

**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
VIA TELECONFERENCE AND IN PERSON**

**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: WEDNESDAY, NOVEMBER 9, 2022

TIME: 10:30 A.M.

PLACE: HYBRID REGULAR MEETING VIA TELECONFERENCE AND IN PERSON

Pursuant to the State of California Executive Order, and in the interest of public health, OMWD is temporarily taking actions to mitigate the COVID-19 pandemic by holding Finance Committee meetings electronically or by teleconference. This meeting will be a hybrid of, in person and teleconference. Our Boardroom will be open to the public.

To join this meeting via phone, please dial:

(669) 900-9128 or (253) 215 8782

Meeting ID: 878 2545 7146 and Password: 002494

*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 (FINANCE COMMITTEE MEMBERS: TREASURER, BOARD MEMBER, AND STAFF APPOINTED BY THE GENERAL MANAGER)
3. ADOPTION OF THE AGENDA

4. PUBLIC COMMENTS
5. CONSIDER APPROVAL OF THE MINUTES OF THE OCTOBER 4, 2022 SPECIAL FINANCE COMMITTEE MEETING
6. REVIEW AND DISCUSS FISCAL YEAR 2021-22 AUDITED FINANCIAL STATEMENTS
7. REVIEW AND DISCUSS QUARTERLY INVESTMENTS AND CASH REPORTS (3RD QUARTER 2022)
8. ANNUAL REVIEW OF INVESTMENT POLICY FOR 2023 AND DISCUSS PROPOSED CHANGES TO THE DISTRICT'S BOARD DESIGNATED FUND BALANCES (RESERVES) POLICY FOR 2023
9. REVIEW STAFF'S REPORT ON THE DISTRICT'S PENSION PLANS FUNDING STATUS WITH CALPERS AND DISCUSS STAFF'S RECOMMENDED PENSION FUNDING PLANS FOR 2022
10. CONSIDER FUTURE AGENDA ITEMS
11. ADJOURNMENT

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

October 4, 2022

A special meeting of the Finance Committee of Olivenhain Municipal Water District was held on Tuesday, October 4th, 2022, at the District office, 1966 Olivenhain Road, Encinitas, California via teleconference and in person.

President Watt called the meeting to order at 10:00 a.m. In attendance were Lawrence A. Watt, Board President; Director Guerin, Board Treasurer, Kimberly Thorner, General Manager; Rainy Selamat, Finance Manager; Leo Mendez, Accounting Supervisor; and Jared Graffam, Financial Analyst II.

1. CALL TO ORDER
2. ROLL CALL (BOARD MEMBERS)

3. ADOPTION OF THE AGENDA

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

4. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE AUGUST 9, 2022, REGULAR FINANCE COMMITTEE MEETING

Director Watt moved to approve the August 9, 2022, meeting minutes, seconded by Director Guerin and carried unanimously.

6. CONSIDER AND DISCUSS WATER RATES AND CHARGES FOR 2023

Finance Manager Selamat presented the Staff-proposed 2023 rate increases for potable and recycled water services, and OMWD fire meter charges totaling a 5.9% revenue adjustment, including the Rate Reimbursement Credit approved by the Board early 2022. Finance Manager Selamat noted the 5.9% revenue adjustment is above the original 5% increase planned for 2023. The planned 5% revenue adjustment was

forecasted as part of 2019 Water Cost of Service study and based on historic inflation rates.

Finance Manager Selamat reported the 5.9% revenue increase is primarily to pass-through purchased water wholesale cost increases from San Diego County Water Authority (SDCWA) effective January 1, 2023, and a 6.35% inflationary pass-through based on the over-the-year SDCPI-U increase. Finance Manager Selamat further reported that SDCWA's Board of Directors adopted a 3.7% increase to the County's "All-In" untreated cost per acre foot for calendar year 2023. However, since the actual impact of SDCWA water rate increases varies by each member agency from year to year, the SDCWA 3.7% "All-In" untreated cost per acre foot translates to a 7.5% per acre foot increase to the District's untreated supply rate from SDCWA, and a 1.3% increase in fixed charges from SDCWA effective January 1, 2023. Finance Manager Selamat also stated the District's blended recycled water supply rate already increased by 6.7% in July 2022.

Finance Manager Selamat then presented rate options to keep the District's revenue adjustment around 5%, despite the high annual inflation adjustment. The rate options presented were calculated by Raftelis (the District's Rate Consultant) using the \$499,000 available in the District's Water Operating (Revenue) Fund from attorney fee refunds received from SDCWA to offset (1) the District's System Access Charge by \$1.83 per meter per month, or (2) the District's Commodity Rate of 6.8 cents per unit, as a credit on customer's monthly water bill until the \$499,000 is depleted, which would be about one year. One other option discussed with the Committee and recommended by Raftelis was to postpone using the funds available in the District's Operating Reserves to help reduce the 2024 planned revenue adjustments instead. Finance Manager Selamat stated that purchased water wholesale costs from SDCWA will continue to increase in the future. Meanwhile, the District will have a higher inflation adjustment to pass through next year, which is estimated at around 8%.

Director Guerin commented that not all member agencies utilized rebate payments from SDCWA (specific to unlawful fees charged by MET) the same which has impacted rate comparisons among the different districts. General Manager Thorner responded that OMWD is the only district to spread the refund over 6 years to align with the number of years covered in the lawsuit. Therefore, many other districts may see higher rate increases as their rebate credits roll off.

Director Guerin stated she preferred the option of delaying the additional rebate credit until 2024 when pass-through costs are estimated to be even higher than in 2023. Director Watt added that as a Board member he tries to determine which is the best alternative for the rate payers and agreed that delaying the credit to 2024 would be most beneficial.

Both Director Watt and Director Guerin agreed to bring the proposed 2023 rates and alternative options for the rebate credit to the full board for consideration and discussion at the October 19 meeting.

7. CONSIDER FUTURE AGENDA ITEMS

There were no future agenda items requested.

8. ADJOURNMENT

The meeting was adjourned at 10:48 a.m.



Agenda Item 6

Memo

Date: November 9, 2022
To: Finance Committee
From: Leo Mendez, Accounting Supervisor
Via: Kimberly Thorner, General Manager
Subject: **RECEIVE FISCAL YEAR 2021-22 AUDITED FINANCIAL STATEMENTS INCLUDED
IN THE ANNUAL COMPREHENSIVE FINANCIAL REPORT AND DISCUSS AUDIT
RESULTS**

Copies of the fiscal year 2021-22 audited financial statements are included as part of the attached draft Annual Comprehensive Financial Report (ACFR). The auditors' presentation is also attached. Staff and the auditor, Mr. Ken Pun 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 14, 2022 board meeting packet in their final form for the Board's consideration and approval. A final copy of the ACFR will be distributed to the Board prior to the meeting.



_____, 2022

Board of Directors 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, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, 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, 2022. 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.

New Accounting Standards

- In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement had a significant effect on the District’s financial reporting for 2022.
- In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB Statement No. 89), to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 is effective for the District’s fiscal year ending June 30, 2022. Implementation of this Statement did not have a significant effect on the District’s financial reporting for 2022.
- In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Implementation of this Statement did not have a significant effect on the District’s financial reporting for 2022.

- In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Implementation of this Statement did not have a significant effect on the District's financial reporting for 2022.
- In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Implementation of this Statement did not have a significant effect on the District's financial reporting for 2022.
- In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Implementation of this Statement did not have a significant effect on the District's financial reporting for 2022.

We noted no other new accounting policies were adopted and the application of existing policies was not changed during 2022. 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 the Union 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 10 – Employee Retirement Systems
- Note 15 – Economic Dependency
- Note 16 – Commitments and Contingencies
- Note 17 – Segment Information
- Note 18 – Restatement of Net Position

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 _____, 2022.

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 auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as 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,

San Diego, California

Olivenhain Municipal Water District

Encinitas, California

Annual Comprehensive Financial Report and Independent Auditors' Report

For the Years Ended June 30, 2022 and 2021

Prepared by:
Finance Department

DRAFT 11.1.2022

**Olivenhain Municipal Water District
Annual Comprehensive Financial Report
For the Years Ended June 30, 2022 and 2021**

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**Olivenhain Municipal Water District
Annual Comprehensive Financial Report
For the Years Ended June 30, 2022 and 2021**

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DRAFT 11.1.2022

November 9, 2022



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, 2022. The purpose of the report is to provide 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 Generally Accepted Accounting Principles (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, 2022, 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, 2022, 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, Water Capacity Fee Fund, Reassessment District 96-1 Fund, 4S Ranch Sanitation District Fund, 4S Regional Recycled Water Fund, 2015 Water Revenue Refunding Bond Fund, 2013 Note Payable Fund, 2016 Water Revenue Refunding Bond Fund, 2018A Wastewater (Sewer) Revenue Bond Fund, 2021A Wastewater (Sewer) Revenue Bond Fund and 2021B Wastewater (Sewer) Revenue Refunding Bond Fund. 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 1 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.

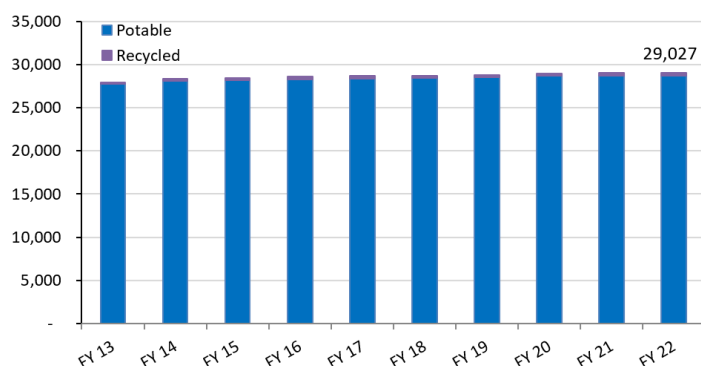
The District is at approximately 95% of its ultimate build-out of approximately 34,400 equivalent dwelling units. For the fiscal year ended June 30, 2022, 69.6% of water delivered was for domestic use, 29.2% for commercial and irrigation use (including construction and recycled water), and 1.2% for agricultural 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.

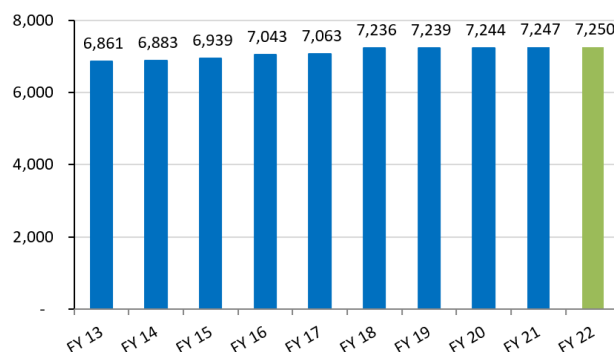
The District also sells recycled water in the northwest of its service area. To meet recycled water demand in the northwest, the District has entered into recycled water purchase agreements with Vallecitos Water District and San Elijo Joint Powers Authority. Recycled water in the northwest is delivered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

During the fiscal year ended June 30, 2022, the District billed 17,417 acre-feet (AF) of potable water through 28,713 active potable water meters and 2,774 AF of recycled water through 314 active recycled meters. The District provided wastewater collection services to 7,250 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



California Drought and Recycled Water Expansion

Drought conditions continue to grip California. The National Weather Service is predicting the continuation of above-average temperatures and below-average precipitation throughout much of the Western United States. A third consecutive La Niña climate pattern predicted by the National Oceanic and Atmospheric Administration (NOAA) could mean critical rain and snowstorms will miss California over the winter. Water supplies from the Colorado River are similarly threatened, with reservoir levels at historic lows. For example, Lake Mead's water level is at its lowest since the lake was first filled in the 1930s. US officials have already cut supplies to Arizona, Nevada, and Mexico in 2022, and have warned that reductions may become necessary in 2023 with even less water available. Metropolitan Water District of Southern California is considering regionwide allocations in 2023.

As a result, Sacramento policymakers are bracing for a fourth consecutive year of drought. In May 2022, California's State Water Resources Control Board adopted an emergency water conservation regulation requiring that all urban water suppliers in California implement Level 2 water use reduction actions outlined in their Water Shortage Contingency Plan. In August, Governor Newsom announced a new water supply strategy focused on accelerating infrastructure projects that would better prepare California for perpetual years of drought. The new plan focuses resources on the development of new water supplies, expanding water storage capacity, increasing water use efficiency, and improving methods to manage water through technology. In September, Governor Newsom signed Senate Bill 1157, which lowers the standard for indoor residential water to 42 gallons per capita daily. If water supply conditions do not improve in the coming months, Governor Newsom has indicated the possibility that mandatory statewide water use prohibitions will be implemented in 2023. San Diego County Water Authority, the county's wholesale water supplier, confirmed that San Diego county has adequate potable water supplies to meet current and future potable water demand. Supplies are available to meet anticipated demands in 2023 and beyond.

To continue to offset its imported water demands, OMWD has worked aggressively to expand the use of recycled water in its service area. 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 OMWD provides leadership. To date, the Coalition has received approximately \$5.0 million in Proposition 84 funding, and individual Coalition members have secured additional funds via Proposition 1. These funding sources have contributed \$1.4 million to OMWD's Manchester Avenue Recycled Water Project, which is currently under construction. Further, the Coalition has achieved \$23.9 million in funding from the US Bureau of Reclamation via the Title XVI Water Reclamation and Reuse Program, which has been used to finance qualified Coalition projects.

OMWD is also exploring groundwater as a potable water source, having completed a brackish groundwater desalination feasibility study in the San Dieguito Valley basin. The goal of this facility would be to produce at least one million gallons per day of potable water. OMWD was awarded \$650,000 in grant funding from California's Department of Water Resources and \$175,000 in funding from MWD's Future Supply Funding Program to facilitate the design and construction of a test well in San Dieguito Valley. The results of the one-year pump test were favorable and further confirmed that this project is feasible and will have minimal impact on the greater basin. OMWD also completed an economic analysis with favorable results. OMWD is now conducting project studies intended to inform the decision to potentially move forward with an additional hydrogeologic investigation, siting analysis, and confirmation of water rights.

Meanwhile, OMWD will continue with its conservation outreach and education programs to help its customers conserve water during an on-going drought in order to meet State Water Resource Control Board requirements and water use objectives for retail water agencies.

More information on how the drought could potentially impact the district's finances and future rates can be found in the Management's Discussion and Analysis section of this report.

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 are compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles. 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

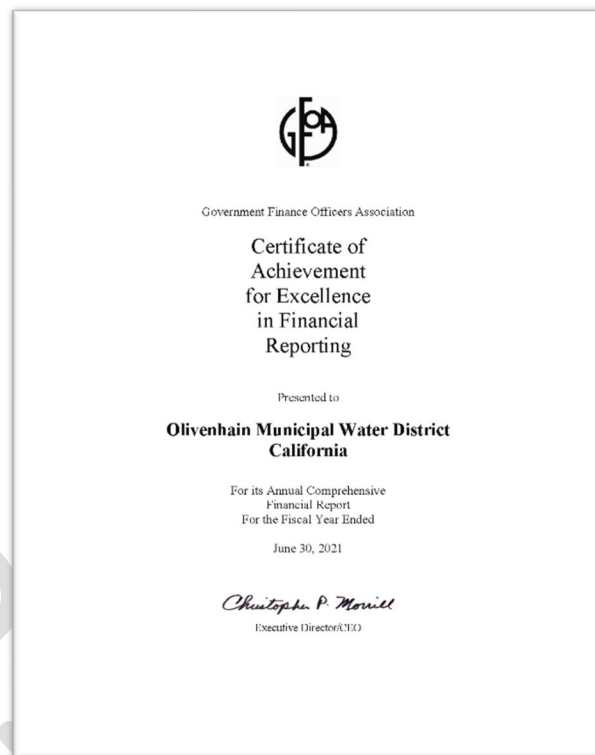
This financial report is designed to provide the Board, customers, creditors and investors with a general overview of the District's financial condition. Should you have any questions regarding the content of this report, please contact Rainy Selamat, OMWD Finance Manager, at (760) 753-6466.

Certificate of Achievement

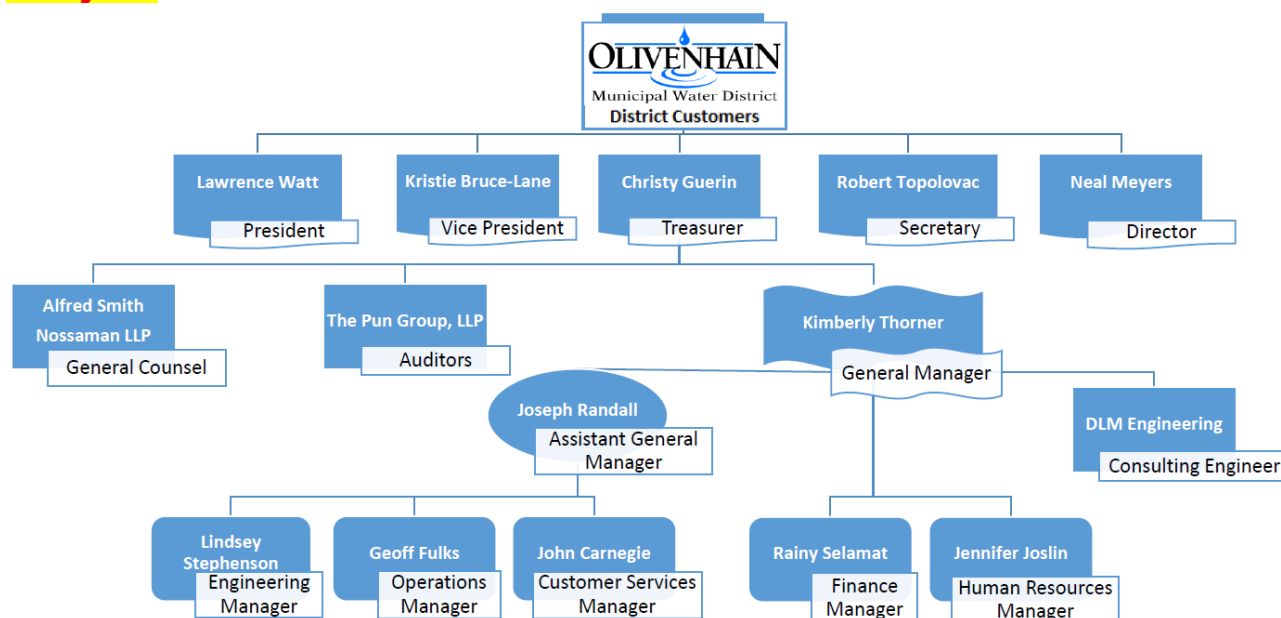
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Olivenhain Municipal Water District for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. This was the 27th 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- **Replace with Org chart w/ pictures of BOD and GM like last year**



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.

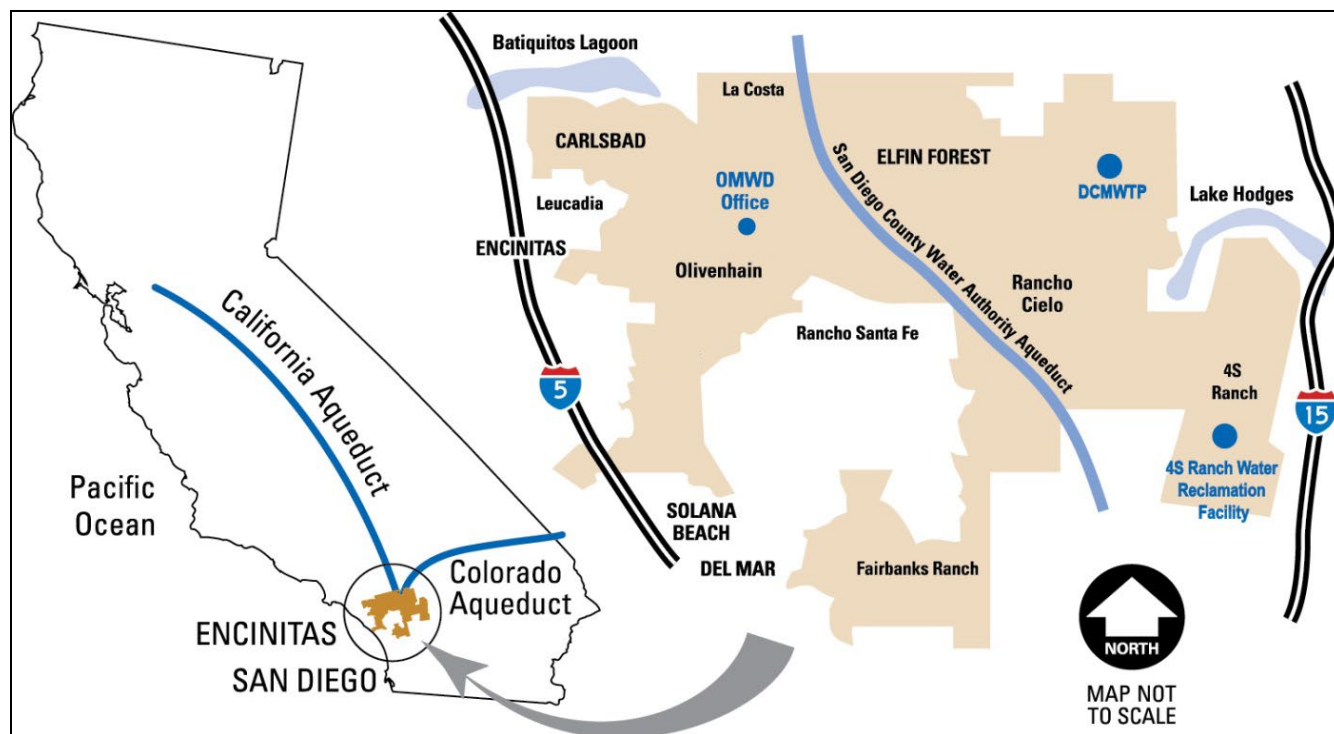
In Memoriam: Director Robert F. Topolovac

Director Robert (Bob) Topolovac, currently the longest tenured board member, serving on the District’s board since August 19, 1999, passed away on October 7, 2022.

During his time on the board, Mr. Topolovac, served as Board Secretary and was a past President and past Vice President. He served on the District’s Safety, Personnel, Ad Hoc Facilities, Ad Hoc Cybersecurity, and Ad Hoc Public Policy committees. Mr. Topolovac served for over two years as the District’s representative to the San Diego County Water Authority (SDCWA), the District’s potable water wholesaler. Mr. Topolovac was Past Chair of SDCWA’s Legislative, Conservation, and Outreach Committee, a member of its Administrative and Finance Committee, and a past representative of its Recycled Water Committee. From November 2011 through July 2014, Mr. Topolovac tirelessly represented the District’s interests at the regional level. Additionally, Mr. Topolovac impacted regional conservation and outreach efforts, most recently initiating the inclusion of water supply infrastructure lessons in SDCWA’s school program.

Mr. Topolovac was a tireless proponent of local government’s need to protect the environment while tenaciously pursuing alternative, local water supplies. In Mr. Topolovac’s own recent words, “I am honored to have served for the past twenty-three years as a member of Olivenhain Municipal Water District’s Board of Directors. During my tenure, we have demonstrated our commitment to improving local water supplies by building a 34 million gallons per day membrane water treatment plant and extensively expanding our recycled water supplies, including bringing a 2 MGD recycled water facility online in the 4S Ranch area of San Diego. We partnered with US Bureau of Land Management and SDCWA on the Emergency Storage Project, which included SDCWA’s completion of the Olivenhain Dam and Reservoir, which can hold 24,000 acre-feet of water—enough water for a year for 60,000 typical families of four. We also operate SDCWA’s Elfin Forest Recreational Reserve, which surrounds the Emergency Storage Project and was enjoyed by 127,489 visitors in 2021.”

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

INDEPENDENT AUDITORS' REPORT

Board of Directors
Olivenhain Municipal Water District
Encinitas, California

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, 2022 and 2021, 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 basic 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, 2022 and 2021, 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical 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.

Emphasis of a Matter

Implementation of GASB Statement No. 87

As described in Note 1H and 1V to the financial statements, the District implemented GASB Statement No. 87, *Leases*. The implementation of GASB Statement No. 87 requires the District to record leases receivable and corresponding lease-related deferred inflows of resources for all leases in excess of one year. Our opinion is not modified with respect to this matter.

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 generally accepted auditing standards, we:

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

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

Other Matters

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 auditor's 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 _____, 2022 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
_____, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2022

Our discussion and analysis of the 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, 2022. 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 located in the section following the MD&A.

