of treatment capacity to Vallecitos Water District.

(3) An equivalent dwelling unit means the standard measurement of water discharged into the sewer collection and treatment system equal to the average discharge from a detached single-family unit.

(4) Recycled storage for FY 2016 and beyond includes Wet Weather Storage Pond storage capacity.

(5) Based on the number of full-time equivalent employees as of June 30th.

(6) Total miles for FY 2017 and beyond include laterals in Geographic Information System (GIS).

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Olivenhain Municipal Water District

Encinitas, California

Single Audit and Independent Auditors' Reports

For the Year Ended June 30, 2024

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Olivenhain Municipal Water District
Single Audit Report
For the Year Ended June 30, 2024
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

To the Board of Directors
of the Olivenhain Municipal Water District
Encinitas, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Olivenhain Municipal Water District (the "District"), as of June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated _____, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
of the Olivenhain Municipal Water District
San Diego, California
Page 2

Purpose of this report

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

San Diego, California
_____, 2024

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE,
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Independent Auditors' Report

To the Board of Directors
of the Olivenhain Municipal Water District
San Diego, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Olivenhain Municipal Water District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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 auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the District as of June 30, 2024 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated _____, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinion on the District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

San Diego, California
_____, 2024

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Olivenhain Municipal Water District
Single Audit Report
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance Listing Number	Agency or Pass-Through Number	Federal Expenditures	Amount Passed-through to Subrecipients
<u>U.S. Department of the Interior</u>				
<i>Direct Programs:</i>				
Title XVI Water Reclamation and Reuse	15.504	R22AP00518	\$ 5,980,756	\$ 3,324,102
WaterSMART	15.507	R23AP00571	253,387	-
Total U.S. Department of the Interior			<u>6,234,143</u>	<u>3,324,102</u>
<u>U.S. Department of Homeland Security</u>				
<i>Passed-through the CA Governor's Office of Emergency Services</i>				
Emergency Services - Public Assistance Grants	97.036	073-91147-00	49,214	-
Total U.S. Department of Homeland Security			<u>49,214</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,283,357</u>	<u>\$ 3,324,102</u>

Olivenhain Municipal Water District
Single Audit Report
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Note 1 – Reporting Entity

The Olivenhain Municipal Water District (the “District”) is a governmental corporation governed by an elected five-member board of directors. The District was incorporated in 1959 under the provisions of the California Municipal Water District Act of 1911.

The District is operated as an enterprise fund. The finances of the District are kept on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. As an enterprise fund, the District maintains a self-balancing set of accounts established to record the financial position and results that pertain to each activity. The activities of enterprise funds are similar to regular businesses whereby a governmental agency collects sufficient revenues through rates and user charges to pay for on-going operating expenses and maintaining infrastructure in order to sustain operations.

The District’s service area is approximately 48.6 square miles. This service area lies within the northern region of San Diego County and includes portions of incorporated areas such as Encinitas, Carlsbad, San Diego, Solana Beach, San Marcos and large portions of unincorporated areas such as 4S Ranch, Rancho Cielo, Rancho Santa Fe, Elfin Forest, and Santa Fe Valley.

The District is at approximately 95% of its ultimate build-out of approximately 34,400 equivalent dwelling units. For the fiscal year ended June 30, 2024, 70.5% of water delivered was for domestic use, 28.5% for commercial and irrigation use (including construction and recycled water), and 1.0% for agricultural use. The District relies on the San Diego County Water Authority (SDCWA) as a sole source of untreated water, which is treated at the District’s David C. McCollom Water Treatment Plant.

The District provides sewer collection and treatment services to a portion of the District’s service area and sells recycled water to golf courses and other customers for irrigation. The District’s 4S Ranch Water Reclamation Facility (“WRF”) collects and treats sewage from two specific areas of the District, Rancho Cielo and 4S Ranch. The 4S WRF currently produces approximately 1 million gallons per day (“mgd”) of recycled water to help meet demand in the southeast quadrant of the District’s service area. The District also purchases recycled water from Santa Fe Valley Community Services District, City of San Diego, Vallecitos Water District, and the San Elijo Joint Powers Authority to help meet recycled water demand throughout its service area.

During the fiscal year ended June 30, 2024, the District billed 14,322 acre-feet (“AF”) of potable water through 28,757 active potable water meters and 2,192 AF of recycled water through 328 active recycled meters. The District provided wastewater collection services to 7,340 sewer equivalent dwelling units (“EDU”)s in 4S Ranch, Rancho Cielo, Santa Luz, and Black Mountain Ranch.

Note 2 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial statements of the District.

Olivenhain Municipal Water District
Single Audit Report
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2024

Note 3 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 4 – Indirect Cost Rate

The District has not elected to use the 10-percent de minimis indirect rate as allowed under the Uniform Guidance.

Note 5 – Subrecipients

The District passed \$3,324,102 through to sub-recipient members of the North San Diego Water Reuse Coalition (“Coalition”) during the fiscal year ended June 30, 2024. The Coalition is a group of nine water and wastewater agencies in San Diego County working together to maximize recycled water use and reduce demand for imported water. The Title XVI Water Reclamation and Reuse grant was awarded to the coalition to fund its Regional Recycled Water Program, which is a joint effort between Coalition members to expand recycled water infrastructure to increase and maximize water reuse in the region. Upon completion of all long-term project elements, the Coalition anticipates increasing water reuse by 11 billion gallons per year.

Note 6 – Contingencies

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

Olivenhain Municipal Water District
Single Audit Report
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

Section I – Summary of Auditors’ Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None Reported

Type of auditors’ report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

		Federal Assistance	
<u>Name of Federal Program or Cluster</u>	<u>Listing Number</u>	<u>Expenditures</u>	
Title XVI Water Reclamation and Reuse	15.504	\$	5,980,756
Total Expenditures of all major federal programs		\$	5,980,756
Total expenditures of federal awards		\$	6,283,357
Percentage of total expenditures of federal awards tested as major programs			95.18%

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee in accordance with 2 CFR 200.520? No

Olivenhain Municipal Water District
Single Audit Report
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2024

Section II – Financial Statement Findings

A. Current Year Financial Statement Findings

No financial statement findings were noted for the year ended June 30, 2024.

B. Prior Year Financial Statement Findings

No financial statement findings were noted for the year ended June 30, 2023.

Section III – Federal Awards Findings and Questioned Costs

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

No federal award findings were noted for the year ended June 30, 2024.

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit

No federal award findings were noted for the year ended June 30, 2023.

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Memo

Date: November 4, 2024
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **REVIEW STAFF'S REPORT ON DISTRICT PENSION PLANS FUNDING STATUS
WITH CALPERS AND DISCUSS STAFF'S RECOMMENDED PENSION FUNDING
PLANS FOR 2024**

A copy of staff's presentation is attached for discussion and consideration by the Committee.

Staff will make a presentation to the Committee and be available for discussion at the meeting.

Attachment: Presentation

ANNUAL REVIEW OF PENSION FUNDING STATUS

2024



Pension Review

- Purpose: Report the District's pension funding status to the Board after OMWD financial audit is completed with the most current CalPERS actuarial report
 - CalPERS' Actuarial Valuation as of June 30, 2023
- Pension Goal: Achieve the minimum target funded ratio of 85% set by the Board in District Pension Funding Policy
 - Classic Miscellaneous Plan – didn't meet Policy Target
 - PEPRA Miscellaneous Plan – Policy Target was met

CalPERS Returns on Investment

Returns and Discount Rate Over Time



* Preliminary

CalPERS Timing difference: Reporting vs. Contribution

- Every August, CalPERS releases a new actuarial report, based on values as of June 30th of the previous fiscal year.
 - June 30, 2023 report was issued in August 2024
- The required contributions are due to be paid two years after the new released report
 - June 30, 2023 report determined how much UAL for 7/25 payment
 - Options to prepay or make monthly installments
 - Prepayment option at 6.8% discount rate

Component - Pension Contributions

- Normal Cost
 - As a percentage of total active payroll. The calculations are based on CalPERS actuarial assumptions on demographic (mortality, retirement, termination, disability) and economic (future investment earnings, inflation, and salary growth rates)
- Minimum Required Unfunded Accrued Liability (UAL) payment
 - A **minimum** dollar amount billed by CalPERS each year based on a 20 year or less amortization schedule
 - The District prepays this amount in July of each year

Contributions- Classic Plan

Member Contribution Rates — page 9

	Fiscal Year 2024-25	Fiscal Year 2025-26
Member Contribution Rate	8.00%	8.00%

Projected Employer Contributions — page 14

Fiscal Year	Normal Cost (% of payroll)	Annual UAL Payment
2026-27	13.5%	\$1,783,000
2027-28	13.5%	\$1,967,000
2028-29	13.5%	\$2,151,000
2029-30	13.5%	\$2,159,000
2030-31	13.5%	\$2,159,000

Contributions -PEPRA Plan

Member Contribution Rates — page 9

	Fiscal Year 2024-25	Fiscal Year 2025-26
Member Contribution Rate	7.75%	7.75%

Projected Employer Contributions — page 14

Fiscal Year	Normal Cost (% of payroll)	Annual UAL Payment
2026-27	8.0%	\$35,000
2027-28	8.0%	\$44,000
2028-29	8.0%	\$53,000
2029-30	8.0%	\$53,000
2030-31	8.0%	\$53,000

Funded Ratios

CLASSIC

Funded Status — Funding Policy Basis — page 12

	June 30, 2022	June 30, 2023
Entry Age Accrued Liability (AL)	\$65,815,113	\$68,731,842
Market Value of Assets (MVA)	47,515,404	49,342,859
Unfunded Accrued Liability (UAL) [AL – MVA]	\$18,299,709	\$19,388,983
Funded Ratio [MVA ÷ AL]	72.2%	71.8%

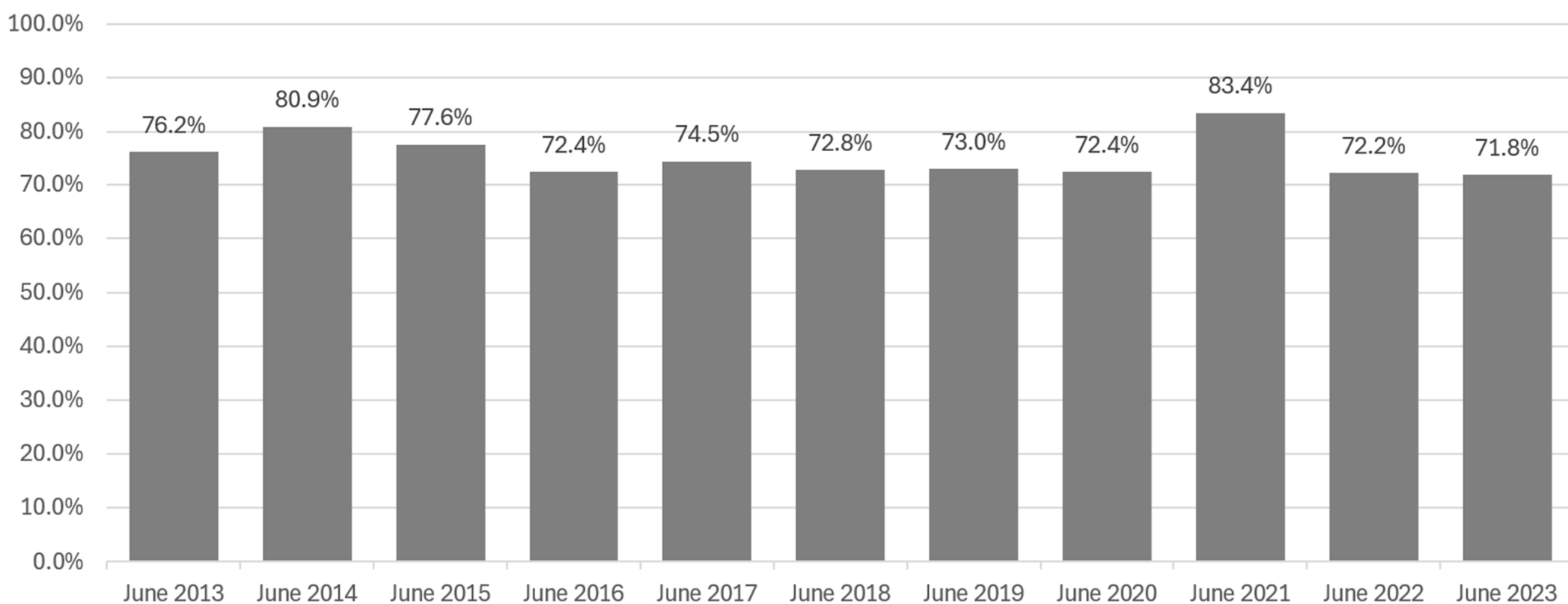
PEPRA

Funded Status — Funding Policy Basis — page 12

	June 30, 2022	June 30, 2023
Entry Age Accrued Liability (AL)	\$2,646,659	\$3,544,479
Market Value of Assets (MVA)	2,307,595	3,070,379
Unfunded Accrued Liability (UAL) [AL – MVA]	\$339,064	\$474,100
Funded Ratio [MVA ÷ AL]	87.2%	86.6%

Classic Funded Ratios

Classic Funded Ratio



Statistics:

CLASSIC

Summary of Valuation Data — Page 26

	June 30, 2022	June 30, 2023
Active Member Count	41	40
Annual Covered Payroll	\$4,527,310	\$4,726,516
Transferred Member Count	28	24
Separated Member Count	21	20
Retired Members and Beneficiaries Count	89	94

PEPRA

Summary of Valuation Data — Page 26

	June 30, 2022	June 30, 2023
Active Member Count	48	51
Annual Covered Payroll	\$3,201,839	\$3,791,435
Transferred Member Count	17	21
Separated Member Count	15	18
Retired Members and Beneficiaries Count	0	0

OMWD's Additional Discretionary Payments History

The following table provides a recent history of actual ADPs made to the plan.