Financial Highlights

During the fiscal year ended June 30, 2022 the following events impacted, or create the potential to impact, the finances of the District:

- On October 27, 2021, the District issued Wastewater (Sewer) Revenue Bonds, Series 2021A in the amount of \$5,042,140 to pay for new wastewater capital improvements. On the same date, 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 at a lower interest rate. 2021A and 2021B bonds were issued through a private placement financing process.
- The District, and its employee association groups negotiated and executed a new Memorandum of Understanding (MOU) for 5 years. The new MOU went into effect January 2022.
- On February 16, 2022, the District's Board of Directors approved a 4.3% revenue adjustment to water rates and charges to pass through increases in the District's purchased water wholesale costs from the 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, 2022.
- In May of 2022, Fitch reviewed and reconfirmed the District's AAA bond rating on the 2015A and 2016A Water System Refunding Revenue Bonds.

- In June of 2022, the District's Board of Directors adopted a Pension Funding Policy to address the District's pension costs and Unfunded Accrued Liability (UAL).
- The District's Board of Directors approved a 3% increase to the District's wastewater (sewer) rates and charges effective July 1, 2022, consistent with the sewer rate ordinance adopted by the board in May 2021.
- Total Revenues decreased in comparison to the prior year due to fluctuations in the District's water demand from changes in weather conditions and as a result of large unrealized losses on investments compared to prior years. Decreases to Other Non-Operating Revenues compared to the prior year are due to large refund payments received from the Metropolitan Water District that were recognized in fiscal year 2021, and the selling of a district parcel of land in the same year (Gaty).
- Total Expenses increased primarily due to the increased cost to purchase water from the District's potable and recycled water suppliers and increased operational costs related to labor, benefits, and supplies.
- Total Assets increased primarily due to unspent bond proceeds from the issuance of the 2021A Wastewater (Sewer) Revenue Bonds that were issued in fiscal year 2022. The bond proceeds will be used for the District's wastewater (sewer) rehabilitation and betterment projects. See Note 8 to the financial statements for more information on the new debt issuances. The increase in Total Assets was 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 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 decreased due to a decrease 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.
- Deferred Inflows of Resources increased from the prior year also due to CalPERS actuarial assumptions and GASB Statement No. 68 reporting requirements. The District's recognition of additional lease receivables for leases of land to comply with GASB Statement No. 87 – Leases also attributed to the increase over 2021. 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.

- The District's Net Position as of June 30, 2022 decreased slightly by \$111 thousand compared to fiscal year 2021. The slight decrease was primarily due to a large unrealized loss recognized in 2022 for the District's investments. During fiscal year 2022, short term U.S. treasury yields increased, and the fair market value of existing investments held by the District decreased, resulting in unrealized losses. Since the existing holdings are held to maturity and are highly rated securities, the District does not expect to realize the losses. A decrease in the carrying value of the District's capital assets from year-to-year depreciation also contributed to this slight decrease in net position.
- The District adopted GASB Statement No. 87, "Leases", GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", GASB Statement No. 92 "Omnibus", GASB Statement No. 93, "Replacement of Interbank Offered Rates", GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 87, and a Suppression of GASB Statement No. 32", and GASB Statement No. 101, "Compensated Absences".

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

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?"

Highlights of Statement of Net Position

| | Fiscal Year ended June 30 | | |
|--------------------------------------|---------------------------|-----------------------|-----------------------|
| | <u>2022</u> | <u>2021</u> | <u>2020</u> |
| Current Assets - unrestricted | \$ 93,308,859 | \$ 91,582,199 | \$ 83,453,494 |
| Current Assets - restricted | 12,899,002 | 7,333,291 | 8,395,922 |
| Capital Assets, net | 375,023,442 | 381,987,256 | 386,472,114 |
| Noncurrent Assets- unrestricted | 9,955,712 | 7,188,378 | 0 |
| Other Noncurrent Assets | 35,463 | 82,997 | 134,183 |
| Total Assets | <u>491,222,478</u> | <u>488,174,121</u> | <u>478,455,713</u> |
| Deferred amounts on refunding | 1,016,228 | 1,191,088 | 1,381,668 |
| Deferred amount from pension | 2,731,692 | 3,585,712 | 3,368,573 |
| Total Deferred Outflows of Resources | <u>3,747,920</u> | <u>4,776,800</u> | <u>4,750,241</u> |
| Current Liabilities - unrestricted | 14,158,293 | 13,721,685 | 14,875,300 |
| Current Liabilities - restricted | 158,941 | 211,991 | 1,803,176 |
| Compensated Absences, long-term | 939,187 | 916,576 | 719,612 |
| Net Pension Liability | 7,819,768 | 14,608,845 | 13,760,679 |
| Long-term Debt | 47,776,080 | 48,280,027 | 53,252,734 |
| Total Liabilities | <u>70,852,269</u> | <u>77,739,124</u> | <u>84,411,501</u> |
| Deferred amount on pension | 6,995,887 | 425,243 | 722,696 |
| Deferred amount on leases | 9,796,852 | 7,350,346 | 0 |
| Total Deferred Inflows of Resources | <u>16,792,739</u> | <u>7,775,589</u> | <u>722,696</u> |
| Net Investment in Capital Assets | 328,824,196 | 330,855,961 | 330,720,795 |
| Restricted Net Position | 7,727,859 | 7,121,300 | 6,592,746 |
| Unrestricted Net Position | 70,773,335 | 69,458,948 | 60,758,217 |
| Total Net Position | <u>\$ 407,325,390</u> | <u>\$ 407,436,209</u> | <u>\$ 398,071,758</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 2022 compared to 2021, and an increase in 2021 compared to 2020. The increases were due to a combination of fluctuations in water sales from changes in water demand due to weather conditions, changes in sewer revenue collected, unrealized losses on the District's investments and settlement proceeds received from the MWD settlement.

Current Assets - restricted: an increase in fiscal years 2022 compared to 2021 due to an increase in restricted cash from the issuance of the 2021A Water Revenue Refunding bonds to help finance the District's wastewater (sewer) improvement projects. The decrease in 2021 compared to 2020 was due to a 2021 increase in cash spent on the District's significant Construction in Progress (CIP) projects, including the Administration Building Improvement (Building D), the San Elijo Valley Groundwater, and the El Camino Real Pipeline replacement projects.

Capital Assets, net: a decrease between fiscal years 2022 and 2021, and a decrease between fiscal years 2021 and 2020. 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 put in service. See note 6 of the District's financial statements for more details on the District's capital assets.

Noncurrent Assets- unrestricted: an increase between fiscal years 2022 and 2021, and an increase between fiscal years 2021 and 2020. These increases were due to the District's implementation of Governmental Accounting Standards Board Statement (GASB) No. 87 – Leases, which required 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 16 existing agreements for cell tower sites, which generate other non-operating revenue for the District. The district implemented GASB 87 starting in fiscal year 2021, and the receivable increased in 2022 due to the extension of lease agreements, which increased the recorded noncurrent asset.

Other Noncurrent Assets: a decrease between fiscal years 2022 and 2021, and decrease between fiscal years 2021 and 2020. These decreases were due to payments made on loan receivables issued by the District to qualified Home Owners' Associations (HOA) 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.

Deferred Outflows of Resources: In 2022, the District had Deferred Outflows of Resources of \$3.7 million, a decrease of \$1.0 million compared to fiscal year 2021. In 2021, the District had Deferred Outflows of Resources of \$4.7 million, a decrease of \$1.0 million compared to fiscal year 2020. A portion of the change in the District's Deferred Outflows was from pension amounts that vary from year-to-year due to changes in pension contributions subsequent to the measurement date, differences in actual and expected experience, 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 a deferred loss on refunding for the Water System Revenue Bonds (\$1.0 million and \$1.2 million in 2022 and 2021, respectively). 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 2022 and 2021, and a decrease between fiscal years 2021 and 2020. The increase in fiscal year 2022 compared to 2021 was due to an increase in the current portion of long-term debt from the issuance of new Wastewater Revenue Bonds during fiscal year 2022. The decrease between fiscal years 2021 and 2020 is due to a decrease in the

District's payables related to large Construction in Progress (CIP) projects and payables related to purchases for District operations.

Current Liabilities – restricted: decreased in fiscal year 2022 compared to 2021, and significantly decreased in fiscal year 2021 compared to 2020. The decreases were due to the payment of restricted payables related to the District's large construction projects. The significant decrease in 2021 compared to 2020 included payments for payables related to the District's Administration Building Improvement Project (Building D). Construction of the Building D project commenced in fiscal year 2019 and was completed in fiscal year 2021.

Compensated Absences, long-term: increased in fiscal year 2022 compared to fiscal year 2021, and increased in fiscal year 2021 compared to fiscal year 2020. The increase is primarily due to increases in accrued benefits from new labor MOU. 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 2022.

Net Pension Liability: a decrease of \$6.8 million in 2022 compared to fiscal year 2021 and an increase of \$848 thousand in fiscal year 2021 compared to 2020. Net Pension Liability is reported at \$7.8 million for fiscal year 2022 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 was calculated by CalPERS based on CalPERS actuarial assumptions. CalPERS reported a significant return from investments in their fiscal year 2022 actuarial report. The District's Net Pension Liability was \$14.6 million and \$13.7 million for fiscal years 2021 and 2020, respectively.

Long-term Debt: a slight decrease in fiscal year 2022 compared to 2021 and a decrease in fiscal year 2021 compared to 2020. The decreases were due to the District's regular payments on outstanding debt. The long-term debt section doesn't contain the "current" amounts; thus, it will always decrease by the following years' payments on outstanding loans. Long-term Debt decreased only slightly between 2022 and 2021 due to the issuance the new 2021A and 2021B bonds during fiscal year 2022. For more information on the Districts outstanding bond debts and payment schedules see Note 8 to the financial statements.

Deferred Inflows of Resources: The District's had Deferred Inflows of Resources of \$16.8 million in fiscal year 2022, an increase of \$9 million compared to 2021. The District had Deferred inflow of resources of \$7.8 million in fiscal year 2021, an increase of \$7.0 million compared to fiscal year 2020. The increase in fiscal year 2022 compared to 2021 was due to an increase the deferred inflows on 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. The increase in 2021 compared to 2020 was primarily due to the District's 2021 implementation of GASB 87 – Leases. GASB 87 requires that the District recognize a deferred inflow of resources for the District's leases, which are primarily composed of cell tower sites.

Total Net Position: decreased slightly between fiscal years 2022 and 2021 by \$111 thousand. Total Net Position increased in fiscal year 2021 compared to fiscal year 2020. The slight decrease between 2022 and 2021 was primarily due to the large unrealized loss recognized in 2022 for the District's investments as a result of rising treasury yields, which decreased the fair market value of existing investments. A decrease in the carrying value of the District's capital assets from year-to-year depreciation also contributed to this slight decrease in net position. The Net Position increase between 2021 and 2020 was primarily due to an increase in water sales, capacity fee charges, and other non-operating revenues received from the sale of the District's Gaty Parcel and the Metropolitan Water District (MWD) legal settlement.

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 (investment income, property taxes, and capacity charges) are not directly related to the core activities of the District.

Water Operations

During fiscal year of 2022, the District provided potable water and recycled water services to 29,027 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.

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.

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 \$3.68 to \$7.09 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. Average customers with a ¾ inch meter pay a typical bill of \$40.41 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. Average customers pay a typical bill of \$4.24 per month for their monthly SDCWA Infrastructure Access Charge.

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 2021, the District's Board of Directors adopted an ordinance that authorized the District to pass through to its sewer customers, for the next five fiscal years (fiscal year 2022 – fiscal year 2026), cost increases to collect, treat, and dispose of sewage and cost 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 2% revenue increase adjustment effective July 1, 2021 and 3% increases thereafter on July 1st of each fiscal year for fiscal years 2023-2026.

The District's sewer rate consists of two components: a system 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 sewer 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 sewer operations, as well as capital improvement expenditures.

Sewer 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 7,250 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. The recycled commodity rate is currently billed at \$3.79 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 in 2017. This program offers financial assistance in the form of low-interest loans to qualified Home Owners' 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>2022</u> | <u>2021</u> | <u>2020</u> |
| Revenues | | | |
| Operating Revenues: | | | |
| Water Sales | \$ 57,747,540 | \$ 58,169,813 | \$ 50,430,847 |
| Sewer Charges | 5,480,926 | 5,127,136 | 4,952,194 |
| Other Operating Revenues | 1,303,126 | 1,461,229 | 2,200,252 |
| Total Operating Revenues | <u>64,531,592</u> | <u>64,758,178</u> | <u>57,583,293</u> |
| Non-Operating Revenues: | | | |
| Property Tax Revenues | 4,242,794 | 4,027,357 | 3,863,252 |
| Capacity Charges | 1,530,925 | 2,754,730 | 3,200,022 |
| Benefit Assessment Revenues | 1,058,241 | 1,177,302 | 1,115,704 |
| Investment Income | 402,702 | 454,962 | 1,227,969 |
| Fair Market Value Adjustment | (2,467,642) | (562,019) | 314,639 |
| Other Non-Operating Revenues | 2,237,334 | 6,592,672 | 91,836 |
| Total Non-Operating Revenues | <u>7,004,354</u> | <u>14,445,004</u> | <u>9,813,422</u> |
| Total Revenues | <u>71,535,946</u> | <u>79,203,182</u> | <u>67,396,715</u> |

Expenses

Operating Expenses:

| | | | |
|------------------------------------|-------------------|-------------------|-------------------|
| Cost of water sold | 31,265,804 | 30,601,983 | 27,188,350 |
| Depreciation | 16,075,980 | 15,559,523 | 15,029,936 |
| General and administrative | 7,774,311 | 7,041,160 | 7,326,820 |
| Pumping and water treatment | 4,322,820 | 4,378,418 | 4,139,526 |
| Transmission and distribution | 4,485,962 | 4,220,269 | 4,090,468 |
| Sewer collection and treatment | 2,170,341 | 2,085,237 | 1,980,603 |
| Customer services | 2,067,655 | 2,348,700 | 2,404,916 |
| Facilities maintenance | 1,387,010 | 1,363,564 | 1,456,702 |
| Elfin Forest Recreational Reserves | 428,174 | 415,386 | 381,540 |
| Other Operating Expenses | 304,037 | 228,939 | 329,185 |
| Total Operating Expenses | 70,282,094 | 68,243,179 | 64,328,046 |

Non-Operating Expenses:

| | | | |
|-------------------------------------|------------------|------------------|------------------|
| Interest Expense, net | 1,327,814 | 1,419,009 | 1,457,739 |
| Other Non-Operating, net | 606,602 | 1,076,547 | 1,458,033 |
| Total Non-Operating Expenses | 1,934,416 | 2,495,556 | 2,915,772 |

Total Expenses

| | | |
|-------------------|-------------------|-------------------|
| 72,216,510 | 70,738,735 | 67,243,909 |
|-------------------|-------------------|-------------------|

Income (loss) before Capital Contributions

| | | |
|-----------|-----------|---------|
| (680,564) | 8,464,447 | 152,897 |
|-----------|-----------|---------|

Capital Contributions

| | | |
|---------|---------|-----------|
| 569,745 | 899,998 | 3,236,226 |
|---------|---------|-----------|

Changes in Net Position

| | | |
|-----------|-----------|-----------|
| (110,819) | 9,364,445 | 3,389,123 |
|-----------|-----------|-----------|

Beginning Net Position

| | | |
|-------------|-------------|-------------|
| 407,436,209 | 398,071,764 | 394,682,641 |
|-------------|-------------|-------------|

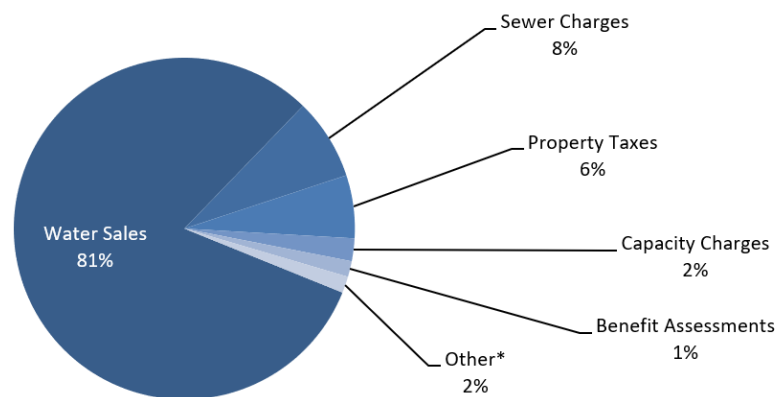
Ending Net Position

| | | |
|-----------------------|-----------------------|-----------------------|
| \$ 407,325,390 | \$ 407,436,209 | \$ 398,071,764 |
|-----------------------|-----------------------|-----------------------|

Revenues

Sources of Revenues

Fiscal Year Ended June 30, 2022



*includes Other Operating Revenues, Other Non-operating Revenues, Investment Income, and the fair market value adjustment on the District's investments.

Total Revenues: as reported on the Statement of Revenues, Expenses and Changes in Net Position for fiscal year ended June 30, 2022, total revenues were \$71.5 million, a 9.7% decrease compared to fiscal year 2021. Total revenues in fiscal year 2021 compared to 2020 were \$79.2 million, a 6% increase compared to fiscal year 2020. The change in 2022 compared to 2021 was due to a decrease in capacity fees collected due to a slowdown in housing activities, large unrealized losses on the District's investments from the fair market value adjustment, and a decrease in other non-operating revenue. This decrease in other non-operating revenue was due to gain on sale from selling of district's parcels to pay a portion of the administrative and building improvement project costs (Building D) and the settlement proceeds from the Metropolitan Water District of Southern California (MWD). These items were recognized as revenue in fiscal year 2021. The increase in 2021 compared to 2020 was due to the sold parcel and settlement, and an increase in customers' water consumption.

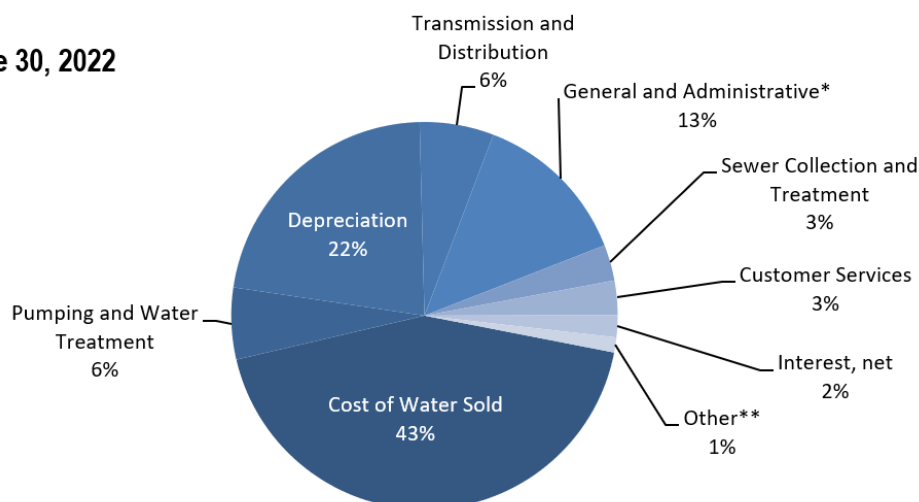
Operating Revenues: Slightly decreased between fiscal years 2022 and 2021 due to lower water consumption. This decrease in water consumption was offset by the 4.3% revenue adjustment to 2022 water rates and charge. Operating revenues increased in fiscal year 2021 compared to fiscal year 2020 due to higher water consumption in fiscal year 2021 compared to 2020. Fluctuations in water sales are due to year-to-year changes in customers' water consumption behaviors which vary depending on weather conditions. Revenues from sewer charges increased from 2021 and 2020 due to increases in sewer rates and charges by 2% and 3% respectively.

Other Operating Revenues: decreased in fiscal year 2022 compared to 2021 and decreased in fiscal year 2021 compared to 2022. The decrease is due to lower sales in treated water services sold from the David C. McCollom Water Treatment Plant (DCMWTP) to other agencies and fluctuations in the revenue recognized during the fiscal year for deposits collected for billable work for others.

Non-operating Revenues: decreased in fiscal year 2022 due to an increase in unrealized losses on investments. As short term U.S. treasury yields increased the fair market value of existing investments held by the District, with lower yields than currently available, decreased resulting in an unrealized loss for the District. The District does not expect to realize the losses because the existing holdings are held to maturity and they are highly rated securities. The decrease is also due to a decrease in capacity fee receipts from a slowing down housing market, and a decrease in other non-operating revenues from the sale of one of the District's parcels of land (Gaty) and Metropolitan Water District settlement proceeds recognized in 2021. The recognition of revenue for these two items are also the primary reason for the increase in Non-operating revenues in 2021 compared to 2020. Fluctuations in the amounts collected from the District's property tax revenues, capacity charges from developers, 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

Sources of Expenses Fiscal Year Ended June 30, 2022



*includes Facilities Maintenance and Elfin Forest Recreational Reserve Expenses.

Total Expenses: fiscal year ended June 30, 2022 reported expenses were \$72.2 million. Included in Total Expenses were \$70.3 million in Operating Expenses and \$1.9 million in Non-operating Expenses. Total Expenses reported in fiscal years 2021 and 2020 were \$70.7 and \$64.3 million, respectively.

Operating Expenses: increased in fiscal year 2022 compared to fiscal year 2021 and increased in fiscal year 2021 compared to fiscal year 2020. This increase was primarily due to the increased cost to purchase water from the District's potable and recycled water suppliers. The District also experienced increased costs for chemicals and materials related to its operations as a result of rising inflation. The increase in costs across fiscal years 2022, 2021, and 2020 are also due to 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, and increases in the San Diego CPI.

Other Non-operating Expenses, net: decreased in fiscal years 2022 compared to fiscal year 2021 and decreased in fiscal year 2021 compared to fiscal year 2020. These differences primarily resulted from the fluctuations in the recorded losses on the disposal of capital assets that were retired earlier than their placed in service date.

Income (loss) before Capital Contributions & Capital Contributions

Income (loss) before Capital Contributions: decreased in fiscal year 2022 compared to fiscal year 2021 and increased in fiscal year 2021 compared to fiscal year 2020. These fluctuations were primarily due to changes in water sales, and revenue recognized in 2021 due to the sale of the District's parcel of land (Gaty), and the District's portion of the Metropolitan Water District (MWD) legal settlement received in 2021. Fiscal year 2022 income was also decreased due to an increase in unrealized losses on investments and a decrease in capacity fees collected.

Capital Contributions: decreased in fiscal year 2022 compared to fiscal year 2021, and decreased in fiscal year 2021 compared to fiscal year 2020 due to fluctuations in contributed assets received from major developers. At 95% build out, the District had fewer contributed assets in fiscal year 2022 compared to 2021 and 2020.

Changes in Net Position

Changes in Net Position for the fiscal year ended June 30, 2022, amounted to a decrease of \$110 thousand. The Changes in Net Position for the fiscal years ended June 30, 2021, and June 30, 2020, amounted to an increase of \$9.4 million and an increase of \$3.4 million, respectively. The fluctuations over the last three fiscal years were primarily attributed to the aforementioned changes in Total Revenues from water sales, capacity charges collected, the parcel of land sale (Gaty), and the Metropolitan Water District (MWD) legal settlement recognized in 2021. Fair market value adjustments to the District's investments and depreciation expense on the District's capital assets also contributed to the change in Net Position.

Restrictions, Commitments, and Limitations

Capital Assets and Improvement Program

Condensed Schedule of Capital Assets

| | As of June 30, 2022 | As of June 30, 2021 | As of June 30, 2020 |
|-------------------------------------|------------------------|------------------------|------------------------|
| Description | | | |
| Capital Assets, net of depreciation | \$ 336,597,401 | \$ 340,390,744 | \$ 329,339,416 |
| Land and Steel Tanks | 30,866,760 | 30,866,760 | 31,000,564 |
| Construction In Progress | 7,559,275 | 10,729,766 | 26,132,135 |
| Net Capital Assets | <u>\$ 375,023,436</u> | <u>\$ 381,987,270</u> | <u>\$ 386,472,115</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, 2022, were \$375.0 million, net of \$230.7 million in accumulated depreciation and amortization. Included in the total Net Capital Assets is \$7.6 million in Construction in Progress (CIP), which includes: the San Elijo Valley Groundwater Project, the El Camino

Real Pipeline Replacement, 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 5 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 2022 is 9.0, well above the established index. The average TAI for fiscal years 2021 and 2020 was 9.0 and 8.5 respectively. The current lowest TAI is 8.2, and the highest is 9.6. There is no significant difference between the estimated and actual amounts 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 four (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, 2022 is as follows:

Schedule of Bond Indebtedness For fiscal year ended 2022

| Description | Year Issued | Total Sold | Final Maturity Date | Interest Rate Range | | Bonds Outstanding As of June 30, 2022 | | |
|---|-------------|--------------|---------------------|---------------------|-------|---------------------------------------|--------------|--------------|
| | | | | 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% | \$ 863,064 | \$ 4,594,691 | \$ 5,457,755 |
| 2013 State Revolving Fund | 2013 | 17,069,309 | 7/1/2035 | 2.30% | 2.30% | 406,452 | 10,756,474 | 11,162,926 |
| 2015 Water System Refunding Revenue Bonds Payable | 2015 | 23,455,000 | 6/1/2028 | 2.00% | 5.00% | 1,845,000 | 10,680,000 | 12,525,000 |
| 2016 Water System Refunding Revenue Bonds Payable | 2016 | 15,990,000 | 6/1/2039 | 2.13% | 5.00% | 560,000 | 12,330,000 | 12,890,000 |
| 2021A Wastewater Revenue Bonds Payable | 2021 | 5,042,140 | 6/1/2041 | 2.14% | 2.14% | 207,240 | 4,589,160 | 4,796,400 |
| 2021B Wastewater Revenue Refunding Bonds Payable | 2021 | 3,932,970 | 6/1/2028 | 1.14% | 1.14% | 569,840 | 2,944,060 | 3,513,900 |

For the fiscal year ended June 30, 2022 the ratio of 2019 Reassessment 96-1 Limited Obligation Improvement Bonds to assessed value was 0.02% and the net bonded debt per capita was \$62.

In May of 2022, Fitch Ratings reviewed and reconfirmed 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 7 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The US economy has proven itself resilient throughout the coronavirus pandemic. Economic stimulus packages issued by the Federal government aimed to mitigate the impact of COVID-19 on the U.S. economy helped state and local governments, including the District, offset increased COVID-19 related costs. To date, the District received reimbursement in the amount of \$43,561 for its COVID-19 related expenses. The District experienced more than a one (1) year delay (from April 2, 2020 to December 31, 2021) in collecting certain water service revenues during COVID-19 due to the Governor's Executive Order in protecting home owners and small businesses from water shut-offs for non-payment of water services. The District's financial condition was not significantly impacted by COVID-19 despite collection delays due to its sufficient allowance for doubtful accounts in water and sewer operations.

As COVID restrictions eased in fiscal year 2022, supply chain issues, tight labor market conditions, and high oil prices had led to a prolonged high inflation environment, at around 8%. The impact of high oil prices on cost of goods that rely on transportation have put pressure on the District's budget. The District has seen significant increases in its operating expenses from supplies and services as well as its capital expenditures. Several bids received for public work contracts for water and wastewater projects have been higher than original estimates. To help mitigate the impact of rising costs on its fiscal year 2023 budget, the District pushed out non-critical water and wastewater capital improvement projects to future years. The District anticipates operating and capital expenditures will continue to rise in the next few months until inflation and fluctuations in oil prices are tamed.

The District's service area is mature at 95% built-out. 70% of the District's customer base is domestic or residential and the remainder is a mix of commercial and irrigation (29%) and agricultural (1%). The District collects approximately 73% of its water service revenues from commodity rates (based on consumption) and 27% from fixed monthly service fees collected from each customer's water meter. The District bills each customer monthly for water services.

The District's Board of Directors have adopted a pass-through ordinance on potable and recycled water rate increases. The Pass-Through ordinance authorized the District to pass through any increases in water supply costs, any increases in the District's water operations and maintenance costs based on

annual percentage change in the San Diego County Consumer Price Index for All Urban Consumers (SDCPI-U), and any increases in water rates and or any other charges mandated by the State of California and imposed on the District, not to exceed 9% each year for the next five years until December 31, 2024. A 5% planned revenue adjustment each year for the next five years (until December 31, 2024) was included in the 2019 rate projections using a historic annual inflation adjustment of 2-3% each year. Due to the higher year-to-year change in SDCPI in 2022 and 2023, the District is anticipating more than a 5% revenue adjustment starting in 2023.

The State Water Resources Control Board (SWRCB) adopted an emergency water conservation regulation following Governor's Newsome Executive Order N-7-22 requiring all urban water suppliers in California implement Level 2 water use reduction actions by June 10, 2022. Current SWRCB emergency regulations do not mandate retail water suppliers, such as the District, to comply with SWRCB's water use efficiency standards. Consequently, the District is still in Level 1 of its water shortage contingency plan and has been aggressively encouraging its water customers, thorough water conservation programs, to reduce their water consumption. Current emergency water conservation regulations adopted by SWRCB are valid for one year through May, 2023. If the California drought continues, SWRCB will require retail water suppliers to report compliance with these regulations starting January 1, 2024. Fines could be issued to retail water agencies that do not meet water-use objectives stated in SWRCB's emergency water conservation regulations.

The District addressed a potential financial downside to comply with state mandates on water use efficiency through its Demand Reduction Rate Adjustments. The District's Demand Reduction Rate Adjustments will increase potable water rates, when implemented, so that the District would continue to collect the cost of providing water service in order to sustain operations during locally declared water shortages, mandatory potable water use cutbacks, or other natural disasters. Demand Reduction Rates would only be implemented by General Manager or Board action under the terms of the District's Water Supply Shortage Condition Ordinance. Such action by the District is generally triggered by the San Diego County Water Authority and/or Metropolitan Water District of Southern California declaration of a specific level of water shortage.

The District's wastewater (sewer) rate structure consists of a commodity charge and fixed monthly service fees. About 31% of the District's wastewater (sewer) revenues are collected from fixed monthly sewer service fees and 69% are collected based on the estimated quality and amount of sewage generated by each user in hundred cubic feet (commodity charge).

The District's Board of Directors have adopted an ordinance that authorized the District to pass through to its sewer customers, for the next five fiscal years (fiscal year 2022 – fiscal year 2026), cost increases to collect, treat, and dispose of sewage and the cost to maintain the 4S Ranch Wastewater and Reclamation Facilities within the 4S Ranch Sanitation District. The Board of Directors adopted a 3% revenue increase adjustment effective July 1, 2022 (fiscal year 2023) and 3% increases thereafter on July 1st of each fiscal year for fiscal years 2024-2026. Annual sewer service fees are collected by the District on each property owner's property tax bill. Sewer 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 December of each year.

The District continues to overcome operating challenges by maintaining a strong financial position and by planning ahead for future needs. Financial risks are assessed and reviewed with the Board of Directors annually as part of the District's budget process.

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.

Olivenhain Municipal Water District
Statements of Net Position
June 30, 2022 and 2021

| | 2022 | 2021 (As Restated) |
|--|---------------|-----------------------|
| ASSETS | | |
| Current assets: | | |
| Unrestricted assets: | | |
| Cash and cash equivalents | \$ 45,761,554 | \$ 45,048,195 |
| Investments | 34,421,737 | 31,598,271 |
| Accounts receivable - water and sewer, net | 9,453,946 | 10,717,152 |
| Interest receivable | 144,127 | 82,081 |
| Taxes receivable | 184,365 | 154,318 |
| Leases receivable, due within one year | 394,170 | 352,032 |
| Other receivables | 245,308 | 1,880,711 |
| Inventories | 1,514,905 | 1,065,380 |
| Prepaid expenses | 1,188,747 | 684,059 |
| Total unrestricted assets | 93,308,859 | 91,582,199 |
| Restricted assets: | | |
| Cash and cash equivalents | 10,185,471 | 4,641,041 |
| Investments | 2,331,719 | 2,262,949 |
| Taxes receivable | 39,292 | 39,981 |
| Grants receivable | 342,520 | 389,320 |
| Total restricted assets | 12,899,002 | 7,333,291 |
| Total current assets | 106,207,861 | 98,915,490 |
| Noncurrent assets: | | |
| Capital assets, nondepreciable | 38,426,035 | 41,596,526 |
| Capital assets, depreciable/amortizable, net | 336,597,407 | 340,390,730 |
| Capital assets, net | 375,023,442 | 381,987,256 |
| Leases receivable, due in more than one year | 9,955,712 | 7,188,378 |
| Other receivables | 14,742 | 58,774 |
| Prepaid bond insurance | 20,721 | 24,223 |
| Total noncurrent assets | 385,014,617 | 389,258,631 |
| Total assets | 491,222,478 | 488,174,121 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred amount on refunding | 1,016,228 | 1,191,088 |
| Pension-related deferred outflows of resources | 2,731,692 | 3,585,712 |
| Total deferred outflows of resources | 3,747,920 | 4,776,800 |

(Continued)

Olivenhain Municipal Water District
Statements of Net Position (Continued)
June 30, 2022 and 2021

| | 2022 | 2021 (As Restated) |
|--|----------------|-----------------------|
| LIABILITIES | | |
| Current liabilities: | | |
| Liabilities payable from unrestricted assets: | | |
| Accounts payable | \$ 7,725,598 | \$ 7,518,055 |
| Accrued payroll | 442,835 | 369,392 |
| Customer deposits | 355,058 | 358,313 |
| Payable related to work in progress | 186,367 | 662,569 |
| Compensated absences, current portion | 996,839 | 771,000 |
| Current portion of long-term debt: | | |
| Wastewater revenue bonds | 777,080 | 522,000 |
| Water revenue refunding bonds | 2,405,000 | 2,280,000 |
| Special assessment debt with government commitment | 863,064 | 843,108 |
| Notes payable | 406,452 | 397,248 |
| Total liabilities payable from unrestricted assets | 14,158,293 | 13,721,685 |
| Liabilities payable from restricted assets: | | |
| Accounts payable | 26,732 | 65,933 |
| Interest payable | 132,209 | 146,058 |
| Total liabilities payable from restricted assets | 158,941 | 211,991 |
| Total current liabilities | 14,317,234 | 13,933,676 |
| Noncurrent liabilities: | | |
| Compensated absences | 939,187 | 916,576 |
| Net pension liability | 7,819,768 | 14,608,844 |
| Long-term debt, excluding current portion: | | |
| Wastewater revenue bonds | 7,533,220 | 3,491,000 |
| Water revenue refunding bonds | 24,891,695 | 27,766,523 |
| Special assessment debt with government commitment | 4,594,691 | 5,457,755 |
| Notes Payable | 10,756,474 | 11,564,749 |
| Total noncurrent liabilities | 56,535,035 | 63,805,447 |
| Total liabilities | 70,852,269 | 77,739,123 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension-related deferred inflows of resources | 6,995,887 | 425,243 |
| Lease-related deferred inflows of resources | 9,796,852 | 7,350,346 |
| Total deferred inflows of resources | 16,792,739 | 7,775,589 |
| NET POSITION | | |
| Net investment in capital assets | 328,824,196 | 330,855,961 |
| Restricted for: | | |
| Debt service | 2,106,867 | 1,938,321 |
| Construction | 5,620,992 | 5,182,979 |
| Total restricted | 7,727,859 | 7,121,300 |
| Unrestricted | 70,773,335 | 69,458,948 |
| Total net position | \$ 407,325,390 | \$ 407,436,209 |

(Concluded)

Olivenhain Municipal Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2022 and 2021

| | 2022 | 2021 (As Restated) |
|---|-----------------------|-----------------------|
| OPERATING REVENUES | | |
| Water sales | \$ 57,747,541 | \$ 58,169,813 |
| Sewer charges | 5,480,925 | 5,127,136 |
| Other water operating revenues | 1,303,126 | 1,461,229 |
| Total operating revenues | 64,531,592 | 64,758,178 |
| OPERATING EXPENSES | | |
| Cost of purchased water sold | 31,265,804 | 30,601,983 |
| Pumping and water treatment | 4,322,820 | 4,378,418 |
| Transmission and distribution | 4,485,962 | 4,220,269 |
| Sewer collection and treatment | 2,170,341 | 2,085,237 |
| Elfin Forest recreation reserve operations | 428,174 | 415,386 |
| Facilities maintenance | 1,387,010 | 1,363,564 |
| Customer services | 2,067,655 | 2,348,700 |
| General and administrative | 7,774,311 | 7,041,160 |
| Other operating expenses | 304,037 | 228,939 |
| Depreciation and amortization | 16,075,980 | 15,559,523 |
| Total operating expenses | 70,282,094 | 68,243,179 |
| Operating (loss) | (5,750,502) | (3,485,001) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Fair market value adjustment | (2,467,642) | (562,019) |
| Investment income (loss) | 402,702 | 454,962 |
| Property taxes | 4,242,794 | 4,027,357 |
| Capacity charges | 1,530,925 | 2,754,730 |
| Benefit assessments | 1,058,241 | 1,177,302 |
| Other nonoperating revenues | 2,237,334 | 6,592,672 |
| Interest expense, net | (1,327,814) | (1,419,009) |
| Other nonoperating expenses | (606,602) | (1,076,547) |
| Total nonoperating revenues (expenses) | 5,069,938 | 11,949,448 |
| Income (loss) before capital contributions | (680,564) | 8,464,447 |
| Capital Contributions | 569,745 | 899,998 |
| Changes in net position | (110,819) | 9,364,445 |
| Net position, beginning of year, as restated | 407,436,209 | 398,071,764 |
| Net position, end of year | \$ 407,325,390 | \$ 407,436,209 |

See accompanying Notes to the Basic Financial Statements.

Olivenhain Municipal Water District
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

| | 2022 | 2021 (As Restated) |
|--|----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from water and sewer customers | \$ 65,848,393 | \$ 64,151,113 |
| Payments for water | (30,910,730) | (30,375,537) |
| Payments for services and supplies | (11,012,912) | (10,544,997) |
| Payments for employee wages, benefits, and related costs | (12,569,780) | (12,477,619) |
| Net cash provided by operating activities | 11,354,971 | 10,752,960 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Property taxes and benefit assessments received | 5,271,677 | 5,219,865 |
| SDCWA water rebate payment | 2,102,804 | 2,039,332 |
| Net cash provided by noncapital financing activities | 7,374,481 | 7,259,197 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (9,025,441) | (11,289,144) |
| Proceeds from grants and capital contributions | 260,005 | (186,137) |
| Principal paid on long-term debt | (8,599,989) | (4,287,117) |
| Proceeds from debt issuance | 8,975,110 | - |
| Interest paid on long-term debt | (1,636,631) | (1,768,054) |
| Capacity charges received | 1,552,833 | 2,777,662 |
| Proceeds from sale of capital assets | 595,875 | 2,033,750 |
| Other capital financing receipts | 1,125,345 | 881,819 |
| Other capital financing expenses paid | (699,549) | (133,443) |
| Net cash (used in) capital and related financing activities | (7,452,442) | (11,970,664) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale and maturities of investments | 4,000,000 | 24,740,950 |
| Purchases of investments | (9,061,033) | (37,279,742) |
| Investment income received | 41,812 | 488,020 |
| Net cash (used in) investing activities | (5,019,221) | (12,050,772) |
| Net increase (decrease) in cash and cash equivalents | 6,257,789 | (6,009,279) |
| Cash and cash equivalents, beginning of year | 49,689,236 | 55,698,515 |
| Cash and cash equivalents, end of year | \$ 55,947,025 | \$ 49,689,236 |
| FINANCIAL STATEMENT PRESENTATION | | |
| Cash and cash equivalents | \$ 45,761,554 | \$ 45,048,195 |
| Cash and cash equivalents - restricted assets | 10,185,471 | 4,641,041 |
| Total cash and cash equivalents | \$ 55,947,025 | \$ 49,689,236 |

(Continued)

Olivenhain Municipal Water District
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2022 and 2021

| | 2022 | 2021 (As Restated) |
|---|----------------------|-----------------------|
| RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| Operating (loss) | \$ (5,750,502) | \$ (3,485,001) |
| Adjustments to reconcile operating (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 16,075,980 | 15,559,523 |
| GASB 68 adjustment to pension expense | 635,588 | 333,583 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in assets: | | |
| Receivables | 1,320,055 | (552,071) |
| Inventories | (449,525) | 53,281 |
| Prepaid expenses and deposits | (504,688) | (14,671) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (290,575) | (1,261,351) |
| Accrued payroll and compensated absences | 321,893 | 174,661 |
| Customer deposits | (3,255) | (54,994) |
| Net cash provided by operating activities | \$ 11,354,971 | \$ 10,752,960 |
| NONCASH INVESTING AND FINANCING ACTIVITIES: | | |
| Contributions of capital assets | \$ 569,745 | \$ 899,998 |
| Amortization of premiums | \$ (469,828) | \$ (523,488) |
| Unrealized gains (losses) on investments | \$ (2,467,642) | \$ (562,019) |

(Concluded)

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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, 2022 and 2021

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 (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, 2018 Wastewater Revenue 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. 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, 2022 and 2021

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, 2022 and 2021

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. Collections from water and sewer customers for services rendered have been closely monitored since the coronavirus pandemic. Management is of the opinion that the District's financial position has not been significantly impacted by the coronavirus pandemic. During fiscal year 2021, the District increased its allowance for doubtful accounts as a response to the pandemic. Water and sewer accounts receivable at June 30, 2022 and 2021 have been reduced by an allowance for doubtful accounts of \$210,000 and \$210,000, respectively.

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. Subsequently, 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 recognized as revenue over the life of the lease term in a straight-line method.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

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. 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, 2022 and 2021

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. 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.

M. 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*, and accrued the Social Security and Medicare portions of the District's compensated absences liability on the financial statements.

N. 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.

O. 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.

P. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

Q. 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.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

R. 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, except in rare circumstances, nonrefundable and are recorded as nonoperating revenues when collected.

S. 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 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."

T. Use of Estimates

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

U. Reclassification

For the year ended June 30, 2022, 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 2022 presentation.

V. Implementation of New GASB Pronouncements for the Year Ended June 30, 2022

During fiscal year ended June 30, 2022, the District has implemented the following new GASB Pronouncements:

- In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement had a significant effect on the District's financial reporting for 2022. See Note 4.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

V. Implementation of New GASB Pronouncements for the Year Ended June 30, 2022 (Continued)

- In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB Statement No. 89), to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 is effective for the District's fiscal year ending June 30, 2022. Implementation of this Statement did not have a significant effect on the District's financial reporting for 2022.
- In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Implementation of this Statement did not have a significant effect on the District's financial reporting for 2022.
- In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Implementation of this Statement did not have a significant effect on the District's financial reporting for 2022.
- In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Implementation of this Statement did not have a significant effect on the District's financial reporting for 2022.
- In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Implementation of this Statement did not have a significant effect on the District's financial reporting for 2022.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

W. 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 May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB Statement No. 91), to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 is effective for the District's fiscal year ending June 30, 2023.
- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Application of this statement is effective for the District's fiscal year ending June 30, 2023.
- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Application of this statement is effective for the District's fiscal year ending June 30, 2023.
- In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Application of this statement is effective for the District's fiscal year ending June 30, 2023.
- 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 is effective for the District's fiscal year ending June 30, 2024.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 3 – Cash, Cash Equivalents, and Investments

Cash and investments at June 30, 2022 and 2021 are classified in the accompanying financial statements as follows:

| | 2022 | 2021 |
|--|----------------------|----------------------|
| Statement of Net Position: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 45,761,554 | \$ 45,048,195 |
| Restricted cash and cash equivalents | 10,185,471 | 4,641,041 |
| Investments | 34,421,737 | 31,598,271 |
| Restricted investments | 2,331,719 | 2,262,949 |
| Total cash and investments | <u>\$ 92,700,481</u> | <u>\$ 83,550,456</u> |
| Cash and investments consist of the following: | | |
| Cash on hand | \$ 1,491 | \$ 1,496 |
| Deposits with financial institutions | 4,358,962 | 13,989,550 |
| Investments | 88,340,028 | 69,559,410 |
| Total cash and investments | <u>\$ 92,700,481</u> | <u>\$ 83,550,456</u> |

A. Demand Deposits

As of June 30, 2022, the carrying amount of demand deposits was \$4,358,962 and the bank balance was \$4,981,417 compared to \$13,989,550 and \$14,373,813 at June 30, 2021, 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 Account | 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 |

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

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

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.

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, 2022.

| Investment Type | Total | Remaining Maturity (in Months) | | |
|--|---------------|--------------------------------|-----------------|-----------------|
| | | 12 Months or Less | 13 to 24 Months | 25 to 60 Months |
| Local Agency Investment Fund (LAIF) | \$ 22,921,923 | \$ 22,921,923 | \$ - | \$ - |
| California Asset Management Program (CAMP) | 17,570,703 | 17,570,703 | - | - |
| Commercial Paper | 2,491,795 | 1,995,010 | 496,785 | - |
| Money Market Mutual Funds | 2,136,917 | 2,136,917 | - | - |
| U.S. Government Sponsored Entities | 31,328,841 | 985,080 | 6,237,054 | 24,106,707 |
| Municipal Obligations | 1,052,370 | - | - | 1,052,370 |
| U.S. Treasury Obligations | 10,837,479 | 8,958,690 | - | 1,878,789 |
| Total | \$ 88,340,028 | \$ 54,568,323 | \$ 6,733,839 | \$ 27,037,866 |

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, 2021.

| Investment Type | Total | Remaining Maturity (in Months) | | |
|--|---------------|--------------------------------|-----------------|-----------------|
| | | 12 Months or Less | 13 to 24 Months | 25 to 60 Months |
| Local Agency Investment Fund (LAIF) | \$ 27,148,609 | \$ 27,148,609 | \$ - | \$ - |
| California Asset Management Program (CAMP) | 7,032,934 | 7,032,934 | - | - |
| Money Market Mutual Funds | 1,516,646 | 1,516,646 | - | - |
| U.S. Government Sponsored Entities | 30,670,791 | - | 2,993,870 | 27,676,921 |
| Municipal Obligations | 1,173,910 | - | - | 1,173,910 |
| U.S. Treasury Obligations | 2,016,520 | - | - | 2,016,520 |
| Total | \$ 69,559,410 | \$ 35,698,189 | \$ 2,993,870 | \$ 30,867,351 |

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

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

D. 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. 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, 2022. (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) | \$ 22,921,923 | N/A | \$ - | \$ - | \$ - | \$ 22,921,923 |
| California Asset Management Program (CAMP) | 17,570,703 | AAA | 17,570,703 | - | - | - |
| Commercial Paper | 2,491,795 | A-1 | 496,785 | - | 1,995,010 | - |
| Money Market Mutual Funds | 2,136,917 | N/A | - | - | - | 2,136,917 |
| U.S. Government Sponsored Entities | 31,328,841 | AAA | 31,328,841 | - | - | - |
| Municipal Obligations | 1,052,370 | A1/A+ | 1,052,370 | - | - | - |
| U.S. Treasury Obligations | 10,837,479 | N/A | 10,837,479 | - | - | - |
| Total | <u>\$ 88,340,028</u> | | <u>\$ 61,286,178</u> | <u>\$ -</u> | <u>\$ 1,995,010</u> | <u>\$ 25,058,840</u> |

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, 2021.

| Investment Type | Total | Minimum Legal Rating | Rating as of Year End | | | |
|--|----------------------|-------------------------|-----------------------|-------------|-------------|----------------------|
| | | | AAA | AA | A/1+ | Not Rated |
| Local Agency Investment Fund (LAIF) | \$ 27,148,609 | N/A | \$ - | \$ - | \$ - | \$ 27,148,609 |
| California Asset Management Program (CAMP) | 7,032,934 | AAA | 7,032,934 | - | - | - |
| Money Market Mutual Funds | 1,516,646 | N/A | - | - | - | 1,516,646 |
| U.S. Government Sponsored Entities | 30,670,791 | AAA | 30,670,791 | - | - | - |
| Municipal Obligations | 1,173,910 | A1/A+ | 1,173,910 | - | - | - |
| U.S. Treasury Obligations | 2,016,520 | N/A | 2,016,520 | - | - | - |
| Total | <u>\$ 69,559,410</u> | | <u>\$ 40,894,155</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 28,665,255</u> |

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 | 2022 | 2021 |
|---------------------------------|------------------------------|---------------|---------------|
| Federal Home Loan Bank | U.S. Govt Sponsored Entities | \$ 28,215,691 | \$ 24,432,958 |
| Federal Home Loan Mortgage Corp | U.S. Govt Sponsored Entities | n/a | \$ 3,989,850 |

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

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

E. 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, 2022 and 2021, \$4,731,417 and \$14,123,813 of the District's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

F. 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, 2022, the District had \$22,921,923 invested in LAIF, which had invested 1.88% of the pool investment funds in structured notes and asset-backed securities compared to \$27,148,609 and 1.10% at June 30, 2021. 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 0.987125414 and 1.00008297 as of June 30, 2022 and 2021, respectively.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

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

G. 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, 2022 and 2021 was \$7.3 billion and \$6.5 billion, respectively. A board of five 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, 2022 and 2021 the amortized cost approximated is the District's cost.