Fiscal Year	ADP	Fiscal Year	ADP
2019-20	\$300,000	2022-23	\$311,000
2020-21	\$485,000	2023-24 ²	\$311,000
2021-22	\$0		

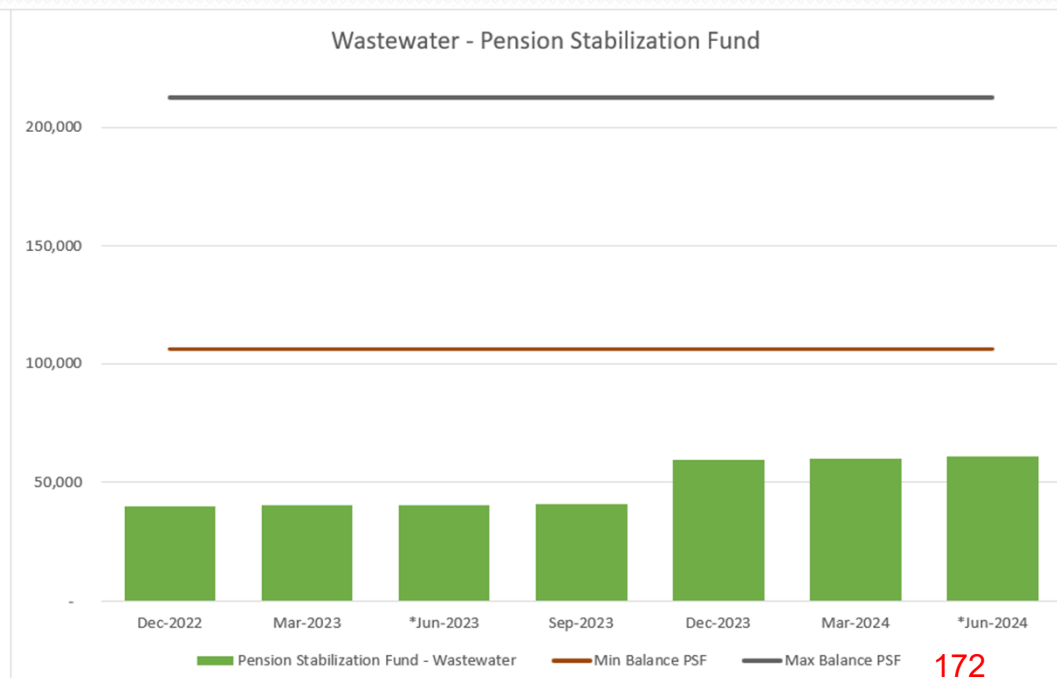
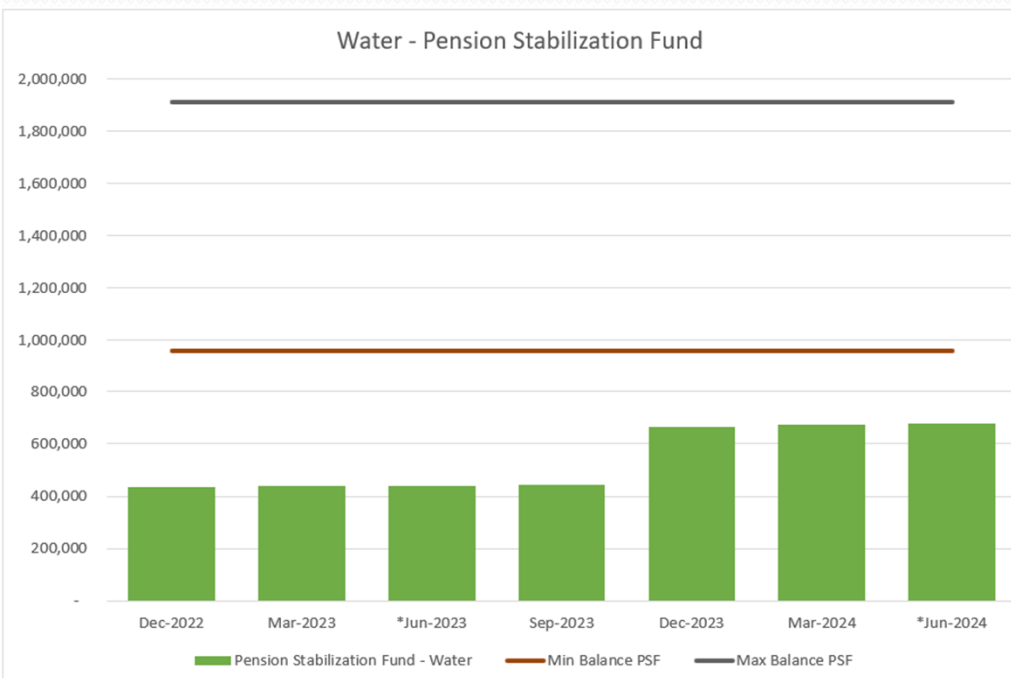
² Excludes payments made after April 30, 2024

OMWD Pension Funding Policy

- Policy Goal: to achieve a minimum target funded ratio of 85%
- Make regular annual Additional Discretionary Payment (ADP) of \$311,000 to CalPERS before December 31st
 - To reduce UAL and long-term savings
- Make supplemental payments from the District's Operating Reserves to the District's Pension Stabilization Fund
 - Use to pay ADP, if needed
 - The Board has full discretion

Pension Stabilization Fund Balances

- In December of 2022:
 - \$715k was transferred into the Water PSF and \$280k was transferred out for the Pension ADP, a net Deposit of \$435k
 - \$71k was transferred into the Wastewater PSF and \$31k was transferred out for the pension ADP, a net deposit of \$40k
- In December 2023:
 - \$500k was transferred into the Water PSF and \$280k was transferred out for the Pension ADP, a net Deposit of \$220k
 - \$50k was transferred into the Wastewater PSF and \$31k was transferred out for the pension ADP, a net deposit of \$19k



Staff's Recommendations

- Continue making Additional Discretionary Payment (ADP) of \$311,000 in 2024 per the Policy from the District's Pension Stabilization Fund
- Proposed Pension Funding for 2024:
 - A \$ 500,000 transfer from Water (Potable and Recycled) Operating Fund to Pension Stabilization Fund – Water as planned
 - A \$50,000 transfer from Wastewater Operating Fund to Pension Stabilization Fund – Wastewater as planned
 - \$311,000 of these transfers will be used to make \$311,000 ADP in 2024

Questions

Memo

Date: November 4, 2024
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **QUARTERLY REVIEW OF INVESTMENTS AND CASH REPORT (3RD QTR OF 2024)**

Purpose

The purpose of this agenda is to provide a report on the District's investment activities and cash information to the Finance Committee to comply with the annual investment policy approved by the Board.

Recommendation

It is recommended that the Committee review and receive the attached report as presented. The report provides documentation that the District has sufficient funds to meet the next 60 days' obligations.

Background

The purpose of the District's Investment Policy is to identify policies and procedures that shall govern the investment of all District funds. The ultimate goal of the policy is to enhance the economic position of the District while protecting its funds. These policies have been followed in making all investment decisions on behalf of the District.

The Annual Investment Policy also states that at least once each quarter, the District's Finance Manager shall provide an oral report on the District's investments for review and discussion.

Discussion

All investments have been made in accordance with the District's Annual Statement of Investment Policy. A copy of District historic water and wastewater reserve fund balances is also provided and attached for review.

Staff will be available for discussion with the Committee during the meeting.

Attachments:

Attachment 1 - DRAFT Monthly Cash and Investment Summary Report as of September 30, 2024

Attachment 2 - Graphs showing 5-year history of reserve balances by fund

Attachment 3 - Graph showing 3-year history of quarterly yields on investments (requested at the August 12th Finance Committee Meeting)

Olivenhain Municipal Water District
MONTHLY CASH AND INVESTMENT SUMMARY
As of September 30, 2024

Active Deposits

	<u>Book Value</u>
Checking Accounts	\$ 4,305,083
Cash Restricted for Specific Use	144,469
Petty Cash/Disaster Preparedness	1,496
Total Active Deposits	<u>\$ 4,451,048</u>

Deposits Not Covered by Investment Policy

Cash with Fiscal Agents	1,380,558
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<u>Investments</u>	<u>Face Value</u>	<u>Market Value</u>	<u>Current Yield</u>	
LAIF	\$ 6,710,431	6,685,710	4.58%	\$ 6,710,431
CAMP - US Bank	25,101,741	25,101,741	5.29%	25,101,741
Money Market Funds	5,230,674	5,230,674	4.66%	5,230,674
Municipal Bonds	1,000,000	1,000,770	5.00%	1,216,760
U.S. Treasury Securities	14,311,000	14,203,412	4.84%	14,089,419
U.S. Agency Securities	35,975,000	35,144,818	2.13%	35,973,000
Total Investments	<u>\$ 88,328,845</u>	<u>\$ 87,367,124</u>	<u>3.85%</u>	<u>\$ 88,322,024</u>

Total - All Deposits/Investments**\$ 94,153,630****Maturity Analysis of Investments**

	<u>Percent</u>	<u>Balance</u>
Demand Deposits	41.9%	\$ 37,042,845
Maturity within the next two months	15.0%	13,228,389
Maturity within three months and one year	6.7%	5,876,552
Maturity beyond one year	36.4%	32,174,238
Total Investments	<u>100.0%</u>	<u>\$ 88,322,024</u>

Weighted Average Days to Maturity**262****Other Required Disclosures:**

Accrued interest receivable as of 09/30/2024 \$ 423,609

The above investments are in accordance with the portfolio limitations in the Investment Policy approved by the Board in December 2023.

The District has sufficient funds on hand to meet the next 60 days' obligations.

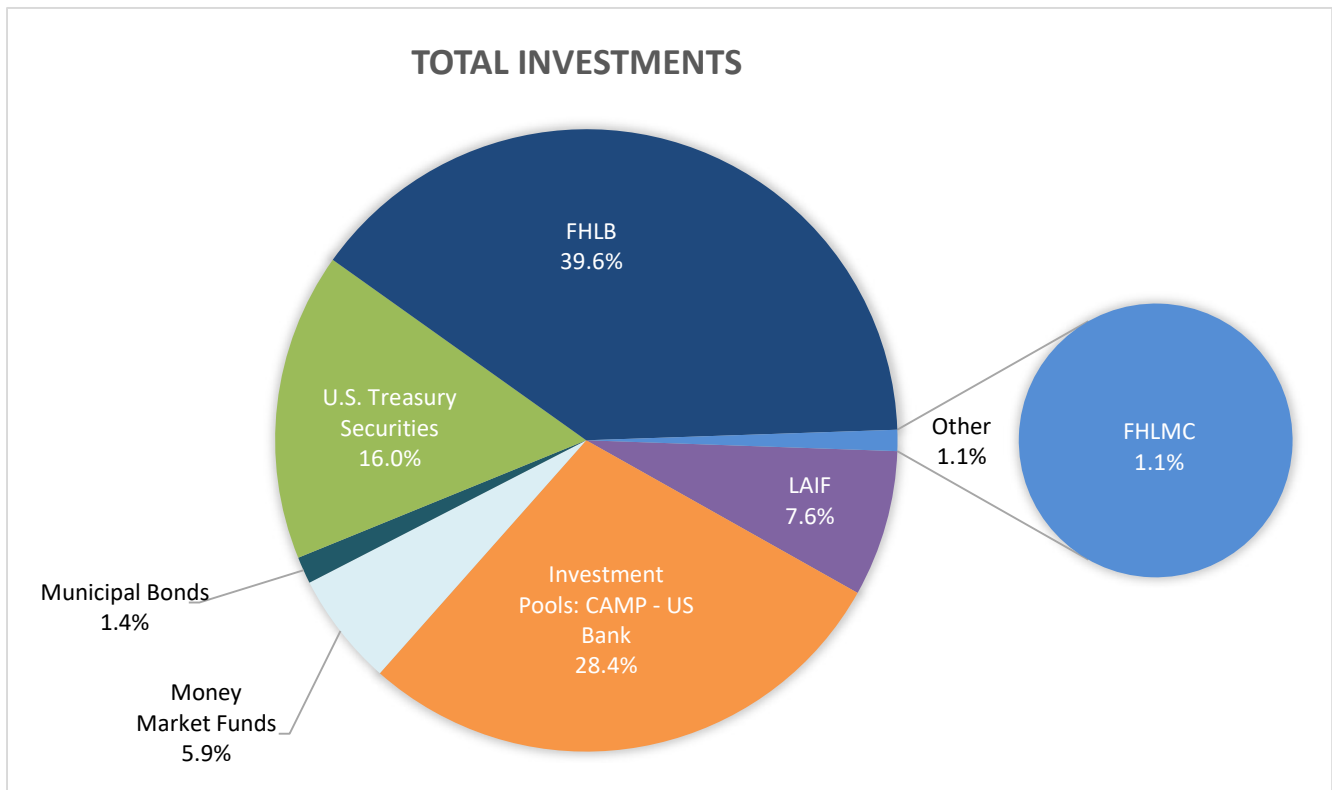
Olivenhain Municipal Water District
PORTFOLIO LIMITATIONS ANALYSIS PER INVESTMENT POLICY
September 30, 2024

	Book Value	Percent	Permitted Percent	In Compliance?
LAIF	\$ 6,710,431	7.6%	50.0% ⁽¹⁾	Yes
Investment Pools: CAMP - US Bank	25,101,741	28.4%	30.0%	Yes
Money Market Funds	5,230,674	5.9%	20.0% ⁽²⁾	Yes
Municipal Bonds	1,216,760	1.4%	30.0%	Yes
U.S. Treasury Securities	14,089,419	16.0%	100.0% ⁽³⁾	Yes
U.S. Agency Securities	35,973,000	40.7%	50.0%	Yes
<i>FHLB Federal Home Loan Bank</i>	<i>34,973,000</i>	<i>39.6%</i>		
<i>FHLMC Freddie Mac</i>	<i>1,000,000</i>	<i>1.1%</i>		

Total Investments	\$ 88,322,024	100%
--------------------------	----------------------	-------------

Note:

- ⁽¹⁾ No more than 50% of the total value of all District Investments or \$40 million.
⁽²⁾ May not exceed 5% in any money market fund.
⁽³⁾ No limit.