H. Fair Value Measurements

The following is a summary of the fair value hierarchy of investments held by the District as of June 30, 2022:

| | Fair Value Measurement Using | |
|---|--|----------------------|
| | Significant Other Observable Inputs (Level 2) | June 30, 2022 |
| Investments by Fair Value Level | | |
| U.S. Government Sponsored | | |
| Entity Securities | | |
| FHLB | \$ 28,215,691 | \$ 28,215,691 |
| FHLMC | 1,915,350 | 1,915,350 |
| FNMA | 1,197,800 | 1,197,800 |
| U.S. Treasury Securities | 10,837,479 | 10,837,479 |
| Commercial Paper | 2,491,795 | 2,491,795 |
| Municipal Bonds | 1,052,370 | 1,052,370 |
| Total Investments by Fair Value Level | <u>\$ 45,710,485</u> | <u>45,710,485</u> |
| Investments not subject to fair value hierarchy: | | |
| Local Agency Investment Fund (LAIF) | | 22,921,923 |
| California Asset Management Program (CAMP) | | 17,570,703 |
| Money Market Mutual Funds | | 79,351 |
| Held by Fiscal Agent | | |
| Money Market Mutual Funds | | <u>2,057,566</u> |
| Total investments not subject to fair value hierarchy | | <u>42,629,543</u> |
| Total investments | | <u>\$ 88,340,028</u> |

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

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

H. Fair Value Measurements (Continued)

The following is a summary of the fair value hierarchy of investments held by the District as of June 30, 2021:

| | Fair Value Measurement Using | |
|---|--|----------------------|
| | Significant Other Observable Inputs (Level 2) | June 30, 2021 |
| Investments by Fair Value Level | | |
| U.S. Government Sponsored | | |
| Entity Securities | | |
| FHLB | \$ 24,432,958 | \$ 24,432,958 |
| FHLMC | 3,989,850 | 3,989,850 |
| FNMA | 2,247,983 | 2,247,983 |
| U.S. Treasury Securities | 2,016,520 | 2,016,520 |
| Municipal Bonds | 1,173,910 | 1,173,910 |
| Total Investments by Fair Value Level | <u>\$ 33,861,221</u> | <u>33,861,221</u> |
| Investments not subject to fair value hierarchy: | | |
| Local Agency Investment Fund (LAIF) | | 27,148,609 |
| California Asset Management Program (CAMP) | | 7,032,934 |
| Money Market Mutual Funds | | 65,931 |
| Held by Fiscal Agent | | |
| Money Market Mutual Funds | | <u>1,450,715</u> |
| Total investments not subject to fair value hierarchy | | <u>35,698,189</u> |
| Total Investments | | <u>\$ 69,559,410</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 6 to 33 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, 2022, the District recognized \$638,090 in lease revenue and \$324,276 in interest revenue, and the outstanding receivable amount was \$10,349,882. For the fiscal year ended June 30, 2021, the District recognized \$637,546 in lease revenue and \$218,107 in interest revenue, and the outstanding receivable amount was \$7,540,410.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 4 – Leases Receivable (Continued)

A summary of changes in leases receivable for the fiscal year ended June 30, 2022 was as follows:

| Balance July 1, 2021 | Additions | Reductions | June 30, 2022 | Amounts due within one year | Amounts due in more than one year |
|-------------------------|--------------|--------------|---------------|-----------------------------------|---|
| \$ 7,540,410 | \$ 3,173,746 | \$ (364,274) | \$ 10,349,882 | \$ 394,170 | \$ 9,955,712 |

A summary of changes in leases receivable for the fiscal year ended June 30, 2021 was as follows:

| Balance July 1, 2020 | Additions | Reductions | June 30, 2021 | Amounts due within one year | Amounts due in more than one year |
|-------------------------|-----------|--------------|---------------|-----------------------------------|---|
| \$ 7,987,892 | \$ - | \$ (447,482) | \$ 7,540,410 | \$ 352,032 | \$ 7,188,378 |

At June 30, 2022, the required payments for these leases, including interest, are:

| Year Ending June 30 | Lease Receivable | Interest | Total |
|------------------------|----------------------|---------------------|----------------------|
| 2023 | \$ 394,170 | \$ 313,265 | \$ 707,435 |
| 2024 | 425,428 | 300,974 | 726,402 |
| 2025 | 458,242 | 287,716 | 745,958 |
| 2026 | 496,326 | 273,409 | 769,735 |
| 2027 | 535,186 | 257,893 | 793,079 |
| 2028-2032 | 2,723,983 | 1,034,191 | 3,758,174 |
| 2033-2037 | 1,578,179 | 692,605 | 2,270,784 |
| 2038-2042 | 1,031,060 | 506,177 | 1,537,237 |
| 2043-2047 | 1,266,448 | 332,465 | 1,598,913 |
| 2048-2052 | 1,295,499 | 111,815 | 1,407,314 |
| 2053-2057 | 145,361 | 7,340 | 152,701 |
| | <u>\$ 10,349,882</u> | <u>\$ 4,117,850</u> | <u>\$ 14,467,732</u> |

As of June 30, 2022, 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 |
|------------------------|---------------------|
| 2023 | \$ 638,086 |
| 2024 | 638,086 |
| 2025 | 638,086 |
| 2026 | 638,086 |
| 2027 | 638,086 |
| 2028-2032 | 2,792,812 |
| 2033-2037 | 1,451,029 |
| 2038-2042 | 852,420 |
| 2043-2047 | 787,850 |
| 2048-2052 | 629,780 |
| 2053-2057 | 92,531 |
| | <u>\$ 9,796,852</u> |

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 5 – Inventories

Inventories at June 30, 2022 and 2021 were as follows:

| | 2022 | 2021 |
|---------------------|---------------------|---------------------|
| Water inventory | \$ 166,676 | \$ 190,570 |
| Materials inventory | 1,348,229 | 874,810 |
| Total | <u>\$ 1,514,905</u> | <u>\$ 1,065,380</u> |

Note 6 – Capital Assets

A summary of changes in capital assets for the year ended June 30, 2022, is as follows:

| | Balance July 1, 2021 | Additions | Deletions | Transfers/ Adjustments | Balance June 30, 2022 |
|---|-------------------------|-----------------------|---------------------|---------------------------|--------------------------|
| 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 | 10,729,766 | 9,201,825 | (216,507) | (12,155,809) | 7,559,275 |
| Total capital assets, not being depreciated | <u>41,596,526</u> | <u>9,201,825</u> | <u>(216,507)</u> | <u>(12,155,809)</u> | <u>38,426,035</u> |
| Capital assets, being depreciated/amortized: | | | | | |
| Treatment and distribution system | 299,032,731 | 377,412 | (1,109,478) | 10,078,197 | 308,378,862 |
| Capacity rights | 27,739,008 | - | - | - | 27,739,008 |
| Non-steel tanks | 38,948,261 | - | (44,230) | 198,579 | 39,102,610 |
| General plant | 191,242,450 | 15,949 | (1,019,051) | 1,879,033 | 192,118,381 |
| Total capital assets, being depreciated/amortized | <u>556,962,450</u> | <u>393,361</u> | <u>(2,172,759)</u> | <u>12,155,809</u> | <u>567,338,861</u> |
| Accumulated depreciation/amortization: | | | | | |
| Treatment and distribution system | (109,575,980) | (7,292,922) | 905,998 | - | (115,962,904) |
| Capacity rights | (18,375,426) | (1,269,202) | - | - | (19,644,628) |
| Non-steel tanks | (13,588,441) | (945,558) | 21,328 | - | (14,512,671) |
| General plant | (75,031,873) | (6,568,298) | 978,920 | - | (80,621,251) |
| Total accumulated depreciation/amortization | <u>(216,571,720)</u> | <u>(16,075,980)</u> | <u>1,906,246</u> | <u>-</u> | <u>(230,741,454)</u> |
| Total capital assets, being depreciated/amortized, net | <u>340,390,730</u> | <u>(15,682,619)</u> | <u>(266,513)</u> | <u>12,155,809</u> | <u>336,597,407</u> |
| Total capital assets, net | <u>\$ 381,987,256</u> | <u>\$ (6,480,794)</u> | <u>\$ (483,020)</u> | <u>\$ -</u> | <u>\$ 375,023,442</u> |

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 6 – Capital Assets (Continued)

A summary of changes in capital assets for the year ended June 30, 2021, is as follows:

| | Balance July 1, 2020 | Additions | Deletions | Transfers/ Adjustments | Balance June 30, 2021 |
|---|-------------------------|----------------|----------------|---------------------------|--------------------------|
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 11,139,167 | \$ - | \$ (133,804) | \$ - | \$ 11,005,363 |
| Steel water storage tanks | 19,861,397 | - | - | - | 19,861,397 |
| Construction in progress | 26,132,135 | 11,335,602 | (37,010) | (26,700,961) | 10,729,766 |
| Total capital assets, not being depreciated | 57,132,699 | 11,335,602 | (170,814) | (26,700,961) | 41,596,526 |
| Capital assets, being depreciated/amortized: | | | | | |
| Treatment and distribution system | 292,493,846 | 751,592 | (757,593) | 6,544,886 | 299,032,731 |
| Capacity rights | 27,739,008 | - | - | - | 27,739,008 |
| Non-steel tanks | 38,576,965 | - | (51,980) | 423,276 | 38,948,261 |
| General plant | 174,718,997 | 101,948 | (3,311,294) | 19,732,799 | 191,242,450 |
| Total capital assets, being depreciated/amortized | 533,528,816 | 853,540 | (4,120,867) | 26,700,961 | 556,962,450 |
| Accumulated depreciation/amortization: | | | | | |
| Treatment and distribution system | (103,243,898) | (7,055,016) | 722,934 | - | (109,575,980) |
| Capacity rights | (16,743,719) | (1,631,707) | - | - | (18,375,426) |
| Non-steel tanks | (12,697,337) | (915,253) | 24,149 | - | (13,588,441) |
| General plant | (71,504,446) | (5,957,547) | 2,430,120 | - | (75,031,873) |
| Total accumulated depreciation/amortization | (204,189,400) | (15,559,523) | 3,177,203 | - | (216,571,720) |
| Total capital assets, being depreciated/amortized, net | 329,339,416 | (14,705,983) | (943,664) | 26,700,961 | 340,390,730 |
| Total capital assets, net | \$ 386,472,115 | \$ (3,370,381) | \$ (1,114,478) | \$ - | \$ 381,987,256 |

Depreciation expense for depreciable capital assets was \$14,806,778 and \$13,927,817 for the years ended June 30, 2022 and 2021, respectively. Amortization expense for amortizable capital assets was \$1,269,202 and \$1,631,706 for the years ending 2022 and 2021, respectively.

Construction in progress consisted of the following at June 30:

| | 2022 | 2021 |
|---------------------------------|--------------|---------------|
| San Elijo Valley Groundwater | \$ 3,976,006 | \$ 3,619,151 |
| Manchester Recycled Extension | 821,290 | - |
| Replace Neighborhood 1 SPS | 725,533 | - |
| Replace El Camino Real Pipeline | - | 4,475,818 |
| Other capital projects | 2,036,446 | 2,634,797 |
| Total construction in progress | \$ 7,559,275 | \$ 10,729,766 |

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 7 – Accounts Payable

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

| | 2022 | 2021 |
|--------------------------|---------------------|---------------------|
| Water purchases | \$ 5,780,870 | \$ 5,425,795 |
| Construction in progress | 450,332 | 718,245 |
| Other | 1,494,396 | 1,374,015 |
| Total | <u>\$ 7,725,598</u> | <u>\$ 7,518,055</u> |

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

| | 2022 | 2021 |
|--------------------------|------------------|------------------|
| Construction in progress | \$ 26,732 | \$ 55,563 |
| Other | - | 10,370 |
| | <u>\$ 26,732</u> | <u>\$ 65,933</u> |

Note 8 – Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2022 is as follows:

| | Balance July 1, 2021 | Additions | Deletions | Balance June 30, 2022 | Due Within One Year | Due More Than One Year |
|---|-------------------------|---------------------|-----------------------|--------------------------|------------------------|---------------------------|
| Notes Payable: | | | | | | |
| 2013 Note Payable - direct borrowing | \$ 11,961,997 | \$ - | \$ (799,071) | \$ 11,162,926 | \$ 406,452 | \$ 10,756,474 |
| Notes Payable | <u>11,961,997</u> | <u>-</u> | <u>(799,071)</u> | <u>11,162,926</u> | <u>406,452</u> | <u>10,756,474</u> |
| Revenue Bonds: | | | | | | |
| Publicly-Offered: | | | | | | |
| 2015 Water System Refunding Revenue Bonds | 14,275,000 | - | (1,750,000) | 12,525,000 | 1,845,000 | 10,680,000 |
| Plus unamortized bond premiums | 1,455,315 | - | (372,939) | 1,082,376 | - | 1,082,376 |
| 2016 Water System Refunding Revenue Bonds | 13,420,000 | - | (530,000) | 12,890,000 | 560,000 | 12,330,000 |
| Plus unamortized bond premiums | 896,208 | - | (96,889) | 799,319 | - | 799,319 |
| Direct Placement/Borrowing: | | | | | | |
| 2018 Wastewater Revenue Bonds | 4,013,000 | - | (4,013,000) | - | - | - |
| 2021A Wastewater Revenue Bonds | - | 5,042,140 | (245,740) | 4,796,400 | 207,240 | 4,589,160 |
| 2021B Wastewater Revenue Bonds | - | 3,932,970 | (419,070) | 3,513,900 | 569,840 | 2,944,060 |
| Revenue Bonds, net | <u>34,059,523</u> | <u>8,975,110</u> | <u>(7,427,638)</u> | <u>35,606,995</u> | <u>3,182,080</u> | <u>32,424,915</u> |
| 2019 Special Assessment Debt with Government Commitment | <u>6,300,863</u> | <u>-</u> | <u>(843,108)</u> | <u>5,457,755</u> | <u>863,064</u> | <u>4,594,691</u> |
| Total | <u>\$ 52,322,383</u> | <u>\$ 8,975,110</u> | <u>\$ (9,069,817)</u> | <u>\$ 52,227,676</u> | <u>\$ 4,451,596</u> | <u>\$ 47,776,080</u> |

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 8 – Long-Term Debt (Continued)

A summary of changes in long-term debt for the year ended June 30, 2021 is as follows:

| | Balance July 1, 2020 | Additions | Deletions | Balance June 30, 2021 | Due Within One Year | Due More Than One Year |
|--|-------------------------|-----------|----------------|--------------------------|------------------------|---------------------------|
| Notes Payable: | | | | | | |
| 2013 Note Payable - direct borrowing | \$ 12,742,977 | \$ - | \$ (780,980) | \$ 11,961,997 | \$ 397,248 | \$ 11,564,749 |
| Notes Payable | 12,742,977 | - | (780,980) | 11,961,997 | 397,248 | 11,564,749 |
| Revenue Bonds: | | | | | | |
| Publicly Offered: | | | | | | |
| 2015 Water System Refunding Revenue Bonds | 15,940,000 | - | (1,665,000) | 14,275,000 | 1,750,000 | 12,525,000 |
| Plus unamortized bond premiums | 1,876,383 | - | (421,068) | 1,455,315 | - | 1,455,315 |
| 2016 Water System Refunding Revenue Bonds | 13,925,000 | - | (505,000) | 13,420,000 | 530,000 | 12,890,000 |
| Plus unamortized bond premiums | 998,628 | - | (102,420) | 896,208 | - | 896,208 |
| Direct Placement/Borrowing: | | | | | | |
| 2018 Wastewater Revenue Bonds | 4,520,000 | - | (507,000) | 4,013,000 | 522,000 | 3,491,000 |
| Revenue Bonds, net | 37,260,011 | - | (3,200,488) | 34,059,523 | 2,802,000 | 31,257,523 |
| 2019 Special Assessment Debt with Government Commitment | 7,130,000 | - | (829,137) | 6,300,863 | 843,108 | 5,457,755 |
| Total | \$ 57,132,988 | \$ - | \$ (4,810,605) | \$ 52,322,383 | \$ 4,042,356 | \$ 48,280,027 |

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, 2022, the outstanding loan balance was \$11,162,926.

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 |
|----------------------|---------------|--------------|---------------|
| 2023 | \$ 406,452 | \$ 128,569 | \$ 535,021 |
| 2024 | 827,001 | 243,040 | 1,070,041 |
| 2025 | 846,161 | 223,880 | 1,070,041 |
| 2026 | 865,765 | 204,277 | 1,070,042 |
| 2027 | 885,822 | 184,220 | 1,070,042 |
| 2028-2032 | 4,746,625 | 603,584 | 5,350,209 |
| 2033-2035 | 2,585,100 | 90,004 | 2,675,104 |
| Total | \$ 11,162,926 | \$ 1,677,574 | \$ 12,840,500 |

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

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 \$14,452,500. For the current year, principal and interest paid on the bonds was \$2,405,125. 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 original deferred loss on refunding of \$610,166 is being amortized over the remaining life of the refunded debt. Amortization expense totaled \$79,726 for the year ended June 30, 2022. The remaining unamortized balance was \$231,389 at June 30, 2022.

A summary of the refunding bonds is as follows:

| Interest Rates | Fiscal year maturities (varying amounts) | Balance June 30, 2021 | Additions | Deletions | Balance June 30, 2022 |
|----------------|--|-----------------------|-------------|-----------------------|-----------------------|
| 2%-5% | 2023-2027 | \$ 11,930,000 | \$ - | \$ (1,750,000) | \$ 10,180,000 |
| 3% | 2028 | 2,345,000 | - | - | 2,345,000 |
| | | <u>\$ 14,275,000</u> | <u>\$ -</u> | <u>\$ (1,750,000)</u> | <u>\$ 12,525,000</u> |

Total bonds outstanding as of June 30, 2022, including unamortized bond premiums were as follows:

| | |
|--|----------------------|
| Principal outstanding at June 30, 2022 | \$ 12,525,000 |
| Plus unamortized bond premium | 1,082,376 |
| Total bonds outstanding at June 30, 2022 | <u>\$ 13,607,376</u> |

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

| Year Ending June 30, | Principal | Interest | Total |
|----------------------|----------------------|---------------------|----------------------|
| 2023 | \$ 1,845,000 | \$ 567,625 | \$ 2,412,625 |
| 2024 | 1,935,000 | 475,375 | 2,410,375 |
| 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>\$ 12,525,000</u> | <u>\$ 1,927,500</u> | <u>\$ 14,452,500</u> |

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

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 \$16,589,603. For the current year, principal and interest paid on the bonds was \$976,413. 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 original deferred loss on refunding of \$1,196,934 is being amortized over the remaining life of the refunded debt. Amortization expense totaled \$95,134 for the year ended June 30, 2022. The remaining unamortized balance was \$784,839 at June 30, 2022.

A summary of the refunding bonds is as follows:

| Interest Rates | Fiscal year maturities (varying amounts) | Balance June 30, 2021 | Additions | Deletions | Balance June 30, 2022 |
|----------------|---|--------------------------|-------------|---------------------|--------------------------|
| 2%-5% | 2023-2036 | \$ 10,665,000 | \$ - | \$ (530,000) | \$ 10,135,000 |
| 2.5% | 2037-2039 | 2,755,000 | - | - | 2,755,000 |
| | | <u>\$ 13,420,000</u> | <u>\$ -</u> | <u>\$ (530,000)</u> | <u>\$ 12,890,000</u> |

Total bonds outstanding as of June 30, 2022, including unamortized bond premiums were as follows:

| | |
|--|----------------------|
| Principal outstanding at June 30, 2022 | \$ 12,890,000 |
| Plus unamortized bond premium | <u>799,319</u> |
| Total bonds outstanding at June 30, 2022 | <u>\$ 13,689,319</u> |

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

| Year Ending June 30, | Principal | Interest | Total |
|----------------------|----------------------|---------------------|----------------------|
| 2023 | \$ 560,000 | \$ 419,913 | \$ 979,913 |
| 2024 | 585,000 | 391,913 | 976,913 |
| 2025 | 615,000 | 362,663 | 977,663 |
| 2026 | 645,000 | 331,913 | 976,913 |
| 2027 | 675,000 | 299,663 | 974,663 |
| 2028-2032 | 3,725,000 | 1,153,238 | 4,878,238 |
| 2033-2037 | 4,225,000 | 656,150 | 4,881,150 |
| 2038-2039 | 1,860,000 | 84,150 | 1,944,150 |
| Total | <u>\$ 12,890,000</u> | <u>\$ 3,699,603</u> | <u>\$ 16,589,603</u> |

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 8 – Long-Term Debt (Continued)

2018 Wastewater Revenue Bonds Payable

On June 26, 2018, the District issued Wastewater (Sewer) Revenue Bonds, Series 2018A in the amount of \$5,500,000 to finance improvements to the administrative and operations building at 1966 Olivenhain Road, Encinitas, CA. The administration and operations buildings provide support for all of the District's activities related to potable water, recycled water, and wastewater throughout the District's service area.

The District has pledged Net Wastewater (Sewer) System Revenues for debt service payments of the 2018 bonds. The bonds contain various covenants and restrictions, principally that the District collect sewer charges for the 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.

The 2018 bonds are limited obligation bonds maturing annually from June 1, 2019 to June 1, 2028 bearing an interest rate of 3.1%. The remaining balance of the bonds was paid off in fiscal year 2022 with proceeds from the 2021B Wastewater Revenue Bonds.

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 |
|----------------------|---------------------|-------------------|---------------------|
| 2023 | \$ 863,064 | \$ 105,048 | \$ 968,112 |
| 2024 | 883,019 | 86,801 | 969,820 |
| 2025 | 897,985 | 68,190 | 966,175 |
| 2026 | 917,940 | 49,214 | 967,154 |
| 2027 | 937,896 | 29,820 | 967,716 |
| 2028 | 957,851 | 10,010 | 967,861 |
| Total | <u>\$ 5,457,755</u> | <u>\$ 349,083</u> | <u>\$ 5,806,838</u> |

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 8 – Long-Term Debt (Continued)

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 OMWD Financing Authority. The District and the OMWD Financing Authority 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.

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 \$5,887,856. For the current year, principal and interest paid on the bonds was \$309,882. 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 |
|----------------------|---------------------|---------------------|---------------------|
| 2023 | \$ 207,240 | \$ 102,643 | \$ 309,883 |
| 2024 | 211,680 | 98,208 | 309,888 |
| 2025 | 216,210 | 93,678 | 309,888 |
| 2026 | 220,840 | 89,051 | 309,891 |
| 2027 | 225,560 | 84,325 | 309,885 |
| 2028-2032 | 1,202,310 | 347,122 | 1,549,432 |
| 2033-2037 | 1,336,600 | 212,849 | 1,549,449 |
| 2038-2041 | 1,175,960 | 63,580 | 1,239,540 |
| Total | <u>\$ 4,796,400</u> | <u>\$ 1,091,456</u> | <u>\$ 5,887,856</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.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 8 – Long-Term Debt (Continued)

2021B Wastewater Revenue Bonds (Continued)

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 \$3,655,404. For the current year, principal and interest paid on the bonds was \$445,722. 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.

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 |
|----------------------|---------------------|-------------------|---------------------|
| 2023 | \$ 569,840 | \$ 40,058 | \$ 609,898 |
| 2024 | 575,630 | 33,562 | 609,192 |
| 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>\$ 3,513,900</u> | <u>\$ 141,504</u> | <u>\$ 3,655,404</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, 2022 and 2021, were as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due within One Year | Due in More Than One Year |
|---------------|----------------------|--------------|--------------|-------------------|------------------------|------------------------------|
| June 30, 2022 | \$ 1,687,576 | \$ 1,240,740 | \$ (992,290) | \$ 1,936,026 | \$ 996,839 | \$ 939,187 |
| June 30, 2021 | \$ 1,518,611 | \$ 937,398 | \$ (768,433) | \$ 1,687,576 | \$ 771,000 | \$ 916,576 |

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

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, 2022, 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% | 6.25% |
| Required employer contribution rate | 11.590% | 7.590% |

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, 2022 and 2021

Note 10 – Employee Retirement Systems (Continued)

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, 2021. As of June 30, 2022 and 2021 respectively, the District reported net pension liabilities for its proportionate shares of the net pension liability as follows:

| | 2022 | 2021 |
|-----------------------------|---------------------|----------------------|
| Classic & PEPRAs Plans | \$ 7,819,768 | \$ 14,608,844 |
| Total Net Pension Liability | <u>\$ 7,819,768</u> | <u>\$ 14,608,844</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, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 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, 2020). 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, 2021). 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, 2021 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (fiscal year 2021).
- (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.
- (6) The plan's NPL at the measurement date is the difference between the TPL and FNP calculated in step (5).