* Total may not add up to 100% due to rounding.

Olivenhain Municipal Water District
MONTHLY INVESTMENTS DETAIL
September 30, 2024

ACTIVE DEPOSIT										Book Value
Checking A/C: California Bank and Trust for General Purpose										4,305,083
California Bank and Trust for Specific Purpose										144,469
Petty Cash/Disaster Preparedness										1,496
Total - Active Deposits										4,451,048

DEPOSITS NOT COVERED BY INVESTMENT POLICY

Cash with Fiscal Agents:

Union Bank - RAD 96-1 Refunding Bond	281,155
Union Bank - 2015A Refunding Bond	3,620
SRF Loan	1,090,443
Union Bank - 2016A Refunding Bond	3,461
Union Bank - 2021A WW Revenue Bond	873
Union Bank - 2021B Refunding Bond	1,007

Total Deposits Not Covered by Investment Policy

1,380,558

RATING		DATE				Weighted Average Days to Maturity	Call	Stated Coupon	Current Yield	Market Value	Face Value	Book Value
Moody's	S&P	Purchase	Maturity	Next Call	Next S-U							

INVESTMENTS

Invest. Pools:	US Bank Calif. Asset Mgmt Prgm (CAMP)	Demand	1	5.29%	\$ 25,101,741	\$ 25,101,741	\$ 25,101,741
	State Local Agency Investment Fund (LAIF)	Demand	1	4.58%	6,685,710	6,710,431	6,710,431
	First American Government 31846V567	Demand	1	4.78%	2,107,308	2,107,308	2,107,308
	CB&T Money Market Account	Demand	1	4.59%	3,123,366	3,123,366	3,123,366

U.S. Treasury Notes/Bills

912797GW1	U.S. Treasury Bills	Aaa	-	04/11/24	10/03/24	4		5.31%	5.31%	1,499,610	1,500,000	1,462,852
912797LS4	U.S. Treasury Bills	Aaa	-	07/05/24	10/08/24	9		5.28%	5.28%	999,090	1,000,000	986,457
912797KU0	U.S. Treasury Bills	Aaa	-	04/25/24	10/17/24	18		5.32%	5.33%	1,995,820	2,000,000	1,950,243
912797KU0.	U.S. Treasury Bills	Aaa	-	07/16/24	10/17/24	18		5.24%	5.25%	997,910	1,000,000	986,816
912797KU0..	U.S. Treasury Bills	Aaa	-	07/30/24	10/17/24	18		5.22%	5.23%	997,910	1,000,000	988,827
912797HP5	U.S. Treasury Bills	Aaa	-	09/05/24	11/09/24	41		5.02%	5.06%	1,984,620	2,000,000	1,976,938
912797LE5	U.S. Treasury Bills	Aaa	-	08/22/24	11/21/24	53		5.08%	5.11%	1,887,536	1,900,000	1,876,256
912797LF2	U.S. Treasury Bills	Aaa	-	09/05/24	12/05/24	67		5.02%	5.06%	991,840	1,000,000	987,638
912797LP0	U.S. Treasury Bills	Aaa	-	09/18/24	12/12/24	74		4.76%	4.80%	991,060	1,000,000	989,039
912797LP0.	U.S. Treasury Bills	Aaa	-	09/11/24	12/12/24	74		4.91%	4.95%	902,856	911,000	899,875
91282CBQ3	U.S. Treasury Notes	Aaa	-	03/09/21	02/28/26	517		0.50%	0.52%	955,160	1,000,000	984,478
						27		4.81%	4.84%	\$ 14,203,412	\$ 14,311,000	\$ 14,089,419

U.S. Agency Securities

3130ANSP6	FHLB Callable	Aaa	AA+	09/17/21	10/17/24	18		0.50%	0.50%	998,150	1,000,000	1,000,000
3130AKEW2	FHLB Callable	Aaa	AA+	11/04/20	11/04/24	36	1	0.43%	0.43%	1,991,320	2,000,000	2,000,000
3130ANGN4	FHLB Step-up Callable	Aaa	AA+	08/18/21	02/18/25	11/18/24	None	1.50%	1.52%	987,310	1,000,000	1,000,000
3130AMKE1	FHLB Callable	Aaa	AA+	05/27/21	02/27/25	11/27/24		0.66%	0.67%	984,300	1,000,000	1,000,000
3134GWAQ9	FHLB Callable	Aaa	AA+	07/28/20	07/28/25	None		0.65%	0.67%	972,620	1,000,000	1,000,000
3130AKGX8	FHLB Step-up Callable	Aaa	AA+	12/15/20	12/15/25	12/15/24	12/15/24	1.00%	1.02%	1,959,280	2,000,000	2,000,000
3130AKMD5	FHLB Callable	Aaa	AA+	01/26/21	01/26/26	10/26/24		0.50%	0.52%	956,680	1,000,000	999,500
3130AKU53	FHLB Callable	Aaa	AA+	01/28/21	01/28/26	10/28/24		0.52%	0.54%	956,730	1,000,000	1,000,000
3130AKN69	FHLB Callable	Aaa	AA+	01/28/21	01/28/26	01/28/25		0.50%	0.52%	956,480	1,000,000	1,000,000
3130AKVN3	FHLB Callable	Aaa	AA+	01/29/21	01/29/26	10/29/24		0.52%	0.54%	956,580	1,000,000	1,000,000
3130AKWK8	FHLB Callable	Aaa	AA+	02/12/21	02/12/26	11/12/24		0.51%	0.53%	955,220	1,000,000	1,000,000
3130AKX43	FHLB Step-up Callable	Aaa	AA+	02/24/21	02/24/26	11/24/24	None	0.70%	0.73%	1,915,100	2,000,000	2,000,000
3130AL7M0	FHLB Callable	Aaa	AA+	02/24/21	02/24/26	11/24/24		0.63%	0.65%	955,250	1,000,000	1,000,000
3130AKYR1	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/25		0.55%	0.58%	954,580	1,000,000	1,000,000
3130AL6K5	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/25		0.58%	0.61%	954,980	1,000,000	1,000,000
3130ALD76	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	11/25/24		0.70%	0.73%	956,600	1,000,000	1,000,000
3130ALCW2	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/25		0.63%	0.65%	955,590	1,000,000	998,500
3130ALGJ7	FHLB Callable	Aaa	AA+	03/23/21	03/23/26	10/23/24		1.00%	1.04%	934,508	975,000	975,000
3130B2RS6	FHLB Callable	Aaa	AA+	09/27/24	03/27/26	03/27/25		4.33%	4.34%	997,870	1,000,000	1,000,000
3130ALPQ1	FHLB Step-up Callable	Aaa	AA+	03/30/21	03/30/26	09/30/24	03/30/25	1.50%	1.54%	971,090	1,000,000	1,000,000
3130ALVC5	FHLB Step-up Callable	Aaa	AA+	04/14/21	04/14/26	10/14/24	10/14/24	1.25%	1.29%	970,110	1,000,000	1,000,000
3130B1PZ4	FHLB Callable	Aaa	AA+	06/13/24	06/11/26	12/11/24		5.35%	5.35%	1,000,630	1,000,000	1,000,000
3130APAY1	FHLB Callable	Aaa	AA+	10/21/21	10/21/26	10/21/24		1.10%	1.16%	947,310	1,000,000	1,000,000
3130APL78	FHLB Callable	Aaa	AA+	10/28/21	10/28/26	10/28/24		1.38%	1.44%	952,280	1,000,000	1,000,000
3130B1GU0	FHLB Callable	Aaa	AA+	05/21/24	11/20/26	11/20/24		5.50%	5.50%	1,000,770	1,000,000	1,000,000
3130B1TA5	FHLB Callable	Aaa	AA+	07/09/24	07/09/27	07/09/25		5.20%	5.17%	1,006,380	1,000,000	1,000,000
3130B2CA1	FHLB Callable	Aaa	AA+	08/12/24	02/10/26	10/10/24		5.25%	5.26%	997,670	1,000,000	1,000,000
3130B2GY5	FHLB Callable	Aaa	AA+	08/23/24	08/12/26	11/12/24		5.20%	5.20%	999,600	1,000,000	1,000,000
3130B2J89	FHLB Callable	Aaa	AA+	08/28/24	08/14/26	11/14/24		5.15%	5.15%	999,560	1,000,000	1,000,000
3130B2DX0	FHLB Callable	Aaa	AA+	08/27/24	11/27/26	Anytime		4.55%	4.53%	1,003,450	1,000,000	1,000,000
3130B0WG0	FHLB Callable	Aaa	AA+	04/17/24	04/17/29	10/17/24		6.00%	6.00%	1,000,510	1,000,000	1,000,000
3130B2N43	FHLB Callable	Aaa	AA+	09/10/24	09/10/29	09/10/26		4.00%	4.01%	997,450	1,000,000	1,000,000
3130B2NM3	FHLB Callable	Aaa	AA+	09/17/24	09/17/29	03/17/25		4.92%	4.93%	998,860	1,000,000	1,000,000
						602	84	2.08%	2.13%	\$ 35,144,818	\$ 35,975,000	\$ 35,973,000

Municipal Bonds

882724RA7	TEXAS ST PUB FIN AUTH	Aaa	AAA	10/30/20	10/01/25	367		5.00%	5.00%	1,000,770	1,000,000	1,216,760
						12		5.00%	5.00%	\$ 1,000,770	\$ 1,000,000	\$ 1,216,760
Total Investments						262		3.81%	3.85%	\$ 87,367,124	\$ 88,328,845	\$ 88,322,024

TOTAL - ALL DEPOSITS AND INVESTMENTS

\$ 94,153,630

**Olivenhain Municipal Water District
INVESTMENTS TRANSACTION
September 30, 2024**

PURCHASED

DATE				Investment Description	Stated	Current	Face Value	Book Value
Purchase	Maturity	Call	Step-Up		Coupon	Yield		
07/05/24	10/08/24			U.S. Treasury Bills	5.275%	5.327%	1,000,000	986,457
07/09/24	07/09/27	07/09/25		FHLB Callable	5.200%	5.201%	1,000,000	1,000,000
07/16/24	10/17/24			U.S. Treasury Bills	5.244%	5.302%	1,000,000	986,816
07/30/24	10/17/24			U.S. Treasury Bills	5.221%	5.279%	1,000,000	988,827
08/12/24	02/10/26	09/10/24		FHLB Callable	5.250%	5.277%	1,000,000	1,000,000
08/22/24	11/21/24			U.S. Treasury Bills	5.076%	5.132%	1,900,000	1,876,256
08/23/24	08/12/26	11/12/24		FHLB Callable	5.200%	5.203%	1,000,000	1,000,000
08/28/24	08/14/26	11/14/24		FHLB Callable	5.150%	5.150%	1,000,000	1,000,000
08/27/24	11/27/26	Anytime		FHLB Callable	4.550%	4.552%	1,000,000	1,000,000
09/17/24	09/17/29	03/17/25		FHLB Callable	4.920%	4.926%	1,000,000	1,000,000
09/27/24	03/27/26	03/27/25		FHLB Callable	4.330%	4.339%	1,000,000	1,000,000
09/10/24	09/10/29	09/10/26		FHLB Callable	4.000%	4.010%	1,000,000	1,000,000
09/05/24	11/09/24			U.S. Treasury Bills	5.023%	5.062%	2,000,000	1,976,938
09/05/24	12/05/24			U.S. Treasury Bills	5.021%	5.062%	1,000,000	987,638
09/18/24	12/12/24			U.S. Treasury Bills	4.759%	4.802%	1,000,000	989,039
09/18/24	12/12/24			U.S. Treasury Bills	4.759%	4.802%	1,000,000	989,039

MATURED / REDEEMED / CALLED

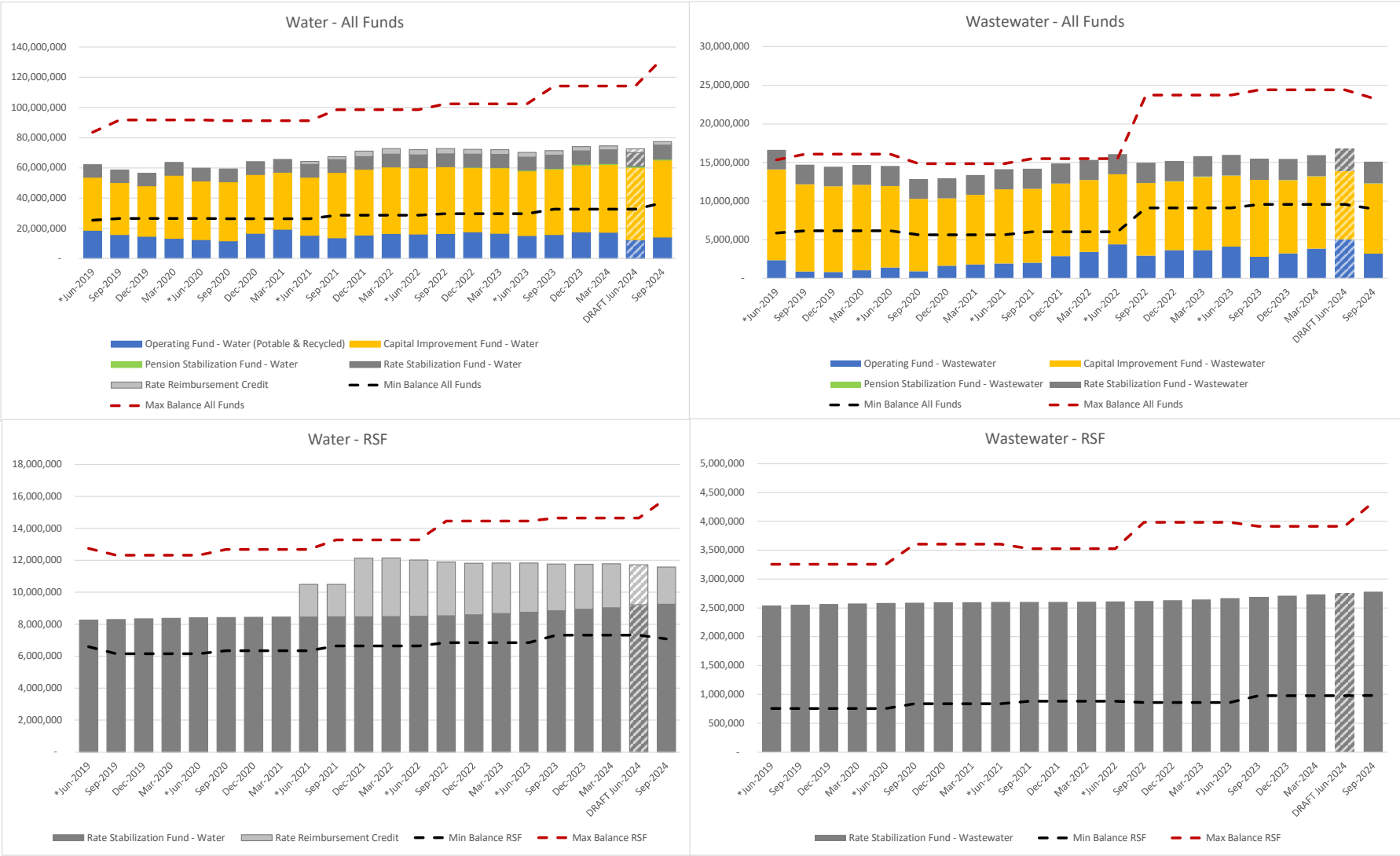
DATE				Investment Description	Stated	Current	Face Value	Book Value
Redemption	Maturity	Call	Step-Up		Coupon	Yield		
07/05/24	07/05/24			U.S. Treasury Bills	5.304%	5.307%	2,000,000	1,975,100
07/11/24	07/11/24			U.S. Treasury Bills	5.326%	5.334%	2,000,000	1,973,859
08/22/24	08/22/24			U.S. Treasury Bills	5.300%	5.316%	5,900,000	5,792,207
08/02/24	05/02/29	08/02/24		FHLB Callable	6.000%	6.000%	1,000,000	1,000,000
09/05/24	09/05/24			U.S. Treasury Bills	5.280%	5.282%	3,700,000	3,629,646
09/12/24	09/12/24			U.S. Treasury Bills	5.280%	5.287%	1,000,000	988,075
09/16/24	09/16/24			FHLB Callable	0.500%	0.501%	1,000,000	1,000,000

Olivenhain Municipal Water District
UNAUDITED CASH POSITION BY FUNDING SOURCES
As of September 30, 2024

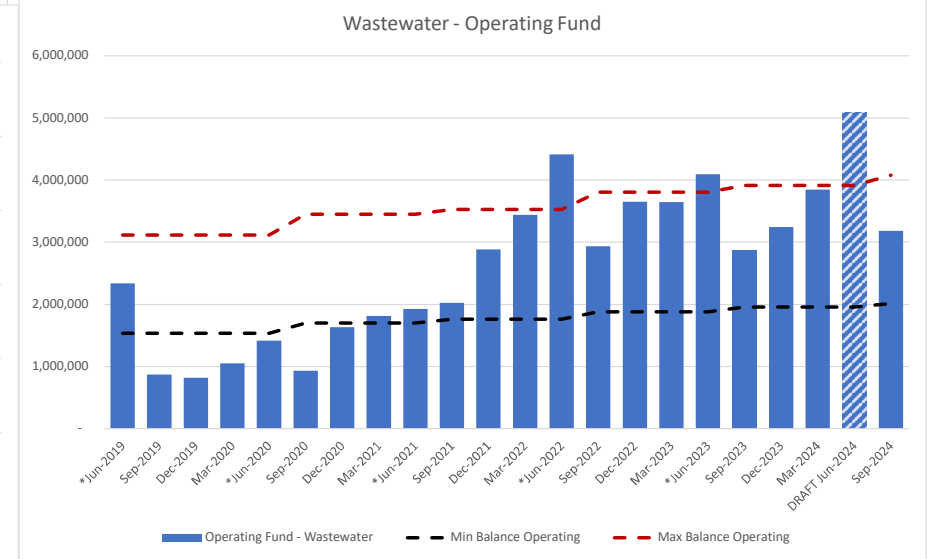
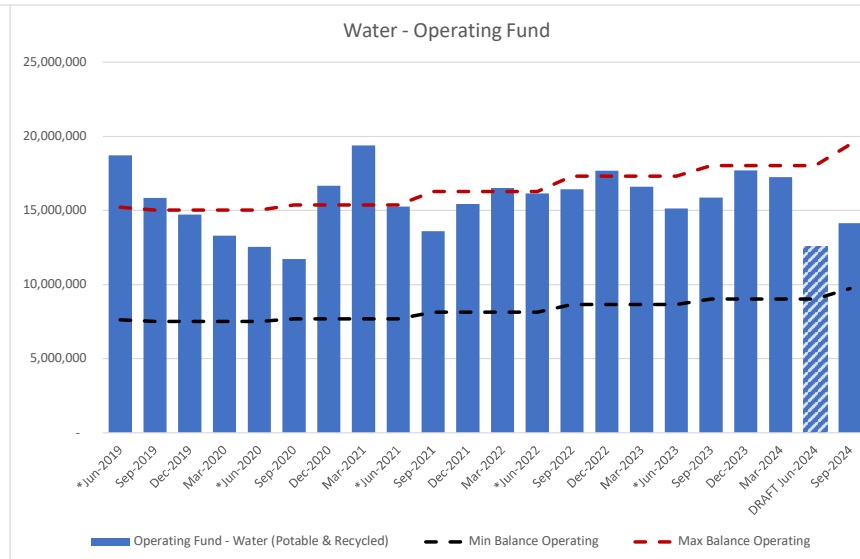
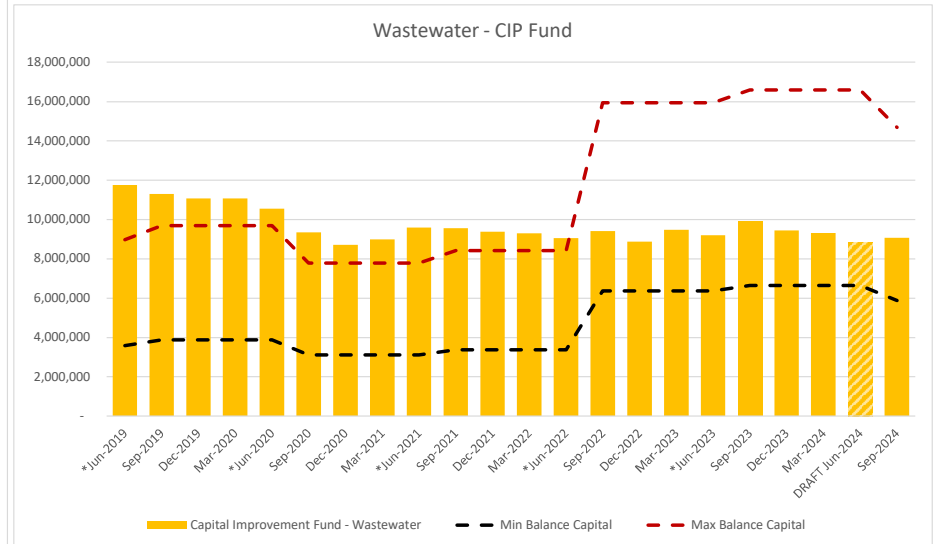
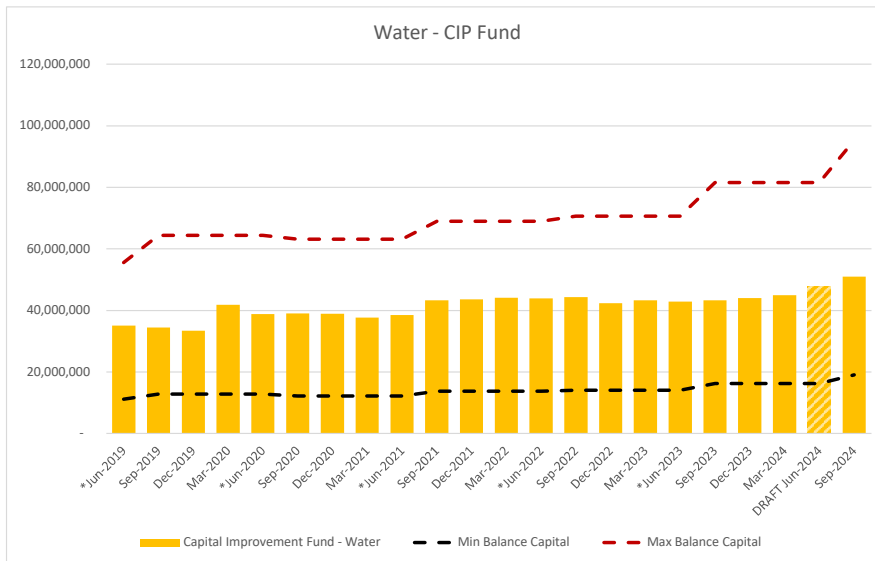
<u>Water Funds (Potable & Recycled)</u>		<u>Balance</u>
10050-100	Cash - Petty Cash Fund	1,496
10010-100	Cash - Operating Fund	14,130,581
10030-100	Cash - Capital and Equipment Fund	44,149,081
10040-100	Cash - Rate Stabilization Fund	11,575,577
10080-100	Cash - Pension Stabilization Fund	683,901
10060-100	Cash - Deposit Work for Other	176,938
14000-500	Restricted Cash - Capacity Fee Fund	6,815,936
Total Water Funds (Potable & Recycled)		<u>77,533,511</u>
 <u>Wastewater Funds</u>		
10010-110	Wastewater - Operating Fund	3,184,245
10030-110	Wastewater - Capital Replacement Fund	9,066,826
10040-110	Wastewater - Rate Stabilization Fund	2,782,760
10080-110	Cash - Pension Stabilization Fund	61,262
Total Wastewater Funds		<u>15,095,092</u>
 <u>Non Fiscal Agent Debt Service Cash</u>		
14020-570	Cash non-agent - RAD 96-1	133,268
10070-561	Cash non-agent - Bond 2015A	621
10070-581	Cash non-agent - Bond 2016A	10,580
Total Non Fiscal Agent Debt Service Cash		<u>144,469</u>
 <u>Debt Service Funds</u>		
14030-510	SRF Loan - Fiscal Agent	1,090,443
14105-570	Redemption fund - RAD 96-1	230,401
14110-570	Reserve fund - RAD 96-1	50,754
14100-561	Redemption fund - Bond 2015A	3,620
14100-581	Redemption fund - Bond 2016A	3,461
14100-521	Redemption fund - Bond 2021A	873
14100-522	Redemption fund - Bond 2021B	1,007
Total Debt Service Funds		<u>1,380,558</u>
TOTAL FUND BALANCES		<u><u>94,153,630</u></u>

-

5 Year History of OMWD Fund Balances by Quarter



5 Year History of OMWD Fund Balances by Quarter

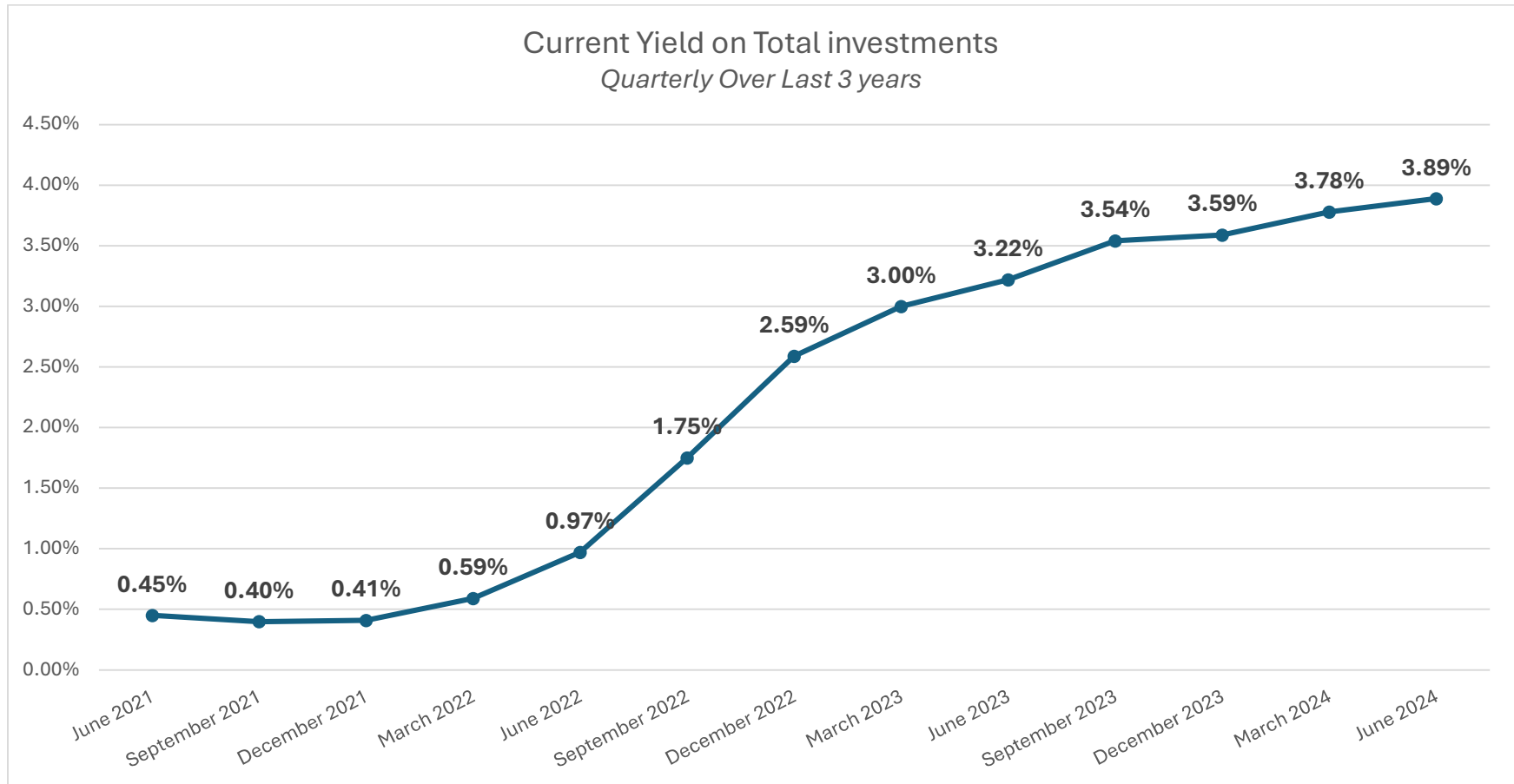


Notes to fund balance graphs above:

Quarterly fund balances in these graphs may exceed the maximum threshold set in the District's Reserves Policy due to the timing of cash receipts and expenditures.