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 10 – Employee Retirement Systems (Continued)

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

The District's proportionate share of the net pension liability for each Plan as of the measurement date ended June 30, 2020 and 2021 was as follows:

| | Classic & PEPRA Plans |
|------------------------------|--------------------------|
| Proportion - June 30, 2019 | 0.34363% |
| Proportion - June 30, 2020 | 0.34634% |
| Change - Increase (Decrease) | 0.00271% |
| Proportion - June 30, 2020 | 0.34634% |
| Proportion - June 30, 2021 | 0.41183% |
| Change - Increase (Decrease) | 0.06549% |

For the years ended June 30, 2022 and 2021, the District recognized pension expense of \$2,490,376 and \$2,516,601, respectively. At June 30, 2022 and 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | 2022 | | 2021 | |
|--|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions subsequent to measurement date | \$ 1,854,789 | \$ - | \$ 2,183,027 | \$ - |
| Differences between actual and expected experience | 876,903 | - | 752,837 | - |
| Change in assumptions | - | - | - | (104,196) |
| Changes in proportions | - | (112,478) | 215,869 | - |
| Differences between the employer's contributions and the employer's proportionate share of contributions | - | (57,165) | - | (321,047) |
| Net differences between projected and actual earnings on plan investments | - | (6,826,244) | 433,979 | - |
| Total | <u>\$ 2,731,692</u> | <u>\$ (6,995,887)</u> | <u>\$ 3,585,712</u> | <u>\$ (425,243)</u> |

\$1,854,789 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Ending June 30, | Amount |
|--------------------|-----------------------|
| 2023 | \$ (1,300,816) |
| 2024 | (1,384,906) |
| 2025 | (1,546,843) |
| 2026 | (1,886,419) |
| Total | <u>\$ (6,118,984)</u> |

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 10 – Employee Retirement Systems (Continued)

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

\$2,183,027 reported as deferred outflows of resources related to contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Ending June 30, | Amount |
|--------------------|-------------------|
| 2022 | \$ 78,927 |
| 2023 | 379,671 |
| 2024 | 310,695 |
| 2025 | 208,149 |
| Total | <u>\$ 977,442</u> |

Actuarial Assumptions - For the measurement period ended June 30, 2021 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2020 total pension liability determined in the June 30, 2020 actuarial accounting valuation. The June 30, 2021 total pension liability was based on the following actuarial methods and assumptions:

| | Classic & PEPR Plans |
|----------------------------------|------------------------------|
| Valuation Date | June 30, 2020 |
| Measurement Date | June 30, 2021 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| 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 2011) 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.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 10 – Employee Retirement Systems (Continued)

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

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 2022, the actuarial report did not have a change of assumption. In fiscal year 2018, the discount rate was reduced from 7.65 percent to 7.15 percent. All other actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 7.15% 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 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15% 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.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 10 – Employee Retirement Systems (Continued)

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

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, 2014.

| Asset Class | Strategic Allocation | Years 1 - 10 ^(a) | Years 11+ ^(b) |
|------------------|----------------------|-----------------------------|--------------------------|
| Global Equity | 50.00% | 4.80% | 5.98% |
| Fixed Income | 28.00% | 1.00% | 2.62% |
| Inflation Assets | 0.00% | 0.77% | 1.81% |
| Private Equity | 8.00% | 6.30% | 7.23% |
| Real Assets | 13.00% | 3.75% | 4.93% |
| Liquidity | 1.00% | 0.00% | -0.92% |
| Total | 100.00% | | |

(a) An expected inflation of 2.00% used for this period

(b) An expected inflation of 2.92% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for 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 | |
|-----------------------|-----------------------|---------------|
| | 2022 | 2021 |
| 1% Decrease | 6.15% | 6.15% |
| Net Pension Liability | \$ 15,848,851 | \$ 22,290,045 |
| Current Discount Rate | 7.15% | 7.15% |
| Net Pension Liability | \$ 7,819,768 | \$ 14,608,844 |
| 1% Increase | 8.15% | 8.15% |
| Net Pension Liability | \$ 1,182,239 | \$ 8,262,110 |

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, 2022.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

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, 2022 and 2021, the District contributed \$21,550 and \$21,450 to the VEBA plan, respectively.

Note 12 – 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. Commercial insurance expense amounted to \$310,772 and \$270,752 for the years ended June 30, 2022 and 2021, respectively.

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 \$171,223 and \$263,534 for the years ended June 30, 2022 and 2021, 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.

Real and Personal Property and Mobile Equipment: For Real and Personal Property, maximum replacement is no more than 100% of value shown in Statement of Value. For Mobile Equipment, maximum replacement of 100% of value shown in Statement of Value, and \$10,000 per item for unscheduled mobile equipment. Limits of insurance vary from \$2,500 per occurrence to the Blanket Limit of Insurance, with deductibles ranging from \$1,000 to \$2,500 per occurrence. Limit of insurance for equipment breakdown is 100% of value shown in Statement of Value.

Employee Dishonesty Coverage: \$250,000 limit with \$1,000 deductible per occurrence.

Forgery or Alteration Coverage: \$250,000 limit with \$1,000 deductible per occurrence.

Theft, Disappearance and Destruction Coverage: \$250,000 limit with \$1,000 deductible per occurrence for both inside and outside.

Computer Fraud Coverage: \$100,000 limit with \$1,000 deductible per occurrence.

Bodily Injury and Property Damage, Personal Injury and Advertising Injury, Professional Liability, Wrongful Acts, Employee Benefits Liability, and Employee Practices Liability Coverage: \$1,000,000 limit per occurrence with a \$3,000,000 aggregate limit. Professional Liability and Wrongful Acts Liability are subject to a \$10,000 deductible per claim. Additionally, the District carries a \$10,000,000 Excess Liability Policy that is in full effect.

Damage to Premises Rented to the District: \$1,000,000 limit for any one premise.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Risk Management (Continued)

Auto Coverage: \$1,000,000 liability limit, \$5,000 auto medical payment limit and \$1,000,000 uninsured motorist limit per accident with deductibles. Comprehensive and Collision limits are the actual cash value or cost of repair with deductibles of \$500 for comprehensive and collision.

Workers' Compensation Coverage and Employer's Liability: Statutory limits 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, 2021.

Note 13 – Net Position

A. Net Investment in Capital Assets

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

| | 2022 | 2021 |
|--|-----------------------|-----------------------|
| Net investment in capital assets | | |
| Capital assets, nondepreciable | \$ 38,426,035 | \$ 41,596,526 |
| Capital assets, depreciable/amortizable, net | 336,597,407 | 340,390,730 |
| Deferred amount on refunding | 1,016,228 | 1,191,088 |
| Unspent debt proceeds | 5,012,202 | - |
| Current portion of long-term debt: | | |
| Wastewater revenue bonds | (777,080) | (522,000) |
| Water revenue refunding bonds | (2,405,000) | (2,280,000) |
| Special assessment debt with government commitment | (863,064) | (843,108) |
| Note payable | (406,452) | (397,248) |
| Long-term debt, excluding current portion: | | |
| Waste water revenue bonds | (7,533,220) | (3,491,000) |
| Water revenue refunding bonds | (24,891,695) | (27,766,523) |
| Special assessment debt with government commitment | (4,594,691) | (5,457,755) |
| Note payable | (10,756,474) | (11,564,749) |
| Total net investment in capital assets | <u>\$ 328,824,196</u> | <u>\$ 330,855,961</u> |

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 13 – Net Position (Continued)

B. Restricted Net Position

Restricted Net Position at June 30 consisted of the following:

| | 2022 | 2021 |
|---|--------------|--------------|
| Net position restricted for debt service: | | |
| <u>Restricted Assets</u> | | |
| Cash | \$ 2,138,897 | \$ 1,798,632 |
| Investments | 60,887 | 245,766 |
| Taxes/assessments receivable | 39,292 | 39,981 |
| Total restricted assets for debt service | 2,239,076 | 2,084,379 |
| Less liabilities payable from restricted assets | (132,209) | (146,058) |
| Net position restricted for debt service | 2,106,867 | 1,938,321 |
| Net position restricted for construction: | | |
| <u>Restricted Assets</u> | | |
| Cash | 3,034,372 | 2,842,409 |
| Investments | 2,270,832 | 2,017,183 |
| Grants receivable | 342,520 | 389,320 |
| Total restricted assets for construction | 5,647,724 | 5,248,912 |
| Less liabilities from restricted assets | (26,732) | (65,933) |
| Net position restricted for construction | 5,620,992 | 5,182,979 |
| Total restricted net position | \$ 7,727,859 | \$ 7,121,300 |

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 Fund 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:

| | 2022 | 2021 |
|-----------------------------|---------------|---------------|
| Capital replacement reserve | \$ 47,486,991 | \$ 46,058,252 |
| Rate stabilization reserve | 14,631,267 | 13,090,439 |
| Operating reserve | 8,655,077 | 10,310,257 |
| | \$ 70,773,335 | \$ 69,458,948 |

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 14 – Capital Contributions

Capital contributions for the years ended June 30, 2022 and 2021 were as follows:

| | 2022 | 2021 |
|---------------------------------|-------------------|-------------------|
| Contributions of capital assets | \$ 393,361 | \$ 853,539 |
| Other | 176,384 | 46,459 |
| Total | <u>\$ 569,745</u> | <u>\$ 899,998</u> |

Note 15 – Economic Dependency

All potable water sold by the District is purchased from the San Diego County Water Authority (SDCWA). The District purchased 18,446.8 acre-feet (AF) of potable water during fiscal year 2022, and 19,547.6 AF during fiscal year 2021. 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 16 – 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:

| | 2022 | 2021 |
|------------------------------------|----------------------|---------------------|
| Total open contracts | \$ 15,780,920 | \$ 27,658,039 |
| Less costs incurred as of June 30, | <u>(3,370,297)</u> | <u>(25,141,812)</u> |
| Remaining contractual commitments | <u>\$ 12,410,623</u> | <u>\$ 2,516,227</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, 2022 and 2021

Note 16 – 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 17 – 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 Revenues Bonds rely solely on the revenues of the District's water services for repayment. Similarly, investors in the District's 2018, 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, 2022.

Condensed Statement of Net Position
June 30, 2022

| | Water Services | Wastewater Services | Total |
|--|----------------|---------------------|----------------|
| ASSETS | | | |
| Current assets | \$ 85,222,038 | \$ 20,985,823 | \$ 106,207,861 |
| Capital assets | 316,459,783 | 58,563,659 | 375,023,442 |
| Long-term assets | 9,955,712 | - | 9,955,712 |
| Other assets | 35,463 | - | 35,463 |
| Total assets | 411,672,996 | 79,549,482 | 491,222,478 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred amount on refunding | 1,016,228 | - | 1,016,228 |
| Pension-related deferred outflows of resources | 2,473,959 | 257,733 | 2,731,692 |
| Total deferred outflows of resources | 3,490,187 | 257,733 | 3,747,920 |
| LIABILITIES | | | |
| Current liabilities | 13,288,307 | 1,028,927 | 14,317,234 |
| Long-term liabilities | 47,203,268 | 9,331,767 | 56,535,035 |
| Total liabilities | 60,491,575 | 10,360,694 | 70,852,269 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension-related deferred inflows of resources | 5,386,833 | 1,609,054 | 6,995,887 |
| Lease-related deferred inflows of resources | 9,796,852 | - | 9,796,852 |
| Total deferred inflows of resources | 15,183,685 | 1,609,054 | 16,792,739 |
| NET POSITION | | | |
| Net investment in capital assets | 273,558,634 | 55,265,562 | 328,824,196 |
| Restricted for debt service | 2,106,867 | - | 2,106,867 |
| Restricted for construction | 5,620,992 | - | 5,620,992 |
| Unrestricted | 58,201,430 | 12,571,905 | 70,773,335 |
| Total net position | \$ 339,487,923 | \$ 67,837,467 | \$ 407,325,390 |

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 17 – Segment Information (Continued)

Changes in Net Position
For the Year Ended June 30, 2022

| | Water Services | Wastewater Services | Total |
|--|----------------|---------------------|----------------|
| Operating Revenues | | | |
| Water sales | \$ 57,747,541 | \$ - | \$ 57,747,541 |
| Sewer charges | - | 5,480,925 | 5,480,925 |
| Other water operating revenues | 1,303,126 | - | 1,303,126 |
| Total operating revenues | 59,050,667 | 5,480,925 | 64,531,592 |
| Operating Expenses | | | |
| Cost of purchased water sold | 31,265,804 | - | 31,265,804 |
| Pumping and water treatment | 4,322,820 | - | 4,322,820 |
| Transmission and distribution | 4,485,962 | - | 4,485,962 |
| Sewer collection and treatment | - | 2,170,341 | 2,170,341 |
| Elfin Forest recreation operations | 428,174 | - | 428,174 |
| Facilities maintenance | 1,304,985 | 82,025 | 1,387,010 |
| Customer services | 2,066,667 | 988 | 2,067,655 |
| General and administrative | 6,325,141 | 1,449,170 | 7,774,311 |
| Other operating expenses | 304,037 | - | 304,037 |
| Depreciation and amortization | 13,730,990 | 2,344,990 | 16,075,980 |
| Total operating expenses | 64,234,580 | 6,047,514 | 70,282,094 |
| Operating income (loss) | (5,183,913) | (566,589) | (5,750,502) |
| Nonoperating Revenues (Expenses) | | | |
| Fair market value adjustment | (2,081,617) | (386,025) | (2,467,642) |
| Investment income | 339,703 | 62,999 | 402,702 |
| Property taxes | 4,242,794 | - | 4,242,794 |
| Capacity charges | 616,165 | 914,760 | 1,530,925 |
| Benefit assessments | 1,058,241 | - | 1,058,241 |
| Other nonoperating revenues | 2,237,334 | - | 2,237,334 |
| Interest expense, net | (1,185,043) | (142,771) | (1,327,814) |
| Other nonoperating expenses | (490,206) | (116,396) | (606,602) |
| Total nonoperating revenues (expenses) | 4,737,371 | 332,567 | 5,069,938 |
| Income (loss) before capital contributions | (446,542) | (234,022) | (680,564) |
| Capital contributions | 80,949 | 488,796 | 569,745 |
| Change in net position | (365,593) | 254,774 | (110,819) |
| Net position, beginning of year | 339,853,516 | 67,582,693 | 407,436,209 |
| Net position, end of year | \$ 339,487,923 | \$ 67,837,467 | \$ 407,325,390 |

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 17 – Segment Information (Continued)

Condensed Statement of Cash Flows
For the Year Ended June 30, 2022

| | Water Services | Wastewater Services | Total |
|--|----------------|---------------------|---------------|
| Net cash provided by operating activities | \$ 9,286,862 | \$ 2,068,109 | \$ 11,354,971 |
| Net cash provided by noncapital and related financing activities | 5,271,677 | 2,102,804 | 7,374,481 |
| Net cash (used in) capital and related financing activities | (10,225,482) | 2,773,040 | (7,452,442) |
| Net cash (used in) investing activities | (3,785,688) | (1,233,533) | (5,019,221) |
| Net increase (decrease) in cash and cash equivalents | 547,369 | 5,710,420 | 6,257,789 |
| Cash and cash equivalents, beginning | 41,449,022 | 8,240,214 | 49,689,236 |
| Cash and cash equivalents, ending | \$ 41,996,391 | \$ 13,950,634 | \$ 55,947,025 |

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, 2021.

Condensed Statement of Net Position
June 30, 2021

| | Water Services | Wastewater Services | Total |
|--|----------------|---------------------|----------------|
| ASSETS | | | |
| Current assets | \$ 84,518,291 | \$ 14,397,199 | \$ 98,915,490 |
| Capital assets | 321,624,368 | 60,362,888 | 381,987,256 |
| Long-term assets | 7,188,378 | - | 7,188,378 |
| Other assets | 82,997 | - | 82,997 |
| Total assets | 413,414,034 | 74,760,087 | 488,174,121 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred amount on refunding | 1,191,088 | - | 1,191,088 |
| Pension-related deferred outflows of resources | 3,131,554 | 454,158 | 3,585,712 |
| Total deferred outflows of resources | 4,322,642 | 454,158 | 4,776,800 |
| LIABILITIES | | | |
| Current liabilities | 13,250,963 | 682,713 | 13,933,676 |
| Long-term liabilities | 56,954,414 | 6,851,033 | 63,805,447 |
| Total liabilities | 70,205,377 | 7,533,746 | 77,739,123 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension-related deferred inflows of resources | 327,437 | 97,806 | 425,243 |
| Lease-related deferred inflows of resources | 7,350,346 | - | 7,350,346 |
| Total deferred inflows of resources | 7,677,783 | 97,806 | 7,775,589 |
| NET POSITION | | | |
| Net investment in capital assets | 274,506,060 | 56,349,901 | 330,855,961 |
| Restricted for debt service | 1,938,321 | - | 1,938,321 |
| Restricted for construction | 5,182,979 | - | 5,182,979 |
| Unrestricted | 58,226,156 | 11,232,792 | 69,458,948 |
| Total net position | \$ 339,853,516 | \$ 67,582,693 | \$ 407,436,209 |

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 17 – Segment Information (Continued)

Changes in Net Position
For the Year Ended June 30, 2021

| | Water Services | Wastewater Services | Total |
|--|----------------|---------------------|----------------|
| Operating Revenues | | | |
| Water sales | \$ 58,169,813 | \$ - | \$ 58,169,813 |
| Sewer charges | - | 5,127,136 | 5,127,136 |
| Other water operating revenues | 1,461,229 | - | 1,461,229 |
| Total operating revenues | 59,631,042 | 5,127,136 | 64,758,178 |
| Operating Expenses | | | |
| Cost of purchased water sold | 30,601,983 | - | 30,601,983 |
| Pumping and water treatment | 4,378,418 | - | 4,378,418 |
| Transmission and distribution | 4,220,269 | - | 4,220,269 |
| Sewer collection and treatment | - | 2,085,237 | 2,085,237 |
| Elfin Forest recreation operations | 415,386 | - | 415,386 |
| Facilities maintenance | 1,279,544 | 84,020 | 1,363,564 |
| Customer services | 2,348,700 | - | 2,348,700 |
| General and administrative | 5,656,155 | 1,385,005 | 7,041,160 |
| Other operating expenses | 228,939 | - | 228,939 |
| Depreciation and amortization | 13,328,578 | 2,230,945 | 15,559,523 |
| Total operating expenses | 62,457,972 | 5,785,207 | 68,243,179 |
| Operating income (loss) | (2,826,930) | (658,071) | (3,485,001) |
| Nonoperating Revenues (Expenses) | | | |
| Fair market value adjustment | (482,337) | (79,682) | (562,019) |
| Investment income | 379,893 | 75,069 | 454,962 |
| Property taxes | 4,027,357 | - | 4,027,357 |
| Capacity charges | 2,754,730 | - | 2,754,730 |
| Benefit assessments | 1,177,302 | - | 1,177,302 |
| Other nonoperating revenues | 6,592,672 | - | 6,592,672 |
| Interest expense, net | (1,291,875) | (127,134) | (1,419,009) |
| Other nonoperating expenses | (293,946) | (782,601) | (1,076,547) |
| Total nonoperating revenues (expenses) | 12,863,796 | (914,348) | 11,949,448 |
| Income (loss) before capital contributions | 10,036,866 | (1,572,419) | 8,464,447 |
| Capital contributions | 611,840 | 288,158 | 899,998 |
| Change in net position | 10,648,706 | (1,284,261) | 9,364,445 |
| Net position, beginning of year | 329,204,810 | 68,866,954 | 398,071,764 |
| Net position, end of year | \$ 339,853,516 | \$ 67,582,693 | \$ 407,436,209 |

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 17 – Segment Information (Continued)

Condensed Statement of Cash Flows
For the Year Ended June 30, 2021

| | Water Services | Wastewater Services | Total |
|--|----------------------|---------------------|----------------------|
| Net cash provided by operating activities | \$ 7,822,188 | \$ 2,930,772 | \$ 10,752,960 |
| Net cash provided by noncapital and related financing activities | 7,259,197 | - | 7,259,197 |
| Net cash (used in) capital and related financing activities | (8,381,160) | (3,589,504) | (11,970,664) |
| Net cash (used in) investing activities | (10,627,142) | (1,423,630) | (12,050,772) |
| Net increase (decrease) in cash and cash equivalents | (3,926,917) | (2,082,362) | (6,009,279) |
| Cash and cash equivalents, beginning | 45,375,939 | 10,322,576 | 55,698,515 |
| Cash and cash equivalents, ending | <u>\$ 41,449,022</u> | <u>\$ 8,240,214</u> | <u>\$ 49,689,236</u> |

Note 18 – Restatement of Net Position

As a result of implementation of GASB Statement No. 87, *Leases*, net position as of July 1, 2021 has been restated as follows:

| | |
|---|-----------------------|
| Net position at July 1, 2021 as previously reported | \$ 407,246,145 |
| Restatement to implement GASB Statement No. 87 | 190,064 |
| Total restatement | 190,064 |
| Net position at July 1, 2021 as restated | <u>\$ 407,436,209</u> |

| | Originally Reported | Adjustments | As Restated |
|--|------------------------|-------------------|-----------------------|
| Leases receivable, due within one year | \$ - | \$ 352,032 | \$ 352,032 |
| Leases receivable, due in more than one year | - | 7,188,378 | 7,188,378 |
| Lease-related deferred inflows of resources | - | (7,350,346) | (7,350,346) |
| Total adjustments | | 190,064 | |
| Net position | <u>\$ 407,246,145</u> | <u>\$ 190,064</u> | <u>\$ 407,436,209</u> |

| | Originally Reported | Adjustments | As Restated |
|--------------------------------|------------------------|-------------------|-----------------------|
| Other water operating revenues | \$ 2,178,034 | \$ (716,805) | \$ 1,461,229 |
| Other nonoperating revenues | 5,685,803 | 906,869 | 6,592,672 |
| Total adjustments | | 190,064 | |
| Net position | <u>\$ 407,246,145</u> | <u>\$ 190,064</u> | <u>\$ 407,436,209</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, 2022 and 2021

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 2022, inspections on the various tanks ended in July 2022.

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, 2022, 2021, 2020, 2019, and 2018 the District's steel water storage tanks were rated as follows:

| Tank # | Name | Size (Gallons) | Type | TAI | | | | |
|--------|--------------------|----------------|----------------|----------|----------|----------|----------|----------|
| | | | | FY 21/22 | FY 20/21 | FY 19/20 | FY 18/19 | FY 17/18 |
| 1 | 4 S-2 Tank | 4,000,000 | Ground Storage | 9.4 | 9.4 | 8.8 | 8.1 | 8.6 |
| 2 | Zorro Tank | 1,200,000 | Ground Storage | 9.5 | 9.6 | 7.8 | 8.4 | 8.4 |
| 3 | Wiegand Tank | 1,000,000 | Ground Storage | 9.0 | 9.0 | 9.2 | 9.0 | 9.4 |
| 4 | Peay Tank | 10,000,000 | Ground Storage | 9.0 | 9.1 | 8.5 | 8.6 | 8.8 |
| 5 | Denk Tank | 10,000,000 | Ground Storage | 8.2 | 8.2 | 8.0 | 8.0 | 8.2 |
| 6 | 4S Tank | 10,000,000 | Ground Storage | 9.6 | 8.7 | 7.3 | 7.0 | 7.6 |
| 7 | Cielo Tank | 1,000,000 | Ground Storage | 8.3 | 8.5 | 8.6 | 8.5 | 8.1 |
| 8 | Roger Miller Tank | 8,000,000 | Ground Storage | 9.4 | 9.5 | 9.7 | 9.6 | 9.7 |
| 9 | Thelma Miller Tank | 1,000,000 | Ground Storage | 8.9 | 8.9 | 8.9 | 9.1 | 8.9 |

Olivenhain Municipal Water District
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021

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

The District expensed \$837,891 and \$786,752 on the steel water storage tanks maintenance for the fiscal years ended June 30, 2022 and 2021, 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 2022 is a minimum of \$830,023.

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 2022 | | Maintenance Expenses 2021 | | Maintenance Expenses 2020 | | Maintenance Expenses 2019 | | Maintenance Expenses 2018 | |
|--------|--------------------|------------------------------|------------|------------------------------|------------|------------------------------|------------|------------------------------|------------|------------------------------|------------|
| | | Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual |
| 1 | 4 S-2 Tank | \$ 58,290 | \$ 58,842 | \$ 55,251 | \$ 55,251 | \$ 55,251 | \$ 55,251 | \$ 52,513 | \$ 52,513 | \$ 49,776 | \$ 49,776 |
| 2 | Zorro Tank | 34,006 | 34,328 | 32,233 | 32,233 | 32,233 | 32,233 | 30,636 | 30,636 | 29,039 | 29,039 |
| 3 | Wiegand Tank | 25,545 | 25,787 | 24,213 | 24,213 | 24,213 | 24,213 | 23,013 | 23,013 | 21,814 | 21,814 |
| 4 | Peay Tank | 165,989 | 167,563 | 157,336 | 157,336 | 157,336 | 157,336 | 149,540 | 149,540 | 141,744 | 141,744 |
| 5 | Denk Tank | 175,985 | 177,654 | 166,811 | 166,811 | 166,811 | 166,811 | 158,545 | 158,545 | 150,280 | 150,280 |
| 6 | 4S Tank | 166,762 | 168,343 | 158,068 | 158,068 | 158,068 | 158,068 | 150,236 | 150,236 | 142,404 | 142,404 |
| 7 | Cielo Tank | 29,174 | 29,450 | 27,653 | 27,653 | 27,653 | 27,653 | 26,282 | 26,282 | 24,912 | 24,912 |
| 8 | Roger Miller Tank | 147,322 | 148,718 | 139,642 | 139,642 | 139,642 | 139,642 | 132,723 | 132,723 | 125,803 | 125,803 |
| 9 | Thelma Miller Tank | 26,950 | 27,206 | 25,545 | 25,545 | 25,545 | 25,545 | 24,279 | 24,279 | 23,014 | 23,014 |
| Total | | \$ 830,023 | \$ 837,891 | \$ 786,752 | \$ 786,752 | \$ 786,752 | \$ 786,752 | \$ 747,767 | \$ 747,767 | \$ 708,786 | \$ 708,786 |

Olivenhain Municipal Water District
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021

Schedule of Contributions – Defined Benefit Pension Plans

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years*

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|------------------|---------------------|---------------------|------------------|------------------|------------------|----------------|----------------|
| Contractually required contribution (actuarially determined) | \$ 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 | <u>1,854,789</u> | <u>2,183,027</u> | <u>1,809,929</u> | <u>1,321,485</u> | <u>1,144,038</u> | <u>1,026,323</u> | <u>898,330</u> | <u>825,748</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ (450,000)</u> | <u>\$ (300,000)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 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 | 24.13% | 29.10% | 25.25% | 19.09% | 16.92% | 16.06% | 14.77% | 13.98% |

Notes to Schedule:

| | | | | | | | | |
|----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Valuation Date | 6/30/2020 | 6/30/2019 | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 | 6/30/2014 | 6/30/2013 |
|----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|

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 | 7.50%, net of pension plan investment expense, including inflation** |
| Retirement age | 50 (2.5% @ 55), 52 years (2% @ 62) |
| Mortality | |

* Historical information is only presented for periods where GASB 68 is applicable.

** The valuation 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 valuation 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, and 2019 valuations (applicable to fiscal years ended June 30, 2016, 2017, 2018, 2019, 2020, 2021, and 2022, respectively).

Olivenhain Municipal Water District
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021

Schedule of Proportionate Share of the Net Pension Liability

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years *

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|
| Miscellaneous & PEPR Plan | | | | | | | | |
| Plan's Proportion of the Net Pension Liability | 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 | \$ 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 | \$ 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 | 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 | 87.14% | 74.69% | 74.59% | 75.38% | 73.57% | 74.06% | 79.86% | 83.03% |
| Plan's Proportionate Share of Aggregate Employer Contributions | \$ 2,084,274 | \$ 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.

* - Historical information is only presented for periods where GASB 68 is applicable.

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.

Contents

Table No.

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.

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

Last Ten Fiscal Years

| | Fiscal Year ended June 30 | | | | | | | | | |
|----------------------------------|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 328,824,196 | \$ 330,855,961 | \$ 330,720,794 | \$ 321,290,220 | \$ 322,232,147 | \$ 322,388,785 | \$ 322,493,799 | \$ 315,240,098 | \$ 314,218,584 | \$ 318,296,589 |
| Restricted | 7,727,859 | 7,121,300 | 6,593,159 | 10,947,134 | 10,912,202 | 11,690,890 | 15,355,420 | 20,852,200 | 22,359,148 | 18,114,492 |
| Unrestricted | 70,773,335 | 69,458,948 | 60,757,811 | 62,445,287 | 57,908,178 | 53,114,033 | 48,664,923 | 50,582,280 | 53,318,489 | 45,055,363 |
| Total Net Position | \$ 407,325,390 | \$ 407,436,209 | \$ 398,071,764 | \$ 394,682,641 | \$ 391,052,527 | \$ 387,193,708 | \$ 386,514,142 | \$ 386,674,578 | \$ 389,896,221 | \$ 381,466,444 |

Source: Olivenhain Municipal Water District

Table II - Changes in Net Position

Last Ten Fiscal Years

| | Fiscal Year ended June 30 | | | | | | | | | |
|--|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
| Operating Revenues | | | | | | | | | | |
| Water sales | \$57,747,541 | \$ 58,169,813 | \$ 50,430,847 | \$ 48,238,490 | \$ 53,444,449 | \$ 45,433,161 | \$ 40,936,218 | \$ 45,145,400 | \$ 47,875,747 | \$ 43,098,120 |
| Sewer charges | 5,480,925 | 5,127,136 | 4,952,194 | 5,245,015 | 4,464,710 | 4,447,426 | 4,474,853 | 4,656,781 | 4,246,033 | 4,178,503 |
| Other water operating revenues | 1,303,126 | 1,461,229 | 2,200,252 | 2,269,665 | 2,271,495 | 2,217,932 | 1,560,779 | 1,077,003 | 2,098,535 | 1,215,714 |
| Total operating revenues | \$ 64,531,592 | \$ 64,758,178 | \$ 57,583,293 | \$ 55,753,170 | \$ 60,180,654 | \$ 52,098,519 | \$ 46,971,850 | \$ 50,879,184 | \$ 54,220,315 | \$ 48,492,337 |
| Operating Expenses | | | | | | | | | | |
| Cost of purchased water sold | \$ 31,265,804 | \$ 30,601,983 | \$ 27,188,350 | \$ 25,532,687 | \$ 27,578,413 | \$ 24,568,729 | \$ 21,979,036 | \$ 23,634,844 | \$ 25,074,331 | \$ 24,157,374 |
| Pumping and water treatment | 4,322,820 | 4,378,418 | 4,139,526 | 4,028,711 | 4,129,127 | 3,988,991 | 3,390,124 | 3,629,349 | 3,915,661 | 2,761,823 |
| Transmission and distribution | 4,485,962 | 4,220,269 | 4,090,468 | 3,480,238 | 3,557,507 | 3,874,766 | 3,482,086 | 3,348,083 | 3,666,030 | 3,041,766 |
| Sewer collection and treatment | 2,170,341 | 2,085,237 | 1,980,603 | 1,631,657 | 1,845,906 | 1,672,289 | 1,758,907 | 1,703,761 | 1,767,162 | 1,555,363 |
| Elfin Forest Recreational Reserve | 428,174 | 415,386 | 381,540 | 376,635 | 337,557 | 316,387 | 287,923 | 187,525 | 198,143 | 161,710 |
| Facilities maintenance | 1,387,010 | 1,363,564 | 1,456,702 | 1,224,506 | 1,083,246 | 1,154,241 | 843,456 | 888,677 | 821,966 | 738,018 |
| Customer services | 2,067,655 | 2,348,700 | 2,404,916 | 1,817,086 | 1,734,656 | 1,789,423 | 1,757,388 | 1,205,838 | 1,057,472 | 1,003,099 |
| General and administrative | 7,774,311 | 7,041,160 | 7,326,820 | 6,926,933 | 7,252,941 | 6,265,690 | 5,388,804 | 5,141,239 | 4,513,964 | 3,957,431 |
| Other operating expenses | 304,037 | 228,939 | 329,185 | 407,811 | 244,817 | 388,995 | - | - | - | - |
| Depreciation and amortization | 16,075,980 | 15,559,523 | 15,029,936 | 14,892,827 | 14,584,093 | 15,069,090 | 13,053,286 | 13,757,848 | 13,661,241 | 12,837,065 |
| Total operating expenses | \$ 70,282,094 | \$ 68,243,179 | \$ 64,328,046 | \$ 60,319,091 | \$ 62,348,263 | \$ 59,088,601 | \$ 51,941,010 | \$ 53,497,164 | \$ 54,675,970 | \$ 50,213,649 |
| Operating income (loss) | (5,750,502) | (3,485,001) | (6,744,753) | (4,565,921) | (2,167,609) | (6,990,082) | (4,969,160) | (2,617,980) | (455,655) | (1,721,312) |
| Non-operating Revenues (expenses) | | | | | | | | | | |
| Investment income, net of market value adjustment ⁽¹⁾ | \$ (2,064,940) | \$ (107,057) | \$ 1,542,608 | \$ 2,135,687 | \$ 658,473 | \$ 230,271 | \$ 514,911 | \$ 457,182 | \$ 474,651 | \$ (22,367) |
| Property taxes | 4,242,794 | 4,027,357 | 3,863,252 | 3,714,060 | 3,557,919 | 3,414,858 | 3,268,438 | 3,066,946 | 2,896,741 | 2,806,377 |
| Capacity charges | 1,530,925 | 2,754,730 | 3,200,022 | 2,337,015 | 645,964 | 3,624,426 | 1,482,945 | 1,792,125 | 4,944,025 | 1,960,514 |
| Benefit assessments | 1,058,241 | 1,177,302 | 1,115,704 | 1,474,830 | 1,414,791 | 1,460,881 | 1,451,751 | 1,375,093 | 1,516,201 | 1,507,511 |
| Other non-operating revenues ⁽²⁾ | 2,237,334 | 6,592,672 | 91,836 | 67,097 | 2,669 | 278,589 | 53,458 | 137,836 | 347,610 | 16,508 |
| Interest expense, net | (1,327,814) | (1,419,009) | (1,457,739) | (1,794,797) | (2,120,456) | (2,342,667) | (2,629,591) | (2,879,588) | (3,037,510) | (2,056,136) |
| Other non-operating expenses | (606,602) | (1,076,547) | (1,458,033) | (1,036,442) | (561,079) | (1,012,913) | (1,211,973) | (358,178) | (2,448,061) | (950,689) |
| Total non-operating revenues (expenses) | \$ 5,069,938 | \$ 11,949,448 | \$ 6,897,650 | \$ 6,897,450 | \$ 3,598,281 | \$ 5,653,445 | \$ 2,929,939 | \$ 3,591,416 | \$ 4,693,657 | \$ 3,261,718 |
| Income before capital contributions | (680,564) | 8,464,447 | 152,897 | 2,331,529 | 1,430,672 | (1,336,637) | (2,039,221) | 973,436 | 4,238,002 | 1,540,406 |
| Capital contributions | 569,745 | 899,998 | 3,236,226 | 1,298,585 | 2,428,147 | 2,016,203 | 1,878,785 | 4,524,509 | 4,191,775 | 9,949,608 |
| Change in net position | (110,819) | 9,364,445 | 3,389,123 | 3,630,114 | 3,858,819 | 679,566 | (160,436) | 5,497,945 | 8,429,777 | 11,490,014 |
| Net Position | | | | | | | | | | |
| Beginning of year | \$ 407,436,209 | \$ 398,071,764 | \$ 394,682,641 | \$ 391,052,527 | \$ 387,193,708 | \$ 386,514,142 | \$ 386,674,578 | \$ 389,896,221 | \$ 381,466,444 | \$ 369,976,430 |
| Prior Year Adjustment/Equity Adjustment | - | - | - | - | - | - | - | (8,719,588) | - | - |
| End of year | \$ 407,325,390 | \$ 407,436,209 | \$ 398,071,764 | \$ 394,682,641 | \$ 391,052,527 | \$ 387,193,708 | \$ 386,514,142 | \$ 386,674,578 | \$ 389,896,221 | \$ 381,466,444 |

Source: Olivenhain Municipal Water District

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

(2) FY 2022 and FY 2021 include MET lawsuit settlements, sale of District parcels, and rental income (previously categorized under Other water operating revenues).

Table III - Revenues by Source

Last Ten Fiscal Years

| Fiscal Year Ended | OPERATING REVENUES | | | | | | NONOPERATING REVENUES | | | | | | TOTAL 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 | |
| 2022 | \$ 42,215,756 | \$ 15,531,785 | \$ 1,116 | \$ 5,480,925 | \$ 1,302,010 | \$ 64,531,592 | \$ (2,064,940) | \$ 5,301,035 | \$ 1,530,925 | \$ 569,745 | \$ 2,237,334 | \$ 7,574,099 | \$ 72,105,691 |
| 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 | 2,194,972 | 57,583,293 | 1,542,608 | 4,978,956 | 3,200,022 | 3,236,226 | 91,836 | 13,049,648 | 70,632,941 |
| 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 |
| 2014 | 36,602,714 | 11,273,033 | 20,946 | 4,246,033 | 2,077,589 | 54,220,315 | 474,651 | 4,412,942 | 4,944,025 | 4,191,775 | 347,610 | 14,371,003 | 68,591,318 |
| 2013 | 32,430,072 | 10,668,048 | 166,262 | 4,178,503 | 1,049,452 | 48,492,337 | (22,367) | 4,313,888 | 1,960,514 | 9,949,608 | 16,508 | 16,218,151 | 64,710,488 |

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 \$(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 | | | TOTAL 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 | |
| 2022 | \$ 31,265,804 | \$ 4,322,820 | \$ 4,485,962 | \$ 2,170,341 | \$ 2,067,655 | \$ 16,075,980 | \$ 9,893,532 | \$ 70,282,094 | \$ 1,327,814 | \$ 606,602 | \$ 1,934,416 | \$ 72,216,510 |
| 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 |
| 2014 | 25,074,331 | 3,915,661 | 3,666,030 | 1,767,162 | 1,057,472 | 13,661,241 | 5,534,073 | 54,675,970 | 3,037,510 | 2,448,061 | 5,485,571 | 60,161,541 |
| 2013 | 24,157,374 | 2,761,823 | 3,041,766 | 1,555,363 | 1,003,099 | 12,837,065 | 4,857,159 | 50,213,649 | 2,056,136 | 950,689 | 3,006,825 | 53,220,474 |

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, Rate Reimbursement Credit, and miscellaneous other non-operating expenses such as bank fees and bond consultants.

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 |
| 2022 | \$ 38,105,626 | 17,179.4 | 88.7% | \$ 373,711 | 237.5 ⁽³⁾ | 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 | 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 |
| 2014 | 31,733,764 | 19,840.5 | 87.4% | 1,269,068 | 824.2 | 3.5% | 3,317,826 | 2,561.5 | 9.1% | 36,320,659 | 23,226.2 | 1,564 | 3.59 |
| 2013 | 27,830,418 | 18,552.9 | 87.1% | 1,119,726 | 757.3 | 3.5% | 3,016,610 | 2,467.2 | 9.4% | 31,966,754 | 21,777.4 | 1,468 | 3.37 |

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 | | | | | | | | | |
|--|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2022 ⁽⁶⁾ | 2021 ⁽⁶⁾ | 2020 ⁽⁶⁾ | 2019 ⁽⁶⁾ | 2018 ⁽⁶⁾ | 2017 ⁽⁶⁾ | 2016 ⁽⁷⁾ | 2015 ⁽⁶⁾ | 2014 ⁽⁶⁾ | 2013 ⁽⁶⁾ |
| Potable Water⁽¹⁾ | | | | | | | | | | |
| Monthly System Access Charge | \$ 40.41 | \$ 39.44 | \$ 38.46 | \$ 37.70 | \$ 37.70 | \$ 36.08 | \$ 33.88 | \$ 31.97 | \$ 30.76 | \$ 29.87 |
| Monthly Commodity Charge | | | | | | | | | | |
| Domestic Rate | | | | | | | | | | |
| 1 st Tier | 3.68 | 3.39 | 3.30 | 2.71 | 2.64 | 2.53 | 2.50 | 2.25 | 2.32 | 2.26 |
| 2 nd Tier | 5.34 | 5.02 | 4.90 | 4.75 | 4.62 | 4.43 | 4.35 | 3.93 | 3.71 | 3.61 |
| 3 rd Tier | 5.96 | 5.63 | 5.49 | 5.61 | 5.46 | 5.23 | 5.60 | 4.65 | 4.75 | 4.62 |
| 4 th Tier | 7.09 | 6.74 | 6.58 | 6.58 | 6.40 | 6.13 | 6.26 | 5.44 | - | - |
| Commercial Rate | | | | | | | | | | |
| 1 st Tier | 5.02 | 4.71 | 4.59 | 4.07 | 3.96 | 3.79 | 3.64 | 3.36 | 3.90 | 3.79 |
| 2 nd Tier ⁽²⁾ | - | - | - | - | - | - | - | - | 4.97 | 4.83 |
| Irrigation ⁽³⁾ | | | | | | | | | | |
| 1 st Tier | 5.65 | 5.33 | 5.20 | 4.35 | 4.23 | 4.05 | 3.99 | 3.60 | - | - |
| 2 nd Tier | 6.04 | 5.71 | 5.57 | 5.90 | 5.74 | 5.50 | 5.61 | 4.88 | - | - |
| Agricultural Rate | 5.88 | 5.55 | 5.42 | 4.75 | 4.62 | 4.43 | 4.26 | 3.93 | 3.70 | 3.60 |
| PSAWR/TSAWR Credit ⁽⁴⁾ | (1.11) | (0.97) | (0.99) | (0.94) | (0.95) | (0.89) | (0.90) | (0.77) | (0.47) | (0.40) |
| Recycled⁽¹⁾ | | | | | | | | | | |
| Monthly System Access Charge | \$ 40.41 | \$ 39.44 | \$ 38.46 | \$ 37.70 | \$ 37.70 | \$ 36.08 | \$ 33.88 | \$ 31.97 | \$ 30.76 | \$ 29.87 |
| Monthly Commodity Charge Uniform Rate | 3.79 | 3.65 | 3.61 | 3.85 | 3.75 | 3.59 | 3.37 | 3.18 | 3.03 | 2.95 |
| Sewer⁽¹⁾ | | | | | | | | | | |
| Annual System Access Charge per EDU ⁽⁵⁾ | | | | | | | | | | |
| 4S Ranch | \$ 186.17 | \$ 181.09 | \$ 181.09 | \$ 175.81 | \$ 170.68 | \$ 165.70 | \$ 147.00 | \$ 147.00 | \$ 147.00 | \$ 147.00 |
| Rancho Cielo | 186.17 | 181.09 | 181.09 | 175.81 | 170.68 | 165.70 | 147.00 | 147.00 | 147.00 | 147.00 |
| Multi-Family and Commercial | 147.33 | 181.09 | 181.09 | 175.81 | 170.68 | 165.70 | 147.00 | 147.00 | 147.00 | 147.00 |
| Commodity Charge per unit | | | | | | | | | | |
| Domestic Rate | 6.81 | 6.59 | 6.59 | 6.39 | 6.20 | 6.01 | 6.00 | 6.00 | 6.00 | 6.00 |
| Multi-Family Rate | 6.81 | 6.59 | 6.59 | 6.39 | 6.20 | 6.01 | 6.00 | 6.00 | 6.00 | 6.00 |
| Commercial Rate | | | | | | | | | | |
| Group I | 6.81 | 6.59 | 6.59 | 6.39 | 6.20 | 6.01 | 6.00 | 6.00 | 6.00 | 6.00 |
| Group II | 9.43 | 10.16 | 10.16 | 9.86 | 9.57 | 9.29 | 9.29 | 9.29 | 9.29 | 9.29 |
| Group III | - | 11.36 | 11.36 | 11.02 | 10.69 | 10.37 | 15.86 | 15.86 | 15.86 | 15.86 |

Source: Olivenhain Municipal Water District

Notes:

- (1) Commodity charges are for one unit of water (1 unit = 748 gallons).
- (2) Tier 2 Commercial Rate was eliminated as part of the 2014 Water Rate Study.
- (3) Irrigation tiers are based on seasonal allotments by meter size.
- (4) Permanent/Transitional Special Agricultural Water Rate is calendar year based (Jan 1st to Dec 31st).
- (5) 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.
- (6) Water Supply Shortage Level 1 Rate.
- (7) Water Supply Shortage Level 2 Rate.

Table VII - Principal Water Consumers

Current and Nine Years Ago

FISCAL YEAR ENDED 2022

| Customer Name | Usage (AF) | % of Water Sold |
|---|------------|-----------------|
| The Bridges Club at RSF Inc ⁽¹⁾ | 593.4 | 2.94% |
| 4S Ranch Master HOA ⁽²⁾ | 492.8 | 2.44% |
| Bando National Corporation ⁽²⁾⁽³⁾ | 332.7 | 1.65% |
| Rancho Santa Fe Farms Golf Inc ⁽²⁾ | 264.3 | 1.31% |
| Del Mar Country Club ⁽²⁾ | 245.4 | 1.22% |
| Crosby Estate HOA ⁽²⁾ | 233.2 | 1.16% |
| La Costa Oaks Association ⁽²⁾ | 194.7 | 0.96% |
| La Costa Glen Carlsbad LLC ⁽¹⁾⁽⁴⁾ | 175.6 | 0.87% |
| Surf Cup Soccer Field ⁽²⁾ | 138.4 | 0.69% |
| Cielo Homeowners Assn ⁽¹⁾ | 126.3 | 0.63% |
| Total top ten consumers | 2,796.9 | 13.85% |
| Other consumers | 17,393.7 | 86.15% |
| Total water billed | 20,190.6 | 100.00% |

FISCAL YEAR ENDED 2013

| Customer Name | Usage (AF) | % of Water Sold |
|------------------------------|------------|-----------------|
| 4S Ranch Master HOA | 450.2 | 2.07% |
| Fairbanks Ranch Country Club | 389.3 | 1.79% |
| Del Mar Country Club | 304.7 | 1.40% |
| Crosby National Golf Club | 286.3 | 1.31% |
| HCC Investors | 285.8 | 1.31% |
| Rancho Santa Fe Farms Golf | 231.3 | 1.06% |
| La Costa Oaks Association | 196.8 | 0.90% |
| Crosby Estates HOA | 162.2 | 0.74% |
| Continuing Life Communities | 149.6 | 0.69% |
| La Costa Valley Master Assn. | 149.5 | 0.69% |
| Total top ten consumers | 2,605.7 | 11.97% |
| Other consumers | 19,171.7 | 88.03% |
| Total water billed | 21,777.4 | 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.
- (4) Previously named Continuing Life Communities.