In November, after the District's financial audit is completed, fund balances will be reviewed with the finance committee and reported to the full Board. Any excess over the maximum set in the District's Reserve Policy, at that time, will be reported and any handling of excess funds will be discussed with the Finance Committee.

3-Year History of Quarterly Yields on Investments



Memo

Date: November 4, 2024
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **REVIEW OF OMWD FINANCIAL REPORTS – BUDGET VS. ACTUAL REPORT (1ST QUARTER OF FY 2025) AND HISTORICAL BUDGETED VS. ACTUAL WATER SALES**

This is an item to review information requested at the August 12th Finance Committee Meeting. Staff will review the attachments with the committee and will be available to answer any questions.

Attachments:

- Attachment 1** – Budget Vs. Actual Report (1st Quarter of FY 2025)
- Attachment 2** – Historical Budgeted vs. Actual Water Sales

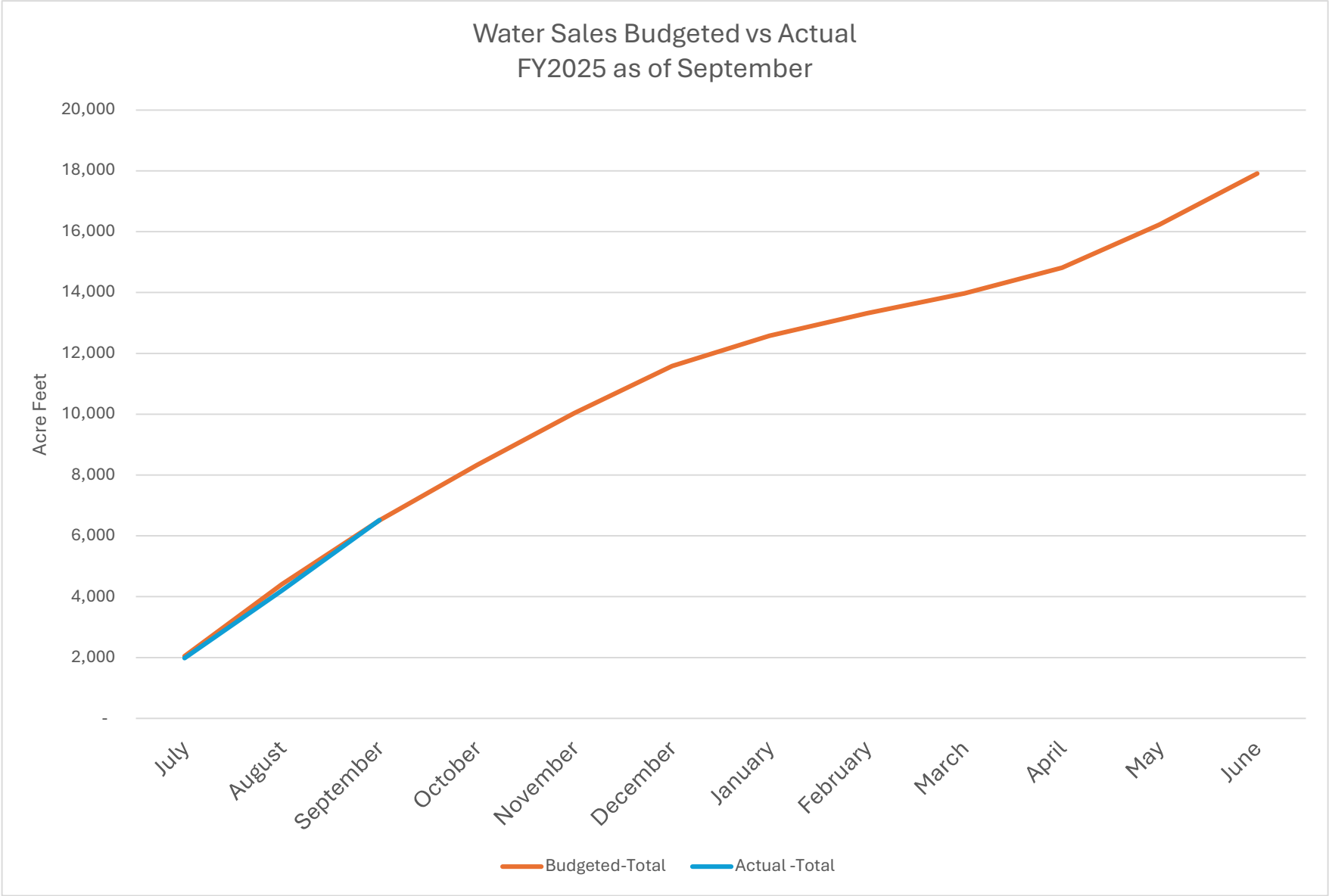
OLIVENHAIN MUNICIPAL WATER DISTRICT
Consolidated Actual vs Budget Summary
For the Three Months Ending 9/30/2024

	Approved Budget	Actual YTD	Budget YTD	Variance Amt	Variance %	Notes
Operating Revenues						
Commodity Water Sales	\$46,817,000.00	\$17,535,509.53	\$16,034,100.00	\$1,501,409.53	9.4%	1
Water Fees and Services	19,701,000.00	4,849,359.88	4,925,250.00	(75,890.12)	(1.5%)	
Wastewater Revenue	5,725,000.00	20,353.94	24,800.00	(4,446.06)	(17.9%)	2
Total Operating Revenues	72,243,000.00	22,405,223.35	20,984,150.00	1,421,073.35	6.8%	
Operating Expenses						
Purchased Water - Variable	27,264,000.00	8,896,663.38	9,439,250.00	542,586.62	5.7%	3
Purchased Water - Fixed	9,593,000.00	2,274,075.00	2,276,700.00	2,625.00	0.1%	
General Manager Dept	2,232,000.00	463,840.28	558,030.00	94,189.72	16.9%	4
Engineering Dept	2,577,000.00	586,880.91	644,010.00	57,129.09	8.9%	4
Finance Dept	1,875,000.00	506,521.68	468,990.00	(37,531.68)	(8.0%)	4
Customer Service Dept	3,226,500.00	738,758.14	807,069.00	68,310.86	8.5%	4
Human Resources Dept	878,000.00	226,359.67	219,549.00	(6,810.67)	(3.1%)	4
Water Operations and Maintenance Dept	13,026,000.00	2,910,457.70	3,257,637.00	347,179.30	10.7%	4
Parks Dept	542,800.00	117,489.79	136,038.00	18,548.21	13.6%	4
Other Operating Expenses	50,000.00		12,600.00	12,600.00	100.0%	4
Sewer Operations and Maintenance Dept	3,397,000.00	714,192.09	850,086.00	135,893.91	16.0%	4
Recycled Water Operations Dept	1,252,500.00	297,989.15	312,630.00	14,640.85	4.7%	4
Paygo Transfers						
Water Operations	5,382,000.00	1,347,000.00	1,347,000.00		0.0%	
Sanitation Operations	3,245,000.00	810,000.00	810,000.00		0.0%	
Recycled Operations	1,700,000.00	426,000.00	426,000.00		0.0%	
Capitalized Operations Expenditures	(1,969,700.00)	(273,985.91)	(492,180.00)	(218,194.09)	44.3%	5
Total Operating Expenses	74,271,100.00	20,042,241.88	21,073,409.00	1,031,167.12	4.9%	
Net Operating Income (Loss)	(2,028,100.00)	2,362,981.47	(89,259.00)	2,452,240.47		
Nonoperating Revenues						
Water Funds	7,289,000.00	871,351.95	822,510.00	48,841.95	5.9%	6
Debt Service Funds	1,057,000.00	25,573.35	28,840.00	(3,266.65)	(11.3%)	6
Sewer Funds	145,000.00	57,876.45	36,300.00	21,576.45	59.4%	6
Recycled Water Funds	342,000.00	69,519.95	85,500.00	(15,980.05)	(18.7%)	6
Total Nonoperating Revenue	8,833,000.00	1,024,321.70	973,150.00	51,171.70	5.3%	
Nonoperating Expense						
Capacity Fee Funds	30,000.00	10,601.73	7,440.00	(3,161.73)	(42.5%)	
Debt Service Funds	1,242,400.00	262,576.47	311,010.00	48,433.53	15.6%	7
Potable Water Funds	748,000.00	257,322.78	254,400.00	(2,922.78)	(1.1%)	
Total Nonoperating Expense	2,020,400.00	530,500.98	572,850.00	42,349.02	7.4%	
Inc before Cap Fees and Capital Contributions	4,784,500.00	2,856,802.19	311,041.00	2,545,761.19		
Capacity Fee Funds	1,457,000.00	319,599.89				
Capital contributions	1,772,000.00	1,946.36				
Change in Net Position		3,178,348.44				

OLIVENHAIN MUNICIPAL WATER DISTRICT
Actual vs Budget Variance
For the Three Months Ending 9/30/2024

1. Water Sales revenue was higher than Budget YTD by approximately \$1.5 million resulting in a favorable variance of 9.4% due to the timing of unbilled water estimates. Customers' water usage in the first quarter of fiscal year 2025 was about the same as the amount budgeted YTD.
2. Wastewater Revenue was less than Budget YTD due to timing. 4S Ranch and Rancho Cielo Sanitation Districts' wastewater service fees are collected on the County's tax roll when customers pay their property tax to the County. Actual YTD wastewater service revenue will be closer to Budget YTD amount as the year progresses.
3. Purchased water variable expenses were lower than the Budget YTD for a favorable variance of \$543 thousand or 5.7%. This is primarily due to the timing of the final take or pay amount owed to the City of San Diego per the recycled water agreement which is included in Budget YTD but not yet paid to the City.
4. Actual departmental expenses varied from the Budget YTD amounts due to the timing of actual operating expenses. The Budget YTD amounts assume expenditures are incurred evenly throughout the year.
5. Actual Capitalized Operating Expenses were lower than the Budget YTD amount due to the timing of capitalized labor spent on District projects. The Budget YTD amount assumes expenditures are incurred evenly throughout the year.
6. Actual Non-operating Revenues – Water Funds, Debt Service Funds, Wastewater Funds, and Recycled Water Funds were overall greater than Budget YTD for a positive variance due to higher interest income earned on investments from increased yields on short-term investments. This is partially offset by the timing of property tax revenues received from the County, and the timing of proceeds from the sale of the District's Wiegand parcels included in the budget.
7. Actual Non-operating Expenses - Debt Service Funds were lower than the Budget YTD amount for a positive variance because amortization of the issuance premium is not included in the 2015A Bonds interest expense.

Attachment 2



Memo

Date: November 4, 2024
To: Olivenhain Municipal Water District Board of Directors
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **ANNUAL REVIEW OF INVESTMENT AND BOARD DESIGNATED FUND
BALANCES (RESERVES) POLICIES FOR 2025**

The District's Investment Policy is reviewed annually to ensure compliance with California Government Code sections that govern the investment of public funds. The District's Operating Fund, Capital and Equipment Fund, and Rate Stabilization Fund balances are reviewed annually when the District's financial audit is completed.

Investment Policy

The District's Investment Policy has been reviewed by PFM Asset Management to make sure the existing Policy is consistent with the California Government Code sections that govern the investment of public funds. The proposed changes to the District's Investment Policy are advised by PFM Asset Management.

Board Designated Fund Balances (Reserves) Policy

There are no proposed changes to the District's Reserves Policy. The last update to the Reserves Policy was completed in December 2022 which added Water and Wastewater Pension Stabilization Funds into the District's Reserves Policy to comply with the Pension Funding Policy adopted by the Board in June 2022.

Staff will be available during the meeting for discussion with the Committee.

Attachments: **Attachment 1** - DRAFT Investment Policy

Attachment 2 - Board Designated Fund Balances (Reserves) Policy



Annual Statement of Investment Policy
Calendar Year ~~2024~~2025

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INVESTMENT POLICY

I. INTRODUCTION

The purpose of this document is to identify policies and procedures that shall govern the investment of all District funds. The ultimate goal of this policy is to enhance the economic status of the District while protecting its funds. These policies shall be followed by the Treasurer in making all investment decisions on behalf of the District.