Table VIII - Principal Wastewater (Sewer) Customers

Current and Two Years Ago

FISCAL YEAR ENDED 2022

| Customer Name | Amount Billed | % of Total Sewer Billed |
|--------------------------------|---------------|-------------------------|
| Cymer Inc | \$ 293,395 | 5.38% |
| 4S Ranch Holdco LLC | 277,203 | 5.08% |
| Amante and Ravenna at 4S Ranch | 198,204 | 3.63% |
| Summit of Rancho Bernardo HOA | 165,048 | 3.02% |
| Bridgeport At 4S Ranch | 124,962 | 2.29% |
| Santaluz Family Apartments LP | 105,933 | 1.94% |
| Gianni at 4S Ranch | 113,385 | 2.08% |
| Dove Canyon Apartments | 74,542 | 1.37% |
| San Moritz at 4S Ranch HOA | 75,509 | 1.38% |
| Grifols Diagnostic Solutions | 36,801 | 0.67% |
| Total top ten customers | 1,464,983 | 26.84% |
| Other customers | 3,993,179 | 73.16% |
| Total Sewer billed | \$ 5,458,162 | 100.00% |

FISCAL YEAR ENDED 2020

| Customer Name | Amount Billed | % of Total Sewer Billed |
|--------------------------------|---------------|-------------------------|
| Cymer Inc | \$ 313,822 | 6.35% |
| 4S Ranch Holdco LLC | 264,327 | 5.35% |
| Amante and Ravenna at 4S Ranch | 189,320 | 3.83% |
| Summit of Rancho Bernardo HOA | 174,256 | 3.53% |
| Bridgeport At 4S Ranch | 119,255 | 2.41% |
| Gianni at 4S Ranch | 111,443 | 2.26% |
| Santaluz Family Apartments LP | 89,493 | 1.81% |
| Poway Unified School District | 83,738 | 1.70% |
| Dove Canyon Apartments | 61,606 | 1.25% |
| 4S Regency Partners LLC 00760 | 78,087 | 1.58% |
| Total top ten customers | 1,485,346 | 30.07% |
| Other customers | 3,454,664 | 69.93% |
| 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 | | | |
| 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 | 4,643,004 | 27,101 | 0.58% |
| 2015 | 3,065,704 | 1,436,411 | 4,502,115 | 4,533,108 | (30,993) | -0.69% |
| 2014 | 2,979,746 | 1,441,062 | 4,420,808 | 4,361,579 | 59,229 | 1.34% |
| 2013 | 2,885,797 | 1,443,461 | 4,329,258 | 4,251,474 | 77,784 | 1.80% |

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 | | | |
| 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 |
| 2014 | 18,192,814,739 | 126,126,709 | (209,610,305) | 18,109,331,143 | 227,878,909 | 18,337,210,052 |
| 2013 | 17,692,363,954 | 81,030,718 | (203,823,254) | 17,569,571,418 | 247,720,500 | 17,817,291,918 |

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 |
|-------------------|----------------------------------|-----------------------------|------------------------------------|-----------------|--|-------------------------------------|------------------------------------|----------------------------|------------------|-------------------------------|
| 2022 | \$ 5,457,755 | \$ - | \$ 82,151.99 | \$ 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 | 8,348,952 | 23,391,490,448 | 0.04% | 86,997 | 96 | \$ 5,167,708,797 | 0.16% |
| 2018 | 10,625,000 | 25,671 | 1,431,668 | 9,219,002 | 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% |
| 2014 | 14,020,000 | 36,873 | 1,398,954 | 12,657,919 | 18,192,814,739 | 0.07% | 83,368 | 152 | \$ 4,194,623,309 | 0.30% |
| 2013 | 14,765,000 | 39,674 | 1,428,025 | 13,376,649 | 17,692,363,954 | 0.08% | 82,355 | 162 | \$ 4,048,736,510 | 0.33% |

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 census data and population growth estimates for San Diego County.

Table XII - Direct and Overlapping Debt

June 30, 2022

2021-22 Assessed Valuation: \$26,471,590,193

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:

| | Total Debt as of 6/30/2022 | % Applicable (1) | District's Share of Debt as of 6/30/2022 |
|---|-------------------------------|------------------|---|
| Metropolitan Water District | \$20,175,000 | 0.780% | \$ 157,365 |
| Mira Costa Community College District | 291,380,000 | 16.031% | 46,711,128 |
| Palomar Community College District | 655,840,155 | 4.644% | 30,457,217 |
| Poway Unified School District School Facilities Improvement District No. 2002-1 | 114,320,766 | 5.165% | 5,904,668 |
| Poway Unified School District School Facilities Improvement District No. 2007-1 | 164,542,310 | 3.144% | 5,173,210 |
| San Marcos Unified School District | 273,680,421 | 0.082% | 224,418 |
| Escondido Union High School District | 79,639,809 | 1.522% | 1,212,118 |
| San Dieguito Union High School District | 424,285,000 | 26.567% | 112,719,796 |
| Cardiff School District | 23,045,019 | 4.426% | 1,019,973 |
| Encinitas Union School District | 44,196,583 | 58.276% | 25,756,001 |
| Escondido Union School District | 170,289,622 | 1.572% | 2,676,953 |
| Rancho Santa Fe School District | 29,371,595 | 27.858% | 8,182,339 |
| Solano Beach School District School Facilities Improvement District No. 2016-1 | 90,570,000 | 27.188% | 24,624,172 |
| Palomar Health District | 408,228,082 | 6.720% | 27,432,927 |
| Poway Unified School District Community Facilities Districts | 162,227,200 | 10.467-100% | 151,597,618 |
| San Dieguito Union High School District Community Facilities Districts | 62,375,000 | 17.369-100% | 29,381,626 |
| Solana Beach School District Community Facilities District No. 2000-1 | 2,240,000 | 100.00% | 2,240,000 |
| City of Encinitas Community Facilities District No. 1 | 19,105,000 | 26.035% | 4,973,987 |
| Rancho Santa Fe Community Services District Community Facilities District No. 1 | 26,295,000 | 100.00% | 26,295,000 |
| Olivenhain Municipal Water District Assessment District No. 2019-96-1 | 5,470,000 | 100.00% | 5,470,000 |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | | \$ 512,210,516 |
| OVERLAPPING GENERAL FUND DEBT: | | | |
| San Diego County General Fund Obligations | \$245,340,000 | 4.367% | \$ 10,713,998 |
| San Diego County Pension Obligation Bonds | 340,825,000 | 4.367% | 14,883,828 |
| San Diego County Superintendent of Schools General Fund Obligations | 7,780,000 | 4.367% | 339,753 |
| Palomar Community College District General Fund Obligations | 1,440,000 | 4.644% | 66,874 |
| Poway Unified School District Certificates of Participation | 54,460,000 | 11.997% | 6,533,566 |
| Other School District General Fund Obligations | 145,248,687 | Various | 4,390,364 |
| City of Encinitas Certificates of Participation | 35,460,000 | 36.91% | 13,087,931 |
| City of San Diego General Fund Obligations | 561,794,528 | 0.256% | 1,438,194 |
| Other Cities' General Fund Obligations | 2,395,000 | Various | 6,092 |
| TOTAL OVERLAPPING GENERAL FUND DEBT | | | \$ 51,460,600 |
| OVERLAPPING TAX INCREMENT DEBT (Successor Agency): | \$ 204,695,000 | 0.107% | \$ 219,024 |
| TOTAL DIRECT DEBT | | | - |
| TOTAL OVERLAPPING DEBT | | | \$ 563,890,140 |
| COMBINED TOTAL DEBT | | | \$ 563,890,140 ⁽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 capital lease obligations.

Ratios to 2021-22 Assessed Valuation:

| | |
|--|-------|
| Direct Debt | 0.00% |
| Total Direct and Overlapping Tax and Assessment Debt | 1.93% |
| Combined Total Debt | 2.13% |

Ratios to Redevelopment Successor Agency Incremental Valuation (\$11,309,941):

| | |
|--------------------------------------|-------|
| Total Overlapping Tax Increment Debt | 1.94% |
|--------------------------------------|-------|

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 |
|-------------------|---------------|--------------------|------------------|------------------------------|---------------------------------|--------------------------|--|-------------------------------|--------------------------|-----------------------------------|----------------------------|
| 2022 | \$ 58,746,630 | \$ 4,242,794 | \$ 1,530,925 | \$ 2,640,036 | \$ 67,160,385 | \$ 31,265,804 | \$ 18,505,581 | \$ 17,389,000 | \$ 4,451,579 | 3.91 | 125% |
| 2021 | 59,402,103 | 4,027,357 | 2,754,730 | 7,047,634 | 73,231,824 | 30,601,983 | 17,883,079 | 24,746,762 | 4,450,079 | 5.56 | 125% |
| 2020 | 52,307,718 | 3,863,252 | 3,200,022 | 1,345,972 | 60,716,964 | 27,188,350 | 18,112,974 | 15,415,640 | 4,453,579 | 3.46 | 125% |
| 2019 | 50,100,343 | 3,714,060 | 1,474,830 | 1,779,546 | 57,068,779 | 25,532,687 | 16,223,249 | 15,312,843 | 4,457,329 | 3.44 | 125% |
| 2018 | 55,471,127 | 3,557,919 | 620,224 | 533,766 | 60,183,036 | 27,578,413 | 16,487,251 | 16,117,372 | 4,513,537 | 3.57 | 125% |
| 2017 | 47,262,098 | 3,414,858 | 1,761,723 | 474,085 | 52,912,764 | 24,568,729 | 15,906,059 | 12,437,976 | 4,716,802 | 2.64 | 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% |
| 2014 | 49,974,282 | 2,896,741 | 4,944,025 | 600,298 | 58,415,346 | 25,074,331 | 12,991,402 | 20,349,613 | 4,207,351 | 4.84 | 115% |
| 2013 | 44,313,834 | 2,806,377 | 1,960,514 | 355,319 | 49,436,044 | 24,157,374 | 10,589,240 | 14,689,430 | 3,874,676 | 3.79 | 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.
- (2) Includes investment income, gain on sale of capital assets, settlement payments from MWD lawsuit (2022 & 2021 only), and sale of District parcels (2022 & 2021 only). Excludes Wastewater (Sewer) revenues and unrealized gain and losses on investments.
- (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 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 | | |
| 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% |
| 2014 | 746,576 | 647,046 | 47,440 | 1,441,062 | 1,454,689 | 100.9% |
| 2013 | 722,203 | 676,413 | 44,845 | 1,443,461 | 1,453,620 | 100.7% |

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 ⁽¹⁾
Last Ten Fiscal Years

| Fiscal Year Ended | Water Revenue Bonds | | | | Sewer Revenue Bonds | | | Special Assessment Bonds | Note Payable | | 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 Refunding Bonds | 2021A Sewer Revenue Bonds | 2021B Sewer Revenue Refunding Bonds | Limited Obligation Reassessment District 96-1 ⁽³⁾ | 2013 State Revolving Fund | 2012 California Bank and Trust ⁽²⁾ | | | |
| 2022 | \$ 13,689,319 | \$ 13,607,376 | \$ - | \$ - | \$ - | \$ 4,796,400 | \$ 3,513,900 | \$ 5,457,755 | \$ 11,162,925 | \$ - | \$ 52,227,675 | 0.86% | 603 |
| 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 |
| 2014 | - | - | 17,767,233 | 27,934,221 | - | - | - | 14,056,873 | 17,069,309 | 2,546,030 | 79,373,666 | 1.89% | 952 |
| 2013 | - | - | 18,165,742 | 29,398,866 | - | - | - | 14,804,674 | 15,343,566 | 3,533,098 | 81,245,946 | 2.01% | 987 |

Source: Olivenhain Municipal Water District

Notes:
(1) FY 2012 and prior years include amortized bond issuance costs.
(2) 2012 California Bank and Trust note was paid off in February 2017.
(3) 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.

Table XVI - Demographic Statistics

SD County Current and Prior Nine Years

| Year | Population Estimate | Personal Income | Per Capita Personal Income ⁽¹⁾ | Unemployment Rate ⁽²⁾ |
|-------------|----------------------------|------------------------|--|---|
| 2022 | 86,614 | 6,055,791,038 | 69,917 | 3.2% |
| 2021 | 86,649 | 5,717,794,212 | 65,988 | 7.7% ⁽³⁾ |
| 2020 | 87,084 | 5,379,178,680 | 61,770 | 13.8% ⁽³⁾ |
| 2019 | 86,997 | 5,167,708,797 | 59,401 | 3.7% |
| 2018 | 86,478 | 4,987,791,606 | 57,677 | 4.0% |
| 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% |
| 2014 | 83,368 | 4,194,623,309 | 51,444 | 6.4% |
| 2013 | 82,355 | 4,048,736,510 | 49,162 | 7.8% |

Source: California Department of Finance, California Department of Transportation, and Employment Development Department

Notes:

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

Table XVII - San Diego County Principal Employers

Current and Ten Years Ago

SAN DIEGO COUNTY - FISCAL YEAR 2022

| Employer Name | Number of Employees ⁽¹⁾ | Percentage of Total County Employment |
|---|------------------------------------|---------------------------------------|
| University of California San Diego ⁽⁴⁾ | 47,327 | 3.12% |
| Naval Base San Diego | 35,000 | 2.31% |
| County of San Diego | 24,845 | 1.64% |
| Sharp HealthCare | 19,000 | 1.25% |
| San Diego Unified School District | 17,006 | 1.12% |
| Scripps Health | 15,000 | 0.99% |
| City of San Diego | 12,305 | 0.81% |
| Qualcomm Inc. ⁽²⁾ | 11,800 | 0.78% |
| Kaiser Permanente San Diego | 9,500 | 0.63% |
| San Diego State University | 5,577 | 0.37% |
| Total Top Ten County Employers | 197,360 | 13.02% |
| All Other County Employers | 1,318,424 | 86.98% |
| Total County Employment ⁽³⁾ | 1,515,784 | 100.00% |

SAN DIEGO COUNTY - FISCAL YEAR 2012 ⁽⁵⁾

| Employer Name | Number of Employees | Percentage of Total County Employment |
|--|---------------------|---------------------------------------|
| Federal Government | 45,500 | 3.14% |
| State of California | 42,900 | 2.96% |
| University of California San Diego | 27,391 | 1.89% |
| County of San Diego | 15,687 | 1.08% |
| Sharp HealthCare | 15,231 | 1.05% |
| San Diego Unified School District | 14,603 | 1.01% |
| Scripps Health | 14,097 | 0.97% |
| Qualcomm Inc. | 11,400 | 0.79% |
| City of San Diego | 10,057 | 0.69% |
| Kaiser Permanente | 7,731 | 0.53% |
| Total | 204,597 | 14.11% |
| All Other County Employers | 1,195,393 | 85.89% |
| Total County Employment ⁽³⁾ | 1,399,990 | 100.00% |

Source: San Diego Business Journal, Bureau of Labor Statistics, Company Websites

Notes:

- (1) Numbers are based on most recent data available from Bureau of Labor Statistics, company websites, or PublicPay.ca.gov
(2) 2018 San Diego Business Journal was the most recent data available for these companies
(3) Bureau of Labor Statistics employment in June
(4) US San Diego and UC San Diego Health numbers are combined starting in 2022
(5) 2013 data was not available from the County of San Diego for 10-year comparison so 2012 is used instead

Table XVIII - Full-time Equivalent Employees by Activity

Last Ten Fiscal Years

| | Full-time Equivalent Employees ⁽¹⁾ | | | | | | | | | |
|--|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
| Water Operations ⁽²⁾ | 36.00 | 35.00 | 37.00 | 34.00 | 36.00 | 34.00 | 31.00 | 36.00 | 38.00 | 39.00 |
| Wastewater and Recycled Operations ⁽³⁾ | 8.00 | 8.00 | 8.00 | 7.00 | 7.00 | 6.00 | 6.00 | 6.00 | 8.00 | 8.00 |
| Elfin Forest Recreation Operations | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 2.00 |
| General and Administration | | | | | | | | | | |
| General Manager | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 2.00 | 2.00 | 5.00 | 5.00 |
| Engineering | 8.00 | 9.00 | 8.00 | 8.00 | 8.00 | 8.00 | 11.00 | 9.00 | 7.00 | 6.00 |
| Finance | 8.00 | 7.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 13.00 | 14.00 |
| Human Resources | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Customer Service & Public Relations | 16.00 | 14.00 | 16.00 | 15.00 | 16.00 | 14.00 | 14.00 | 14.00 | - | - |
| Total | 87.00 | 84.00 | 88.00 | 83.00 | 86.00 | 81.00 | 79.00 | 82.00 | 78.00 | 78.00 |

Source: Olivenhain Municipal Water District

Notes:

- (1) Based on active full-time employees included in the District's payroll as of 6/30/2021, 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 | | | | | | | | | |
|--|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
| Potable | | | | | | | | | | |
| Service area (acres) | 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 | 31,123.0 |
| Miles of water main ⁽¹⁾ | 466.2 | 466.2 | 466.2 | 466.2 | 466.2 | 466.2 | 419.0 | 419.0 | 419.0 | 419.0 |
| Number of treated reservoirs in service | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 13.0 | 16.0 |
| Total treated reservoirs capacity (million gallons) | 66.9 | 66.9 | 66.9 | 66.9 | 66.9 | 66.9 | 65.9 | 65.9 | 68.1 | 81.5 |
| Number of service connections | 28,871.0 | 28,848.0 | 28,803.0 | 28,664.0 | 28,585.0 | 28,563.0 | 28,477.0 | 28,343.0 | 28,251.0 | 27,892.0 |
| Number of meters in service | 28,713.0 | 28,696.0 | 28,657.0 | 28,504.0 | 28,431.0 | 28,393.0 | 28,295.0 | 28,161.0 | 28,082.0 | 27,714.0 |
| Potable water peak demand (million gallons) ⁽²⁾ | 27.0 | 25.8 | 25.5 | 26.7 | 25.4 | 29.8 | 23.9 | 29.9 | 32.7 | 29.7 |
| Average treated water demand (MGD) ⁽²⁾ | 17.4 | 17.4 | 15.3 | 15.0 | 17.3 | 18.9 | 14.4 | 17.5 | 19.7 | 18.6 |
| 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⁾ | 17.6 | 20.8 | 18.1 | 17.7 | 21.4 | 18.7 | 13.9 | 17.1 | 22.3 | 12.8 |
| Sewer | | | | | | | | | | |
| Service area (acres) | 5,508.0 | 5,508.0 | 5,508.0 | 5,508.0 | 5,508.0 | 5,508.0 | 5,338.0 | 5,338.0 | 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⁾ | 7,250.0 | 7,247.0 | 7,244.0 | 7,239.0 | 7,236.0 | 7,063.0 | 7,043.0 | 6,939.0 | 6,883.0 | 6,861.0 |
| Recycled | | | | | | | | | | |
| Service area (acres) | 10,638.0 | 10,638.0 | 10,638.0 | 10,638.0 | 10,638.0 | 10,637.8 | 10,567.0 | 10,567.0 | 10,567.0 | 10,567.0 |
| Miles of recycled water main ⁽⁶⁾ | 67.1 | 67.1 | 67.1 | 67.1 | 67.0 | 54.5 | 48.0 | 48.0 | 48.0 | 47.5 |
| Total recycled storage capacity (million gallons) ⁽⁴⁾ | 136.0 | 136.0 | 136.0 | 136.0 | 136.0 | 135.6 | 135.6 | 4.0 | 4.0 | 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) | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Number of meters in service | 314.0 | 314.0 | 308.0 | 295.0 | 293.0 | 288.0 | 278.0 | 273.0 | 260.0 | 252.0 |
| General Information | | | | | | | | | | |
| Average years of service of employees ⁽⁵⁾ | 8.5 | 9.1 | 8.6 | 10.0 | 9.3 | 9.1 | 9.5 | 10.1 | 10.2 | 10.5 |

Source: Olivenhain Municipal Water District

Notes:

(1) Total miles for FY 2017 and beyond include hydrant laterals in 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 GIS.

**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

Board of Directors
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 Olivenhain Municipal Water District, California (the "District"), which comprise the statement of net position as of June 30, 2022, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the basic financial statements and have issued our report thereon dated _____, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 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 may exist that have not been identified.

Board of Directors
Olivenhain Municipal Water District
Encinitas, California
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's 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 determination of financial statement amounts. 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*.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Diego, California
_____, 2022

OLIVENHAIN MUNICIPAL WATER DISTRICT

Presentation to the Finance Committee
For the Fiscal Year Ended June 30, 2022

November 9, 2022



CONTENTS

- Scope of Work
- Audit Responsibilities
- Approach to the Audit
- Accounting Changes
- Overview of Financial Statements
- Key Financial Indicators
- Audit Results

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

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

APPROACH TO THE AUDIT

THE PUN GROUP'S AUDIT APPROACH FOR OLIVENHAIN MUNICIPAL WATER DISTRICT

- Phase I – Detailed planning
- Phase II – Risk-based review of internal controls over systems and compliance
 - Financial reporting
 - Revenues – billings, revenue recognition, and cash receipts
 - Expenses – purchasing, accounts payable, and cash disbursements
 - Payroll and related liabilities
 - General IT controls
- Phase III – Validation of account balances
- Phase IV – Preparation of financial statements and issuance of audit opinions

ACCOUNTING CHANGES

IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

GASB Statement No. 87, *Leases*

- In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.
- Implementation of this Statement had a significant effect on the District's financial statements for the year ended June 30, 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

Olivenhain Municipal Water District Comparative Summary Statements of Net Position June 30, 2022 and 2021

| | 2022 | 2021 | \$ Diff | % Diff |
|---|--------------------|--------------------|--------------------|----------------|
| Assets | | | | |
| Current Assets: | | | | |
| Unrestricted assets | \$ 93,308,859 | \$ 91,852,199 | \$ 1,456,660 | 1.59% |
| Restricted assets | 12,899,002 | 7,333,291 | 5,565,711 | 75.90% |
| Total current assets | 106,207,861 | 99,185,490 | 7,022,371 | 7.08% |
| Noncurrent assets: | | | | |
| Capital assets | 375,023,442 | 381,987,256 | (6,963,814) | -1.82% |
| Others | 9,991,175 | 7,271,375 | 2,719,800 | 37.40% |
| Total noncurrent assets | 385,014,617 | 389,258,631 | (4,244,014) | -1.09% |
| Total assets | 491,222,478 | 488,444,121 | 2,778,357 | 0.57% |
| Deferred Outflows of Resources | | | | |
| Pension-related deferred outflows | 1,016,228 | 3,585,712 | (2,569,484) | -71.66% |
| Deferred amount on refunding | 2,731,692 | 1,191,088 | 1,540,604 | 129.34% |
| Total deferred outflows of resources | 3,747,920 | 4,776,800 | (1,028,880) | -21.54% |

Olivenhain Municipal Water District

Comparative Summary Statements of Net Position (Continued)

June 30, 2022 and 2021

| | 2022 | 2021 | \$ Diff | % Diff |
|--|----------------|----------------|--------------|----------|
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Accounts payable, accrued expenses, and deposits | 8,709,858 | 8,908,329 | (198,471) | -2.23% |
| Compensated absences, current | 996,839 | 771,000 | 225,839 | 29.29% |
| Long-term debt, current | 4,451,596 | 4,042,356 | 409,240 | 10.12% |
| Liabilities payable from restricted assets | 158,941 | 211,991 | (53,050) | -25.02% |
| Total current liabilities | 14,317,234 | 13,933,676 | 383,558 | 2.75% |
| Noncurrent liabilities: | | | | |
| Compensated absences | 939,187 | 916,576 | 22,611 | 2.47% |
| Net pension liability | 7,819,768 | 14,608,844 | (6,789,076) | -46.47% |
| Long-term debt | 47,776,080 | 48,280,027 | (503,947) | -1.04% |
| Total noncurrent liabilities | 56,535,035 | 63,805,447 | (7,270,412) | -11.39% |
| Total liabilities | 70,852,269 | 77,739,123 | (6,886,854) | -8.86% |
| Deferred Inflows of Resources | | | | |
| Pension-related deferred inflows | 6,995,887 | 425,243 | 6,570,644 | 1545.15% |
| Lease-related deferred inflows | 9,796,852 | 7,350,346 | 2,446,506 | 33.28% |
| Total deferred outflows of resources | 16,792,739 | 7,775,589 | 9,017,150 | 115.97% |
| Net Position | | | | |
| Net investment in capital assets | 328,824,196 | 330,855,961 | (2,031,765) | -0.61% |
| Restricted | 7,727,859 | 7,121,300 | 606,559 | 8.52% |
| Unrestricted | 70,773,335 | 69,458,948 | 1,314,387 | 1.89% |
| Total Net Position | \$ 407,325,390 | \$ 407,436,209 | \$ (110,819) | -0.03% |

Olivenhain Municipal Water District

Comparative Statements of Revenues, Expenses and Change in Net Position

For the Years Ended June 30, 2022 and 2021

| | 2022 | 2021 | \$ Diff | % Diff |
|--|--------------------|--------------------|--------------------|---------------|
| Operating Revenues | | | | |
| Water sales | \$ 57,747,541 | \$ 58,169,813 | \$ (422,272) | -0.73% |
| Sewer charges | 5,480,925 | 5,127,136 | 353,789 | 6.90% |
| Other operating revenues | 1,303,126 | 1,461,229 | (158,103) | -10.82% |
| Total operating revenues | 64,531,592 | 64,758,178 | (226,586) | -0.35% |
| Operating Expenses | | | | |
| Cost of purchased water sold | 31,265,804 | 30,601,983 | 663,821 | 2.17% |
| Pumping and water treatment | 4,322,820 | 4,378,418 | (55,598) | -1.27% |
| Transmission and distribution | 4,485,962 | 4,220,269 | 265,693 | 6.30% |
| Sewer collection and treatment | 2,170,341 | 2,085,237 | 85,104 | 4.08% |
| Elfin Forest recreation reserve operations | 428,174 | 415,386 | 12,788 | 3.08% |
| Facilities maintenance | 1,387,010 | 1,363,564 | 23,446 | 1.72% |
| Customer services | 2,067,655 | 2,348,700 | (281,045) | -11.97% |
| General and administrative | 7,774,311 | 7,041,160 | 733,151 | 10.41% |
| Other operating expenses | 304,037 | 228,939 | 75,098 | 32.80% |
| Depreciation and amortization | 16,075,980 | 15,559,523 | 516,457 | 3.32% |
| Total operating expenses | 70,282,094 | 68,243,179 | 2,038,915 | 2.99% |
| Operating (Loss) | (5,750,502) | (3,485,001) | (2,265,501) | 65.01% |