The Board of Directors of the District has delegated authority to invest funds on behalf of the District to its Treasurer for one (1) year. The Treasurer is required to provide a monthly report of all District investments to the Board. The Treasurer's authority to make investments for the District under this policy is limited to a one (1) year term expiring on December 31, ~~2024~~2025. This authority may be renewed annually at the discretion of the Board of Directors of the District.

This investment policy is intended to guide the Treasurer in the investment of all District funds. These investment policies have four primary goals:

1. To ensure that all District investments comply with federal, state, and local laws governing the investment of all District funds;
2. To recognize that the primary objective of all District investments is to safeguard the principal invested;
3. To recognize that the second objective of all District investments is to meet the liquidity needs of the District; and
4. To maximize the return on all District investments keeping in mind that safeguarding the principal and providing liquidity are more important objectives than the return obtained.

II. SCOPE

This investment policy shall cover all funds and investment activities under the direct authority of the District, except for the employee's retirement and deferred compensation funds, checking and payroll accounts, and debt service construction and reserve funds held by trustee in accordance with the District's bond documents.

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III. OBJECTIVES

- A. Safety. It is the primary duty and responsibility of the Treasurer to protect and preserve the principal of all District funds and investments. Prior to investing any District funds, the investment shall be evaluated by the Treasurer to ensure that capital losses are avoided whether from institution default, broker-dealer default, or erosion of the market value of the securities. The Treasurer shall evaluate, or cause a qualified professional to evaluate, each potential investment of District funds to verify that the issuer is financially strong and there is adequate security as collateral for each investment sufficient to protect the principal being invested. The Treasurer shall diversify District investments so as to reduce the exposure to principal loss.
- B. Liquidity. An adequate percentage of all District investments shall be maintained at all times in liquid short-term securities which can be converted to cash if necessary to meet the District's financial obligations. The Treasurer should consider the District's liquidity needs over the next year in determining the amount that should be maintained in short term instruments. Since all future cash requirements of the District cannot be anticipated, the Treasurer shall, at all times, invest a portion of all District investments in liquid short-term securities that are readily tradable so as to meet the ongoing liquidity needs of the District. These short-term securities shall be selected in a manner that minimizes market risk and provides for the anticipated needs of the District over the next year.
- C. Return on Investments. The Treasurer should invest all District funds in investments that maximize the return for the District keeping in mind that safeguarding the principal and providing liquidity are more important objectives than the return obtained. All investment decisions made by the Treasurer shall be, first, to ensure protection of the principal of all District funds and investments, second, to provide adequate liquidity for the District's future needs, and third, to maximize return where possible without jeopardizing the principal or creating liquidity problems for the District.
- D. Market-Average Rate of Return. The investment portfolio shall be designed to attain a market-average rate of return throughout economic cycles, taking into account the District's risk and liquidity constraints, the cash flow characteristics of the portfolio, State laws limiting District investments, and ordinances or resolutions that restrict investments. To determine if the District is attaining its return

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objectives, the Treasurer will periodically review the portfolio's performance against an appropriate benchmark(s).

- E. Diversification. The investment portfolio shall be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. The amount invested by the Treasurer in a particular security at any time shall not exceed the limitations contained in Section VII of this Investment Policy.
- F. Prudence. The District adheres to the guidance provided by the "Prudent Investor Rule" California Government Code (Sec. 53600.3), which obligates a fiduciary to insure that investment decisions be made with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

The Treasurer and all other individuals assigned to manage the District's investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported monthly and appropriate action is taken to control adverse developments.

- G. Public Trust: All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to review and evaluation by the Board. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable, and these losses must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been obtained.
- H. Risk Tolerance. The District recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. The Treasurer is expected to display prudence in diversifying the District's investments as a way to minimize default risk. No individual investment transaction shall

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be undertaken by the Treasurer which jeopardizes the total capital position of the overall portfolio or which exceeds the investment limitations contained in Section VII of this policy. The Treasurer shall periodically establish guidelines and strategies to control risks of default, market price changes and illiquidity.

Risk will also be managed by subscribing to a portfolio management philosophy that helps to control market and interest rate risk by investing to ensure required liquidity and appropriate term. This philosophy also prohibits trading losses (for speculative purposes) unless there is a sudden need for liquidity and the need cannot be satisfied by any other means. Loss of principal will only be acceptable if economic gain can be conclusively demonstrated.

Controlling and managing risk is the foremost portfolio management objective. The District strives to maintain an efficient portfolio by providing for the lowest level of risk for a given level of return. This acceptable level of return has been quantified as a return that is equal to an appropriate benchmark(s) based on the weighted average of the District's portfolio depending on investments and maturities. In addition to these general policy considerations, the following specific policies will be strictly observed:

1. All book-entry transactions will be executed on a delivery-versus-payment basis.
2. A competitive bid process, when practical, will be used to place all investment purchases and to minimize investment costs.

IV. DELEGATION OF AUTHORITY

The investment of District money is delegated to the Treasurer by the Board of Directors for one year ending December 31, ~~2024~~2025. The Treasurer may delegate the day-to-day operations of investing to his/her designee(s), but not the responsibility for the overall investment program.

V. REPORTING

Although it is no longer required for the Treasurer of a local agency to annually render a statement of investment policy to the legislative body and submit a quarterly investment report to the legislative body (Government Code Section 53646 (b)), the District Treasurer and General Manager shall submit a monthly investment report to the Board of Directors. This report shall include: type of investment, issuer, date of maturity, the par and dollar amount invested on all securities, the total amount of all investments and monies held by the District, a

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description of any District funds being held or managed by other persons or entities, the coupon and current yield of all securities, a statement that there are or are not sufficient funds to meet the District's obligations for the next six (6) months, and accrued interest receivable. The monthly statement shall also indicate the District's anticipated liquidity needs for the next six (6) months, the ability of the District's investments to meet these anticipated liquidity needs, and a monthly list of transactions, which is required under Government Code 53607 whenever investment authority is delegated by the Board. Additional items listed will also include average weighted average days to maturity, maturity date, purchase date, percentage distribution to each type of investment, and a statement indicating compliance or noncompliance of all District investments with this Statement of Investment Policy. An investment's term or remaining maturity shall be measured from the settlement date to final maturity rather than the commonly interpreted trade date. Furthermore, the forward settlement date of an investment cannot exceed 45 days from the time of investment. All investments not complying with this investment policy shall be called to the attention of the Board during the first monthly meeting after an investment does not comply with this policy.

VI. AUTHORIZED INVESTMENT INSTRUMENTS

The District is governed by the California Government Code, Sections 53600 et seq. and 16429.1. For all investment types, the purchase of zero coupon, inverse floaters, range notes, strips, mortgage derived interest-only strips, deep discount treasury bonds, or any security that could result in zero interest accrual if held to maturity is not permitted (Government Code Section 56301.6). Within the context of these limitations, the following investments are authorized:

A. Local Agency Investment Fund: The District may invest in the Local Agency Investment Fund established by the State Treasurer for the benefit of local agencies (Government Code Section 16429.1). The fund must have twenty-four hour liquidity. No more than 50% of the total value of all District investments or \$40,000,000 (whichever is lesser) may be invested in Local Agency Investment Fund.

The District may also invest bond proceeds in the Local Agency Investment Fund. Liquidity for bond proceeds, per fund regulations, is thirty calendar day increments from the date of the initial deposit.

B. Treasury Securities: United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest (Government Code Section 53601(b)). These investments are considered the safest possible investment available. There is no maximum portfolio limit. Maximum investment maturities in Treasury Securities shall be restricted to five years.

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C. Depository Accounts and Certificates of Deposit: The District may invest in insured or collateralized certificates of deposits, saving accounts, market rate accounts, or other bank deposits insured by commercial banks, savings and loans, state or federal credit union in California (Government Code Section 53630 et seq). A written depository contract is required with all institutions that hold District deposits. Securities placed in a collateral pool must provide coverage for at least 110 percent of all deposits that are placed in the institution. Acceptable pooled collateral is governed by California Government Code Section 53651. Real estate mortgages are not considered acceptable collateral by the District, even though they are permitted in Government Code Section 53651(m). All financial institutions are required to provide the District with a regular statement of pooled collateral. This report will state that they are meeting the 110 percent collateral rule (Government Code Section 53652(a)), a listing of all collateral with location and market value, plus an accountability of the total amount of deposits secured by the pool. Certificates of deposit, shall not exceed 5% per issuer of the value of all District investments at any time.

Deposits, up to the federal deposit limit, are allowable in any institution that insures its deposits with the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA), regardless of Moody's Investors Service or Standard & Poor's Corporation ratings. The Treasurer, for deposits of up to federal insurance limit may waive collateral requirements. A maximum deposit of up to federal insurance limit may be deposited in any one institution without collateral. No bank shall receive District funds of greater than federal insurance limit if it has a Moody's Investor Service or Standard & Poor's Corporation rating less than "A". Maximum investment maturity will be restricted to three (3) years.

In accordance with section 53638 of the California Government Code, any deposit shall not exceed the shareholder's equity of any depository bank, nor shall the deposit exceed the total net worth of any institution. No deposits shall be made at a state or federal credit union if a member of the Board of Directors or the General Manager or Treasurer serves on the Board of Directors or any committee appointed by the Board of Directors of the credit union.

D. Placement Service Deposit: The District may invest in insured deposit placed with a private sector entity that assists in the placement deposits with eligible financial institutions located in the United States (Government Code Section 53601.8). The full amount of the principal and the interest that may be accrued during the maximum term of each deposit shall at all times be insured by federal deposit insurance. Placement Service Deposit, shall not exceed 5% per issuer of the value of the District's investments at any time. The maximum investment maturity will be restricted to three years.

E. Negotiable Certificates of Deposit: Negotiable certificates of

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Deposits issued by a national or a State-chartered or a State or Federal association or by a federally licensed or State-licensed branch of a foreign bank (Government Code Section 53601(i)). Maximum investment maturity is restricted to two years for notes rated "AA-" or higher and five years for "AAA" rated notes. Negotiable Certificates of Deposit, shall not exceed 5% per issuer of the value of all District investments at any time.

F. Commercial Paper: Investment is limited to the highest grade of stand alone or enhanced ("prime") commercial paper as rated by Moody's Investor Service, Standard & Poor's Corporation, or Fitch Financial Services (A1/P1/F1) issued only by a general corporation that is organized and operating within the United States, and having total assets in excess of \$500 million and has debt other than commercial paper that is rated "A" or higher by Moody's, S&P, or Fitch (Government Code Section 53601(h)). The maximum investment maturity for commercial paper shall be restricted to 270 days. Purchases of commercial paper shall not exceed 20% the total value of all District investments at any time and shall not exceed 5% per issuer of all District investments at any time.

G. Medium Term Notes: Medium term notes are corporate or bank notes with a maximum remaining maturity of 5 years or less. Investment is limited to "AA-" rated or higher notes, from a nationally recognized rating service like Moody's Investor Service or Standard and Poor's Corporation. All such notes shall be solely from corporations organized and operating in the U.S. or banks licensed in the U.S. or any state and operating in the United States. Permissible types of notes include fixed rate and variable rate. Maximum investment maturity is restricted to two years for notes rated "AA-" or higher and five years for "AAA" rated notes. Medium term notes shall not exceed 5% per issuer of all District investments at any time.

H. Agencies: The District is permitted to invest in federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued and fully guaranteed as to principal and interest by federal agencies or United States government sponsored enterprises (Government Code 53601(f)). Maximum maturity is limited to 5 years. The amount invested in agencies shall not exceed 50% of all District investments at any time.

I. Money Market Funds: Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 and following) (Government Code 53601(l)(2)). Investments are limited to those money market funds that invest in U.S. Treasuries, Federal Agency obligations, and repurchase agreements relating to such obligations. Funds must have the highest ranking or the highest letter and numerical rating by not less than two nationally recognized rating services, or have an investment adviser registered with the Securities and Exchange Commission

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with not less than five years' experience managing money market funds with assets under management in excess of \$500,000,000. No more than 5% of the value of all District investments shall be invested in any fund and no more than 20% of the value of all District investments may be invested in all money market funds combined. Any fund shares purchased will not include any type of commission.

J. Banker's Acceptances: Bankers' acceptances are bills of exchange or time drafts drawn on and accepted by a commercial bank (Government Code 53601(g)). Purchases of banker's acceptances may not exceed 180 days maturity as per Government Code Section 53601 (g). Maximum portfolio exposure will be limited to 20% of the total value of all District investments at any time and single issuer holdings to no more than 3% per issuer. Banker's acceptances shall not be purchased by the Treasurer without the prior approval of the Board.

K. Repurchase Agreements and Reverse Repurchase Agreements: A Repurchase Agreement is a purchase of securities by the District under an agreement with another party who will repurchase these securities on or before a specified date and for a specified amount and the other party delivers the underlying securities to the District by book entry, physical delivery, or by third-party custodial account. A Reverse Repurchase Agreement means a sale of securities by the District under an agreement where the District will repurchase the securities on or before a specified date. While Repurchase Agreements and Reverse Repurchase Agreements are permitted by state law (Government Code 53601(j)), the Treasurer shall not purchase any securities under a Repurchase Agreement or a Reverse Repurchase Agreement unless it has first been approved by the Board of Directors of the District. State law prohibits Repurchase Agreements unless the underlying value of the securities covering the Repurchase Agreement are valued at least 102% or greater of the funds borrowed against those securities and this value must be adjusted no less than quarterly. Collateral for repurchase agreements is limited to obligations of the United States government and its agencies. Reverse Repurchase Agreements are only permitted by state law where the security being sold by the District has been owned and fully paid for by the District for a minimum of thirty (30) days prior to sale, The agreement may not exceed a term of 90 days unless the agreement includes a provision guaranteeing a minimum earning or spread for the entire period between the sale of a security and the final maturity date.

The amount invested repurchase agreements shall not exceed 20% of all District investments at any time. The amount invested in reverse repurchase agreements shall not exceed 10% of the base value of the District's portfolio at any time.

L. Local Government Investment Pool: Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code

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Section 6509.7 that invests in the securities and obligations authorized in the Government Code (Government Code 53601(p)). Investments are limited to pools that ~~seek to maintain a constant net asset value and which~~ are rated "AA" or better. Local Government Investment Pools shall not exceed 30% of the value of all District investments at any time. The District shall conduct a thorough investigation of any pool prior to making an investment, and on a continual basis thereafter. Best efforts will be made to acquire the following information:

1. A description of eligible investment securities, and a written statement of investment policy and objectives.
2. A description of interest calculations and how it is distributed, and how gains and losses are treated.
3. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
5. A schedule for receiving statements and portfolio listings.
6. Are reserves, retained earnings, etc. utilized by the pool/fund?
7. A fee schedule, and when and how is it assessed.
8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

M. Municipal Bonds: The Treasurer is authorized to invest in registered treasury notes or bonds of any of the 50 United States payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency or authority of any of the 50 United States. Such securities must have ratings from at least two of three ratings as follows: "A1" by Moody's Investors Service, or "A+" by Standard & Poor's, or "A+" by Fitch Ratings; or as otherwise approved by the Board; or

Registered general obligation treasury notes or bonds of any of the 50 United States. Such securities must have ratings from two of three rating agencies as follows: at least "A3" by Moody's Investors Service, or "A-" by Standard & Poor's, or "A-" by Fitch Ratings; or as otherwise approved by the Board; or

Adjustable rate registered treasury notes or bonds of any of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency or authority of any of the 50 United States. Such securities must have ratings from at least two of three rating agencies as follows: "P-1" by Moody's Investors Service, or "A-1+" by Standard & Poor's, or "F-1+" by Fitch Ratings; or as otherwise approved by the Board; or.

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Adjustable rate notes or bonds warrants, or other evidences of indebtedness of any local agency within the State of California with a minimum rating of either “P-1” by Moody’s Investors Service, or “A-1+” by Standard & Poor’s, or “F-1+” by Fitch Ratings, including bonds, notes, warrants, or other evidences of indebtedness payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by either the local agency, a department, board, agency, or authority of the local agency, or of any local agency within this state; or.

Taxable or tax-exempt bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California with a minimum rating of either “A1” by Moody’s Investors Service, or “A+” by Standard & Poor’s, or “A+” by Fitch Ratings (the minimum rating shall apply to the local agency, irrespective of any credit enhancement), including bonds, notes, warrants, or other evidences of indebtedness payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by either the local agency, a department, board, agency, or authority of the local agency, or of any local agency within this state.

The amount invested in municipal securities shall not exceed 5% per issuer of all District investments at any time.

N. Permitted Investments Without Board Approval: The Treasurer is authorized to invest District funds in federally insured or collateralized depository accounts, the Local Agency Investment Fund, the California Asset Management Pool (CAMP), treasury securities, negotiable certificates of deposit, commercial paper, medium term notes, agencies and money market funds meeting all requirements of this investment policy for the particular investment being purchased without prior Board approval. All other investments such as banker’s acceptances, Repurchase Agreements, Reverse Repurchase Agreements, and investments in the San Diego County Investment Pool shall only occur with prior approval of the Board. The Treasurer shall ensure that all investments made on behalf of the District meet all of the minimum requirements contained in this Investment Policy.

VII. PORTFOLIO LIMITATIONS

Following is a listing of potential authorized investments with corresponding limitations on the amount of the District’s portfolio that may be invested in each authorized investment at any given time:

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Investment Type	Maximum Maturity Remaining	Maximum % of Portfolio	% or \$ Limit per Issuer	Minimum Rating Category
Local Agency Investment Fund	N/A	50%	\$40,000,000	None
Treasury Securities	5 years	None	None	None
Certificates of Deposit	3 years	30% all CDs and Placement Deposits	5% or FDIC Limit for any institution that insures its deposits with FDIC	Minimum rating of A if investment is greater than FDIC limit
Placement Service Deposits	3 years	30% all CDs and Placement Deposits	5% and/or FDIC Limit	None
Negotiable Certificates of Deposit	2 years (AA- or greater) 5 years (AAA)	30% all CDs and Placement Deposits	5%	AA- if 2 years AAA if 5 years
Commercial Paper	270 days	20%	5%	A1/P1/F1
Medium Term Notes	2 years (AA- or greater) 5 years (AAA)	30%	5%	AA- if 2 years AAA if 5 years
Agencies	5 years	50%	None	None
Depository Accounts, Money Market Funds	None	20%	5% in any money market fund	None
Bankers Acceptances	180 days	20%	3% per issuer with prior approval of the Board	None
Repurchase Agreements	90 days	20%	With the prior approval of the Board	None

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Reverse Repurchase Agreements	90 days	10%	With the prior approval of the Board	None
Local Government Investments Pools (such as CAMP)	None	30%	None	AA
Municipal Bonds	N/A	30%	5%	A1/A+

The weighted average days to maturity of the total portfolio shall not exceed the liquidity requirements of the District for the next six months based upon on-going staff analyses.

VIII. REVIEW OF INVESTMENT PORTFOLIO

At least once each quarter, a sub-committee of the Board shall meet with the General Manager or his/her designee to review the District's portfolio and provide guidance for future investments. All transactions will be reviewed by the Treasurer on a regular basis to assure compliance with this Statement of Investment Policy and a monthly report shall be provided to the Board on all District investments.

In the event a security held by the District is subject to a rating change that brings it below the minimum credit ratings specified by the Policy, the Treasurer shall notify the Board at the next regularly scheduled Board meeting along with the Treasurer's recommended course of action. The course of action to be followed will be decided on a case-by-case basis by the Board, considering such factors as the reason for the rate drop, prognosis for recovery or further rate drops, and the market price of the security.

In the event that the percentage limits attributable to each security type are violated due to a temporary imbalance in the portfolio, the Treasurer will make a determination as to the appropriate course of action. The appropriate course of action may be to liquidate securities to rebalance the portfolio or to hold the securities to maturity in order to avoid a market loss. Portfolio percentages are in place to ensure diversification of the investment portfolio and as such a small temporary imbalance would not violate this basic tenet. When a portfolio percentage is exceeded the Treasurer will report the violation in the Treasurers Report at the next regularly scheduled Board meeting, with detail of the strategy determined to address the imbalance, for Board ratification. However, the

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Treasurer shall meet the portfolio percentages required by this investment policy at the end of each month, unless waived by the Board.

IX. BOND PROCEEDS, BOND RESERVE FUNDS AND BOND SERVICE FUNDS

Investment of bond proceeds and amounts held in bond reserve and service funds are to be made in accordance with the related bond indentures.

X. INTERNAL CONTROLS

Internal controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation of third parties, unanticipated changes in financial markets or imprudent action by employees and officers of the District. Controls deemed most important include: control of collusion; separation of duties and administrative controls; custodial safekeeping; clear delegation of authority; management review and approval of investment transactions; specific limitations regarding securities losses and remedial action; written confirmation of telephone transactions; minimizing the number of authorized investment officials; documentation of transactions and strategies; and code of ethic standards.

Existing procedures require all wire transfers initiated by the Finance Department be reconfirmed by the appropriate financial institution. In addition, the District's signatory resolution specifies authorized signers and number of required signatures for different disbursement transactions. Proper documentation obtained from confirmation and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliations are conducted to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Finance Department on a monthly basis. A listing of all investment transactions is provided on a monthly basis to the Board of Directors for their approval. Current policy also requires that the Treasurer's approval be obtained for the purchase or sale of securities other than transfers to/from investment pools or money market funds.

An independent analysis by an external auditor shall be conducted annually to review internal controls, account activity and compliance with policies and procedures.

XI. QUALIFIED BANKS AND SECURITIES DEALERS

The District shall conduct business only with nationally or state chartered banks, savings and loans or credit unions that are licensed and operating in the United States or a state of the United States, and registered investment securities

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dealers. The District's staff will investigate all institutions that wish to conduct business with the District prior to any District investment in the institution. All banks shall have a minimum rating of "A" by Moody's or Standard and Poor. A list will be maintained by the Finance Manager of approved institutions and security broker/dealers. A bank rating service will be used by staff to verify financial information provided by a financial institution or dealer. Annually, the Treasurer shall transmit a copy of the current Statement of Investment Policy to all approved dealers. The dealer is required to return a signed statement indicating receipt and understanding of the District's Investment Policies. Primary dealers of the Federal Reserve may provide substitute certification language at the discretion of the Treasurer.

XII. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Additionally, the Treasurer and the Finance Manager are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission (FPPC). All officers and employees involved in the investment of public funds are required to comply with the District's Conflict of Interest Code. The Treasurer and any District employees or agents evaluating any investment for the District shall disclose any interest owned or held in any institution or investment being considered by the District prior to the investment.

XII. BOARD DISCRETION

The District recognizes that this policy consists of guidelines designed to protect District funds and to provide liquidity for the on-going District operations. The Board of Directors may timely approve, on an individual basis, investments which would otherwise not be in accordance with this policy, in the event of unforeseen circumstances, so long as the investment is permitted by state law.

XIII. SAFEKEEPING AND CUSTODY

To protect against potential losses caused by the collapse of a security dealer, all book-entry securities owned by the District, including repurchase agreement collateral previously approved by the Board, shall be kept in safekeeping with "perfected interest" by a third party bank trust department, acting as agent for the District under the terms of a custody agreement executed by the bank and by the District. All book-entry securities will be received and delivered using standard delivery-versus-payment procedures.

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XIV. INTEREST EARNINGS

All monies earned and collected from investments authorized in this policy shall be allocated monthly to various fund accounts based on the cash balance in each fund as a percentage of the entire pooled portfolio.

XV. PROHIBITED INVESTMENTS

The Treasurer shall not invest any funds of the District in inverse floaters, range notes, or mortgage derived interest-only strips at any time. The Treasurer shall not invest any funds of the District in any security that could result in zero interest accrual if held to maturity, except as authorized by Code. (Gov't Code §53601.6).

XVI. INVESTMENT PURCHASES

Any investments that the Treasurer purchases for the District that are not purchased directly from the issuer shall be purchased either from an institution licensed by the State of California as a broker/dealer or from a member of a federally registered securities exchange, from a national or state-chartered bank, from a savings association or a federal association, or from a brokerage firm designated as a primary government dealer by the Federal Reserve Bank. (Gov't Code §53601.5)

XVII. QUARTERLY REPORTS

At least once each quarter, and within 45 days following the end of the quarter, the District's Finance Officer shall provide an oral report to the Finance Committee, comprised of the District's treasurer and one board member, evaluating the safety of all District investments and advising the committee of any investments of the District that represent a credit risk.

XVIII. TREASURER'S AUTHORITY AND REVIEW OF INVESTMENT POLICY

The Authority of the Treasurer to make investment decisions on behalf of the District shall automatically expire on December 31, ~~2024~~2025 unless renewed or extended by formal action of the Board of Directors of the District. This investment policy shall be presented to the Board of Directors of the District by no later than December 31, ~~2024~~2025 and annually thereafter.

XIX. GLOSSARY OF INVESTMENT TERMS

AGENCIES: Federal agency securities and/or Government Sponsored Enterprises (GSE) which include Federal Home Loan Bank (FHLB), Federal

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National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Bank (FFCB), and Federal Agricultural Mortgage Association (Farmer Mac).

ASKED: The price at which securities are offered by the seller.

BANKERS' ACCEPTANCE: A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price at which a buyer offers to buy a security.

BROKER: A broker brings buyers and sellers together for a transaction for which the broker receives a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COUPON: The rate of return at which interest is paid on a bond.

CREDIT RISK: The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

CURRENT YIELD: The annual income from an investment divided by the current market value. This measure examines the current price of a bond rather than the face value. Current yield represents the return an investor would expect to earn if the owner purchased the bond and held it for a year. However, current yield is not the actual return an investor receives if he holds a bond until maturity.

DEALER: A dealer acts as a principal in all transactions, buying and selling for his own account.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities.

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Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Noninterest-bearing money market instruments that are issued at a discount and redeemed at maturity for full face value (*e.g., U.S. Treasury Bills.*)

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

DURATION: A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to \$250,000 per entity.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL AGENCY INVESTMENT POOL (LAIF): A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office,

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

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MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MEDIUM TERM NOTES: Corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MUNICIPAL BONDS: Securities issued by state and local agencies to finance capital and operating expenses.

NEGOTIABLE CD: A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of foreign bank. Negotiable CDs are traded in a secondary market.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON (PRUDENT INVESTOR) RULE: A standard of responsibility which obligates a fiduciary to insure that investment decisions be made with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

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REPURCHASE AGREEMENT (REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate him for this.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): A reverse-repurchase agreement (reverse repo) involves an investor borrowing cash from a financial institution in exchange for securities. The investor agrees to repurchase the securities at a specified date for the same cash value plus an agreed upon interest rate. Although the transaction is similar to a repo, the purpose of entering into a reverse repo is quite different. While a repo is a straightforward investment of public funds, the reverse repo is a borrowing.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank’s vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, FHLMC, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TREASURY BILLS: A noninterest-bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

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YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

Board Designated Fund Balances (Reserves) Policy

This Policy represents public affirmation of the Board's commitment to financial prudence and careful stewardship of community assets. This Policy shall cover the District's Operating Fund, Capital and Equipment Fund, and Rate Stabilization Fund for water (potable and recycled) and wastewater (sewer) operations. These Funds are designated by the District's Board to carry out specific purposes, ensuring prudent management of the District's financial resources, and are used by District staff as parameters within which the Board expects staff to operate.

This Policy has three primary goals:

- To provide adequate funding to meet the District's short-term and long-term plans and commitments to its customers.
- To minimize adverse multi-year budgetary impacts from anticipated and unanticipated expenditures, thus avoiding future rate fluctuations.
- To preserve the financial stability of the District against present and future uncertainties in an ever-changing environment.

Operating Fund, Capital and Equipment Fund, and Rate Stabilization Fund balances will be reviewed annually when the District's financial audit is completed. At that time, staff will present to the Board a recommendation on the handling of these Funds.

Water - Operating Fund

Purpose:	To ensure cash resources are available to pay for day-to-day water operations, including payments for purchased water and debt service payments and to provide funding in case of operating emergencies and unforeseen circumstances.
Target Balance:	A minimum balance equal to 60 days of approved annual water operating and maintenance expenditures in the budget shall be maintained in this fund. The maximum amount in this fund shall not exceed 120 days of approved annual water operating and maintenance expenditures in the budget. Operating Fund balance in excess of the 120-day maximum balance will be transferred into other Fund(s), with Board approval, as long as fund balances are below their maximum amount stated in this Policy. Any excess over the maximum amount shall be reported to the Board at the first monthly regular Board meeting after the excess occurs with a staff recommendation as to the handling of the excess funds. A cash balance below the minimum target balance shall also be reported with specific notes to the Board on a regular basis.
Methodology:	Due to the timing difference between the dates when cash is collected and spent, the District is required to maintain sufficient cash on hand to meet its day-to-day cash disbursements, such as payroll, water purchases, debt service payments, and to provide funding for emergency operating expenditures due to unforeseen situations, such as natural disasters or any other unanticipated expenses that will result in an unexpected increase in the District's expenditures.
Use of Funds:	To pay for day-to-day water operating and maintenance expenditures and any unexpected expenses or emergencies due to the timing difference between cash being collected and spent.
Contributions:	Additions to this fund come from any excess in water operations (revenues over expenses.) When water revenue is not sufficient to meet the District's debt service coverage requirements, funds will be transferred from the Rate Stabilization Fund into the Operating Fund. The adequacy of this fund will be reviewed annually after the financial audit is completed.

Water - Capital and Equipment Fund

Purpose:	To provide funding for the District's water capital infrastructure improvements and replacements approved by the Board and included in the 10 Year Capital Spending Plan. The District also has Debt Management Policy that provides guidelines on how Capital Improvement Programs should be funded.
Target Balance:	A minimum balance equals to one (1) year of the average approved capital expenditures over the next ten years in the District's 10 Year Capital Spending Plan shall be maintained in this fund. A maximum balance equals to five (5) years of the average approved capital expenditures over the next ten years in the District's 10 Year Capital Spending Plan. Any excess over the maximum amount in this fund shall be reported to the Board at the first regular monthly Board meeting after the excess occurs. Staff will provide a recommendation on the handling of these excess funds. Any cash balance below the minimum target balance shall also be reported with specific notes to the Board on a regular basis.
Methodology:	The District follows a 10 Year Capital Spending Plan which outlines water infrastructure improvements and replacements planned for the next ten years.
Use of Funds:	To construct, improve, and replace water capital infrastructures and to purchase capital items approved by the Board and included in the District's Budget.
Contribution:	Water Rates and Capacity Fees. The District will make annual contributions from water rates and capacity fees to this fund to provide funding for District water capital infrastructure improvements and replacements included in the 20 Year Capital Spending Plan. Any excess over the maximum amount in this fund shall be reported to the Board at the first regular monthly Board meeting after the excess occurs. Staff will provide a recommendation on the handling of these excess funds.

Water - Rate Stabilization Fund

Purpose:	To protect the District's financial stability and to secure the District's ability to pay for its financial obligations, including debt service installment payments when revenue shortfalls occur due to weather conditions, economic shortfalls, changes in state and federal legislation, or other future uncertainties, enabling the District to avoid the need for rate spikes.
Target Balance:	A minimum of 25% of the average estimated Net Water Sales over two (2) fiscal years approved in the District's budget shall be maintained in the Rate

Stabilization Fund. The maximum amount in the Rate Stabilization Fund shall not exceed 50% of the average estimated Net Water Sales over two fiscal years approved in the District's budget. Net Water Sales are defined as total revenues from water operations less water purchase expenses. Any excess over the maximum amount in this fund shall be reported at the next regular Board Meeting with staff's recommendation on the handling of these excess funds.

Methodology:	The District relies on water commodity revenues to pay for costs to deliver water and provide service to its customers. This fund allows for financial flexibility to manage water sales fluctuations due to uncontrollable conditions such as prolonged wet or dry weather, enabling the District to stabilize rates from year to year.
Use of Funds:	To mitigate the immediate need to raise water rates in the event of cash flow reductions from operations so that the District has the ability to meet its debt service payments.
Contributions:	Any excess from the Water Operating Fund after annual contributions to the Capital and Equipment Fund is made for that year. Contributions to this fund can only be made with Board approval. Adequacy of this fund will be reviewed by District staff during budget process. By maintaining an adequate balance in this fund, the District can experience years when revenues fluctuate (e.g., due to drought or wet weather) without the need to raise rates. By decreasing this fund, the District becomes less stable and, therefore, more vulnerable to future rate increases. The Board must determine the level of risk it is willing to assume for the Rate Stabilization Fund as part of the budget process.

Water – Pension Stabilization Fund

Purpose:	To secure the District's ability to have a consistent annual Unfunded Accrued Liability (UAL) payment to California Public Employee's Retirement System (CalPERS), including Additional Discretionary Payment(s) while achieving its pension funding goal with no rate spikes. The funding goal of a defined benefit pension plan is 100%, which is to fund the long-term cost of benefits provided to the plan members.
Target Balance:	A minimum of one (1) year average of Projected Future Employer Contributions for UAL Payment over the next 5 fiscal years based on the most current CalPERS annual actuarial report for Classic and PEPRAs plans shall be maintained in this fund. A maximum of two (2) years average of Projected Future Employer Contributions for UAL Payment over the next 5

fiscal years included in the most current CalPERS annual actuarial report for Classic and PEPRA Miscellaneous Plans.

- Methodology: The funding goal of a defined benefit pension plan is 100%, which is to fund the long-term cost of benefits provided to plan members. The District relies on water revenues which are subject to external and uncontrollable factors such as weather conditions, federal and state mandates, and economic uncertainty to sustain operations. This fund allows the District to continue funding its pension liability during temporary budget shortfalls, such as prolonged wet or dry weather, thus avoiding rate spikes.
- Use of Funds: To mitigate the immediate need to use other available reserves to fund the District's pension obligations and to comply with the District's Pension Funding Policy. In the event that a District's pension plan achieves a "superfunded" status (funding level exceeds 100%), District staff will report to the Board and provide a recommendation to the Board on the handling of these excess funds after the most recent CalPERS actuarial report is released and the District's financial audit is completed.
- Contributions: Any excess from the Water Operating Fund after annual contributions to the Capital and Equipment Fund is made for that year. Contributions to this fund can only be made with Board approval. Maintaining an adequate balance in this fund reflects the Board's commitment to achieve a fully funded pension plan in a timely manner when revenues fluctuate from year to year. Adequacy of this fund will be reviewed by District staff annually, after the most current CalPERS actuarial report is released and the District's financial audit is completed.

Wastewater - Operating (Revenue) Fund

Purpose:	The District receives the majority of its wastewater service revenues in December and April at the same time when customers pay their property tax bills. Because of the timing difference between revenues and expenditures, the District must have cash resources available to pay for day-to-day wastewater operations and maintenance, debt service, and operating emergencies.
Target Balance:	A minimum of 180 days of annual wastewater operations and maintenance expenditures approved by the Board in the District's budget shall be maintained in this fund. The maximum in this fund shall not exceed 365 days of annual wastewater operations and maintenance expenditures approved by the Board in the District's budget. After the annual financial audit is completed, any excess over the maximum amount, with Board approval, will be transferred to the Wastewater Capital and Equipment Fund and/or Rate Stabilization Fund as long as the fund balance is below their maximum amount. Any excess over the maximum amount shall be reported to the Board at the first regular Board Meeting with staff's recommendation on the handling of these excess funds. Any cash balance below the minimum target balance shall also be reported with specific notes to the Board on a regular basis.
Methodology:	Wastewater service charges are collected through the County Tax Collector's office at the same time that property tax bills are paid by sewer customers (the majority of which are collected on December 31 and April 30). Due to the timing of these receipts, the District needs to have sufficient cash on hand to pay for day-to-day Wastewater operating and maintenance expenses.
Use of Funds:	These funds will be used to pay for wastewater (sewer) operating and maintenance expenditures approved by the Board, wastewater debt service payments, and for any operating emergencies or unanticipated expenditures.
Contributions:	Additions to this fund are a result of net income from Wastewater operations (revenue over expenses) after annual cash transfers to the Wastewater Capital and Equipment Fund and Wastewater Rate Stabilization Fund.

Wastewater - Rate Stabilization Fund

Purpose:	To protect the District's financial resources against economic shortfalls or an unexpected increase in expenditures, including sewage spill clean-up costs, a penalty imposed by the Regional Water Quality Control Board when sewage spills occur, or an emergency repair to damaged sewer facilities following natural disasters or other unforeseen emergencies. These conditions can lead the District to operating deficits.
Target Balance:	A minimum of 25 percent of annual Wastewater operating and maintenance expenditures approved by the Board shall be maintained in this fund. A maximum equal to 100 percent of annual Wastewater operating and maintenance expenditures approved by the Board.. Any excess over the maximum amount in this fund shall be reported at the next regular Board meeting with staff's recommendation on the handling of these excess funds.
Methodology:	This fund will be available to minimize the need for sewer rate increases as well as for spending changes during the fiscal year. It can also be used to stabilize wastewater rates and charges from year to year.
Use of Funds:	These funds will be used to mitigate the immediate need to raise wastewater rates and charges in the event of cash flow reductions from wastewater service revenues so that the District has the ability to meet its sewer debt service coverage ratio.
Contributions:	Contributions to this fund can only be made with Board approval and are reviewed by District staff during the budget process. By maintaining an adequate balance in this fund, the District can avoid operating deficits due to major unexpected expenditures without the need to raise sewer rates and charges and to secure the District's ability to pay its sewer debt service obligations. When revenues are not sufficient to meet the District's annual debt service payment, funds will be transferred from the Wastewater- Rate Stabilization Fund into this fund.

Wastewater - Capital and Equipment Fund

Purpose:	To provide funding for the District's Wastewater (sewer) Capital Improvement Program as identified in the District's 10 Year Capital Spending Plan. The District follows its Debt Management Policy to fund its Wastewater (sewer) Capital Improvement Program.
Target Balance:	A minimum balance of two years' average of planned capital expenditures of the approved 10-year Wastewater Capital Spending Plan spending shall be maintained in this fund. The maximum in this fund shall not exceed five years' average of planned capital expenditures of the approved 10-Year Wastewater Capital Spending Plan. Any excess over the maximum amount in this fund shall be reported to the Board at its next regular Board meeting with staff's recommendation on the handling of these excess funds. Any cash balance below the minimum target balance shall also be reported with specific notes to the Board on a regular basis.
Methodology:	The District follows a 10 Year Wastewater Capital Spending Plan which has a list of wastewater infrastructure improvements and replacements for the next ten years
Use of Funds:	The funds will be used to improve, acquire, and replace Wastewater infrastructures in the 10 Year Wastewater Capital Spending Plan.
Contribution:	Wastewater (sewer) service charges, wastewater capacity fees, and wastewater annexation fees. Net operating income from wastewater operations collected from user charges will be transferred to Wastewater Capital and Equipment Fund annually to provide funds for Wastewater Capital Improvement Program.

Wastewater – Pension Stabilization Fund

Purpose:	To secure the District's ability to have a consistent annual Unfunded Accrued Liability (UAL) payment to California Public Employee's Retirement System (CalPERS), including Additional Discretionary Payment(s) while achieving its pension funding goal. The funding goal of a defined benefit pension plan is 100%, which is to fund the long-term cost of benefits provided to the plan members.
Target Balance:	A minimum of one (1) year average of Projected Future Employer Contributions for UAL Payment over the next 5 fiscal years based on the most current CalPERS annual actuarial report for Classic and PEPRAs plans shall be maintained in this fund. A maximum of two (2) years average of Projected Future Employer Contributions for UAL Payment over the next 5

fiscal years included in the most current CalPERS annual actuarial report for Classic and PEPRA Miscellaneous Plans.

- Methodology:** The funding goal of a defined benefit pension plan is 100%, which is to fund the long-term cost of benefits provided to plan members. The District relies on water revenues which are subject to external and uncontrollable factors such as weather conditions, federal and state mandates, and economic uncertainty to sustain operations. This fund allows the District to continue funding its pension liability during revenue shortfalls.
- Use of Funds:** To mitigate the immediate need to use other available reserves to fund the District's pension obligations and to comply with the District's Pension Funding Policy. In the event that a District's pension plan achieves a "superfunded" status (funding level exceeds 100%), District staff will report to the Board and provide a recommendation to the Board on the handling of these excess funds after the most recent CalPERS actuarial report is released and the District's financial audit is completed.
- Contributions:** Any excess from the Wastewater Operating (Revenue) Fund after annual contributions to the Capital and Equipment Fund is made for that year. Contributions to this fund can only be made with Board approval. Maintaining adequate balance in this fund reflects the Board's commitment to achieve a fully funded pension plan in a timely manner when revenues fluctuate from year to year. Adequacy of this fund will be reviewed by District staff annually, after the most current CalPERS actuarial report is released and the District's financial audit is completed.

Memo

Date: November 4, 2024
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **RECEIVE STAFF UPDATE ON CALIFORNIA COMMUNITIES DEVELOPMENT
AUTHORITY FOR THE PINNACLE PROJECT (VERBAL REPORT)**

Staff will provide a verbal report to the Finance Committee on the status of Pinnacles Community Facilities District project with California Statewide Communities Development Authority (CSDCDA) and Pinnacles Developer. This task is included in the District's Goals and Objectives for 2024.