Olivenhain Municipal Water District
Comparative Statements of Revenues, Expenses and Changes in Net Position
(Continued)
For the Years Ended June 30, 2022 and 2021

| | 2022 | 2021 | \$ Diff | % Diff |
|--|---------------------|---------------------|-----------------------|-----------------|
| Nonoperating Revenues (Expenses) | | | | |
| Fair market value adjustment | (2,467,642) | (562,019) | (1,905,623) | 339.07% |
| Investment income | 402,702 | 454,962 | (52,260) | -11.49% |
| Property taxes | 4,242,794 | 4,027,357 | 215,437 | 5.35% |
| Capacity charges | 1,530,925 | 2,754,730 | (1,223,805) | -44.43% |
| Benefit assessments | 1,058,241 | 1,177,302 | (119,061) | -10.11% |
| Other nonoperating revenues | 2,237,334 | 6,592,672 | (4,355,338) | -66.06% |
| Interest expenses | (1,327,814) | (1,419,009) | 91,195 | -6.43% |
| Other nonoperating expenses | (606,602) | (1,076,547) | 469,945 | -43.65% |
| Total nonoperating revenues (expenses) | 5,069,938 | 11,949,448 | (6,879,510) | -57.57% |
| Income before capital contributions | (680,564) | 8,464,447 | (9,145,011) | -108.04% |
| Capital contributions | 569,745 | 899,998 | (330,253) | -36.69% |
| Changes in net position | <u>\$ (110,819)</u> | <u>\$ 9,364,445</u> | <u>\$ (9,475,264)</u> | <u>-101.18%</u> |

Olivenhain Municipal Water District Comparative Statements of Cash Flows For the Years Ended June 30, 2022 and 2021

| | 2022 | 2021 | \$ Diff | % Diff |
|---|-------------------|-------------------|----------------|--------------|
| Cash Flows from Operating Activities | | | | |
| Receipts from customers | \$ 65,848,393 | \$ 64,151,113 | \$ 1,697,280 | 2.65% |
| Payments for water | (30,910,730) | (30,375,537) | (535,193) | 1.76% |
| Payments for services and supplies | (11,012,912) | (10,544,997) | (467,915) | 4.44% |
| Payments for employee wages, benefits, and related costs | (12,569,780) | (12,477,619) | (92,161) | 0.74% |
| Net cash provided by operating activities | 11,354,971 | 10,752,960 | 602,011 | 5.60% |
| Cash Flows from Noncapital Financing Activities | | | | |
| Property tax assessment received | 5,271,677 | 5,219,865 | 51,812 | 0.99% |
| SDCWA water rebate payment | 2,102,804 | 2,039,332 | 63,472 | 3.11% |
| Net cash provided by noncapital financing activities | 7,374,481 | 7,259,197 | 115,284 | 1.59% |

Olivenhain Municipal Water District Statements of Cash Flows (Continued) For the Years Ended June 30, 2022 and 2021

| | 2022 | 2021 | \$ Diff | % Diff |
|--|---------------------|-----------------------|----------------------|-----------------|
| Cash Flows from Capital and Related Financing Activities | | | | |
| Acquisition and construction of capital assets | (9,025,441) | (11,289,144) | 2,263,703 | -20.05% |
| Proceeds from grants and capital contributions | 260,005 | (186,137) | 446,142 | -239.68% |
| Principal payments on long-term debt | (8,599,989) | (4,287,117) | (4,312,872) | 100.60% |
| Proceeds from debt issuance | 8,975,110 | - | 8,975,110 | 100.00% |
| Interest payments on long-term debt | (1,636,631) | (1,768,054) | 131,423 | -7.43% |
| Capacity charges received | 1,552,833 | 2,777,662 | (1,224,829) | -44.10% |
| Proceeds from sale of capital assets | 595,875 | 2,033,750 | (1,437,875) | -70.70% |
| Other capital financing receipts | 1,125,345 | 881,819 | 243,526 | 27.62% |
| Other capital financing expenses paid | (699,549) | (133,443) | (566,106) | 424.23% |
| Net cash provided by capital and related financing activities | <u>(7,452,442)</u> | <u>(11,970,664)</u> | <u>4,518,222</u> | <u>-37.74%</u> |
| Cash Flows from Investing Activities | | | | |
| Proceeds from sale and maturities of investments | 4,000,000 | 24,740,950 | (20,740,950) | -83.83% |
| Purchase of investments | (9,061,033) | (37,279,742) | 28,218,709 | -75.69% |
| Investment income received | 41,812 | 488,020 | (446,208) | -91.43% |
| Net cash provided by investing activities | <u>(5,019,221)</u> | <u>(12,050,772)</u> | <u>7,031,551</u> | <u>-58.35%</u> |
| Changes in cash and cash equivalents | <u>\$ 6,257,789</u> | <u>\$ (6,009,279)</u> | <u>\$ 12,267,068</u> | <u>-204.14%</u> |

KEY FINANCIAL INDICATORS

Olivenhain Municipal Water District Key Financial Indicators

| | 2022 | 2021 | 2020 | 2019 |
|---|----------------|----------------|----------------|----------------|
| <u>Current Ratio</u> | | | | |
| Current Assets | \$ 106,207,861 | \$ 98,915,490 | \$ 91,849,421 | \$ 98,740,406 |
| Current Liabilities | \$ 14,317,234 | \$ 13,933,676 | \$ 16,678,476 | \$ 15,277,287 |
| Olivenhain MWD | 7.42 | 7.10 | 5.51 | 6.46 |
| Average of 10 Local Districts | n/a | 5.42 | 6.39 | 6.33 |
| <u>Capital Condition Ratio</u> | | | | |
| Total Depreciable Capital Assets | \$ 567,338,861 | \$ 556,962,450 | \$ 533,528,816 | \$ 527,687,018 |
| Total Accumulated Depreciation | \$ 230,741,454 | \$ 216,571,720 | \$ 204,189,400 | \$ 191,043,044 |
| Olivenhain MWD | 40.67% | 38.88% | 38.27% | 36.20% |
| Average of 10 Local Districts | n/a | 45.12% | 44.58% | 43.78% |
| <u>Pension Liability to Net Position Ratio</u> | | | | |
| Net Pension Liability | \$ 7,819,768 | \$ 14,608,844 | \$ 13,760,678 | \$ 12,602,286 |
| Net Position | \$ 407,325,390 | \$ 407,436,209 | \$ 398,071,764 | \$ 394,682,641 |
| Olivenhain MWD | 1.92% | 3.59% | 3.46% | 3.19% |
| Average of 10 Local Districts | n/a | 10.65% | 11.03% | 10.62% |
| <u>Water / Sewer Receivable % Change</u> | | | | |
| Water / Sewer Receivable - Current Year | \$ 9,453,946 | \$ 10,717,152 | \$ 10,062,269 | \$ 8,079,684 |
| Water / Sewer Receivable - Prior Year | \$ 10,717,152 | \$ 10,062,269 | \$ 8,079,684 | \$ 9,801,577 |
| Olivenhain MWD | -11.79% | 6.51% | 24.54% | -17.57% |
| Average of 10 Local Districts | n/a | 8.69% | 9.73% | -14.19% |

Olivenhain Municipal Water District Key Financial Indicators

| | 2022 | 2021 | 2020 | 2019 |
|--|---------------|---------------|---------------|---------------|
| <u>Operating Margin</u> | | | | |
| Operating Revenues | \$ 64,531,592 | \$ 64,758,178 | \$ 57,583,293 | \$ 55,753,170 |
| Operating Expenses (minus depreciation) | \$ 54,206,114 | \$ 52,683,656 | \$ 49,298,110 | \$ 45,426,264 |
| Olivenhain MWD | 1.19 | 1.23 | 1.17 | 1.23 |
| Average of 10 Local Districts | n/a | 1.02 | 1.07 | 1.12 |
| <u>Water / Sewer Sales % Change</u> | | | | |
| Water / Sewer Sales - Current Year | \$ 63,228,466 | \$ 63,296,949 | \$ 55,383,041 | \$ 53,483,505 |
| Water / Sewer Sales - Prior Year | \$ 63,296,949 | \$ 55,383,041 | \$ 53,483,505 | \$ 57,909,159 |
| Olivenhain MWD | -0.11% | 14.29% | 3.55% | -7.64% |
| Average of 10 Local Districts | n/a | 11.20% | 2.20% | -5.74% |

Olivenhain Municipal Water District
GASB 68 – Sensitivity of NPL to Changes in Discount Rate
CalPERS Miscellaneous Plan
Measurement Date June 30, 2021

| Discount Rate | <u>6.15%</u> | <u>7.15%</u> | <u>8.15%</u> |
|--|---------------|--------------|--------------|
| Proportionate share of net pension liability | \$ 15,848,851 | \$ 7,819,768 | \$ 1,182,239 |

| | <u>2022</u> | <u>2021</u> | <u>Change</u> |
|--|-------------|-------------|---------------|
| Fiduciary net position as % of total pension liability | 87.14% | 74.69% | 12.45% |
| Average of 10 local districts | n/a | 71.85% | |

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 were noted
 - No accounting issues

**HQ - ORANGE COUNTY**

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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

Memo

Date: November 9, 2022
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: QUARTERLY REVIEW OF INVESTMENTS AND CASH REPORT (3rd QTR 2022)

Purpose

The purpose of this agenda is to provide a verbal 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.

Background

The attached reports are presented to provide information to the Finance Committee as required by the District's Annual Investment Policy, which was adopted by the Board at the December 2021 board meeting.

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

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

Attachment: DRAFT Monthly Cash and Investment Summary Report as of September 30, 2022.

Olivenhain Municipal Water District
MONTHLY CASH AND INVESTMENT SUMMARY
As of September 30, 2022

Active Deposits

| | <u>Book Value</u> |
|----------------------------------|--------------------------|
| Checking Accounts | \$ 7,522,615 |
| Cash Restricted for Specific Use | 5,193,162 |
| Petty Cash/Disaster Preparedness | 1,491 |
| Total Active Deposits | <u>\$ 12,717,268</u> |

Deposits Not Covered by Investment Policy

| | |
|-------------------------|-----------|
| Cash with Fiscal Agents | 2,217,767 |
|-------------------------|-----------|

| <u>Investments</u> | <u>Face Value</u> | <u>Market Value</u> | <u>Current Yield</u> | |
|---------------------------|--------------------------|----------------------------|-----------------------------|----------------------|
| LAIF | \$ 8,269,088 | 8,162,627 | 1.51% | \$ 8,269,088 |
| CAMP - US Bank | 22,664,169 | 22,664,169 | 2.61% | 22,664,169 |
| Money Market Funds | 1,261,487 | 1,261,487 | 2.73% | 1,261,487 |
| Medium Term Notes | 500,000 | 489,490 | 2.35% | 497,940 |
| Municipal Bonds | 1,000,000 | 1,016,400 | 4.92% | 1,216,760 |
| U.S. Treasury Securities | 13,000,000 | 12,730,560 | 2.41% | 12,911,260 |
| U.S. Agency Securities | 33,426,111 | 30,281,966 | 0.74% | 33,422,931 |
| Total Investments | <u>\$ 80,120,855</u> | <u>\$ 76,606,698</u> | <u>1.75%</u> | <u>\$ 80,243,634</u> |

Total - All Deposits/Investments**\$ 95,178,669****Maturity Analysis of Investments**

| | <u>Percent</u> | <u>Balance</u> |
|---|-----------------------|-----------------------|
| Demand Deposits | 40.1% | \$ 32,194,743 |
| Maturity within the next two months | 0.0% | - |
| Maturity within three months and one year | 16.3% | 13,041,028 |
| Maturity beyond one year | 43.6% | 35,007,862 |
| Total Investments | <u>100.0%</u> | <u>\$ 80,243,634</u> |

Weighted Average Days to Maturity**470****Other Required Disclosures:**

Accrued interest receivable as of 09/30/2022 \$ 148,624

The above investments are in accordance with the portfolio limitations in the Investment Policy approved by the Board in December 2021.

The District has sufficient funds on hand to meet the next 30 days' obligations.

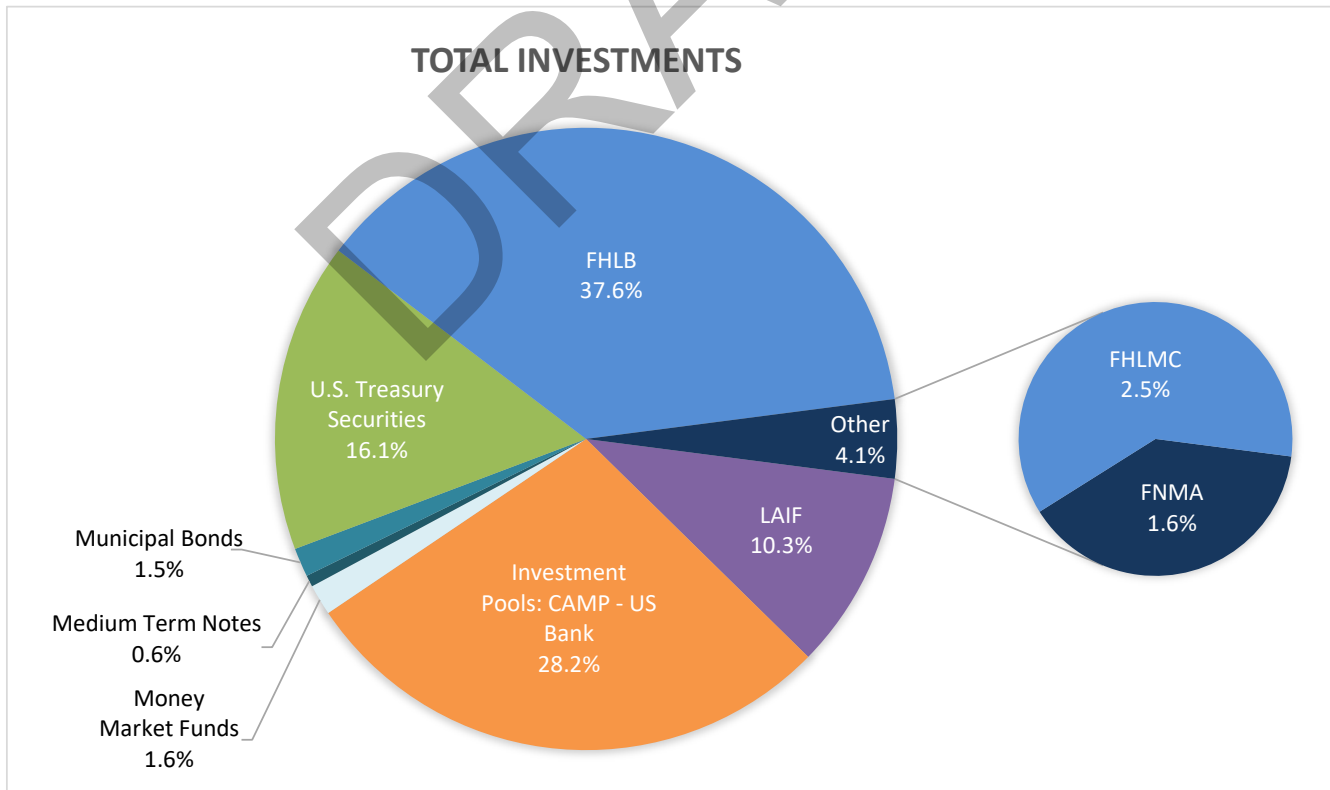
Olivenhain Municipal Water District
PORTFOLIO LIMITATIONS ANALYSIS PER INVESTMENT POLICY
September 30, 2022

| | Book Value | Percent | Permitted Percent | In Compliance? |
|---|-----------------------|----------------|------------------------------|---------------------------|
| LAIF | \$ 8,269,088 | 10.3% | 50.0% ⁽¹⁾ | Yes |
| Investment Pools: CAMP - US Bank | 22,664,169 | 28.2% | 30.0% | Yes |
| Money Market Funds | 1,261,487 | 1.6% | 20.0% ⁽²⁾ | Yes |
| Medium Term Notes | 497,940 | 0.6% | 30.0% ⁽³⁾ | Yes |
| Municipal Bonds | 1,216,760 | 1.5% | 30.0% | Yes |
| U.S. Treasury Securities | 12,911,260 | 16.1% | 100.0% ⁽⁴⁾ | Yes |
| U.S. Agency Securities | 33,422,931 | 41.7% | 50.0% | Yes |
| <i>FHLB</i> <i>Federal Home Loan Bank</i> | 30,173,111 | 37.6% | | |
| <i>FNMA</i> <i>Fannie Mae</i> | 1,250,000 | 1.6% | | |
| <i>FHLMC</i> <i>Freddie Mac</i> | 1,999,820 | 2.5% | | |

Total Investments **\$ 80,243,634** **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) May not exceed 5% per issuer.
(4) No limit.



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

Olivenhain Municipal Water District
MONTHLY INVESTMENTS DETAIL
September 30, 2022

ACTIVE DEPOSIT

| | Book Value |
|---|-------------------|
| Checking A/C: California Bank and Trust for General Purpose | 7,522,615 |
| California Bank and Trust for Specific Purpose | 153,383 |
| CAMP 2021A Bond | 5,039,779 |
| Petty Cash/Disaster Preparedness | 1,491 |
| Total - Active Deposits | 12,717,268 |

DEPOSITS NOT COVERED BY INVESTMENT POLICY**Cash with Fiscal Agents:**

| | |
|--------------------------------------|---------|
| Union Bank - RAD 96-1 Refunding Bond | 267,479 |
| Union Bank - 2015A Refunding Bond | 607,829 |
| SRF Loan | 856,562 |
| Union Bank - 2016A Refunding Bond | 248,172 |
| Union Bank - 2021A WW Revenue Bond | 80,639 |
| Union Bank - 2021B Refunding Bond | 157,086 |

Total Deposits Not Covered by Investment Policy

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

INVESTMENTS

| | | | | | | | | | |
|---|--------|---|--|--|--|-------|---------------|---------------|---------------|
| Invest. Pools: US Bank Calif. Asset Mgmt Prgm (CAMP) | Demand | 1 | | | | 2.61% | \$ 22,664,169 | \$ 22,664,169 | \$ 22,664,169 |
| State Local Agency Investment Fund (LAIF) | Demand | 1 | | | | 1.51% | 8,162,627 | 8,269,088 | 8,269,088 |
| First American Government 31846V567 | Demand | 1 | | | | 2.73% | 1,261,487 | 1,261,487 | 1,261,487 |

U.S. Treasury Notes/Bills

| | | | | | | | | | | | | |
|-----------|---------------------|-----|---|----------|----------|-----------|--|--------------|--------------|----------------------|----------------------|----------------------|
| 912796M89 | U.S. Treasury Bills | Aaa | - | 04/07/22 | 10/07/22 | 8 | | 1.08% | 1.08% | 999,800 | 1,000,000 | 994,641 |
| 912796P94 | U.S. Treasury Bills | Aaa | - | 06/02/22 | 12/01/22 | 63 | | 1.55% | 1.56% | 1,990,480 | 2,000,000 | 1,984,631 |
| 912828YW4 | U.S. Treasury Notes | Aaa | - | 02/09/22 | 12/15/22 | 77 | | 1.63% | 1.63% | 996,990 | 1,000,000 | 1,007,330 |
| 912796X87 | U.S. Treasury Bills | Aaa | - | 09/23/22 | 12/22/22 | 84 | | 3.20% | 3.22% | 1,985,780 | 2,000,000 | 1,984,335 |
| 912796XR5 | U.S. Treasury Bills | Aaa | - | 07/14/22 | 01/12/23 | 105 | | 2.66% | 2.69% | 990,960 | 1,000,000 | 986,900 |
| 912796XZ7 | U.S. Treasury Bills | Aaa | - | 08/12/22 | 02/09/23 | 133 | | 2.98% | 3.02% | 987,270 | 1,000,000 | 985,445 |
| 912796YA1 | U.S. Treasury Bills | Aaa | - | 08/18/22 | 02/16/23 | 140 | | 3.05% | 3.09% | 986,690 | 1,000,000 | 985,036 |
| 912796YM5 | U.S. Treasury Bills | Aaa | - | 09/29/22 | 03/30/23 | 182 | | 3.91% | 3.98% | 1,962,200 | 2,000,000 | 1,961,780 |
| 91282CBQ3 | U.S. Treasury Notes | Aaa | - | 03/09/21 | 09/30/24 | 732 | | 0.50% | 0.57% | 882,380 | 1,000,000 | 984,478 |
| 912828YH7 | U.S. Treasury Notes | Aaa | - | 03/09/21 | 02/28/26 | 1,248 | | 1.50% | 1.58% | 948,010 | 1,000,000 | 1,036,684 |
| | | | | | | 93 | | 2.36% | 2.41% | \$ 12,730,560 | \$ 13,000,000 | \$ 12,911,260 |

U.S. Agency Securities

| | | | | | | | | | | | | | |
|-----------|-----------------------|-----|-----|----------|----------|----------|-------|-------|-------|-------|---------------|---------------|---------------|
| 3134GXXH6 | FHLMC Callable | Aaa | AA | 01/27/21 | 01/27/23 | 10/27/22 | | | | | | | |
| 3130AJZJ1 | FHLB Callable | Aaa | AA+ | 09/02/20 | 08/25/23 | Anytime | | | | | | | |
| 3130AS3J6 | FHLB Callable | Aaa | AA+ | 05/24/22 | 11/24/23 | 05/24/23 | 421 | 237 | 2.50% | 2.56% | 1,107,944 | 1,151,111 | 1,151,111 |
| 3130ARYU9 | FHLB Callable | Aaa | AA+ | 05/23/22 | 02/23/24 | 11/23/22 | 512 | 55 | 3.00% | 3.06% | 979,170 | 1,000,000 | 1,000,000 |
| 3136G4P56 | FNMA Callable | Aaa | AA+ | 08/26/20 | 02/26/24 | 11/26/22 | 515 | 58 | 0.40% | 0.42% | 1,179,813 | 1,250,000 | 1,250,000 |
| 3130AL6Q2 | FHLB Callable | Aaa | AA+ | 02/26/21 | 02/26/24 | Anytime | 515 | 1 | 0.22% | 0.23% | 943,340 | 1,000,000 | 1,000,000 |
| 3130AMMV1 | FHLB Callable | Aaa | AA+ | 06/03/21 | 06/03/24 | 12/03/22 | 613 | 65 | 0.40% | 0.43% | 466,460 | 500,000 | 500,000 |
| 3130ALHM9 | FHLB Callable | Aaa | AA+ | 03/10/21 | 06/10/24 | 12/10/22 | 620 | 72 | 0.30% | 0.32% | 930,570 | 1,000,000 | 999,000 |
| 3130ANTP5 | FHLB Callable | Aaa | AA+ | 09/16/21 | 09/16/24 | 12/16/22 | 718 | 78 | 0.50% | 0.54% | 923,900 | 1,000,000 | 1,000,000 |
| 3130ANSP6 | FHLB Callable | Aaa | AA+ | 09/17/21 | 10/17/24 | 03/17/23 | 749 | 169 | 0.50% | 0.54% | 920,790 | 1,000,000 | 1,000,000 |
| 3130AKEW2 | FHLB Callable | Aaa | AA+ | 11/04/20 | 11/04/24 | Anytime | 767 | 1 | 0.43% | 0.47% | 1,835,180 | 2,000,000 | 2,000,000 |
| 3130ANGN4 | FHLB Step-up Callable | Aaa | AA+ | 08/18/21 | 02/18/25 | 11/18/22 | 873 | 50 | 0.35% | 0.38% | 915,010 | 1,000,000 | 1,000,000 |
| 3130AMKE1 | FHLB Callable | Aaa | AA+ | 05/27/21 | 02/27/25 | 11/27/22 | 882 | 59 | 0.66% | 0.72% | 911,160 | 1,000,000 | 1,000,000 |
| 3134GWAQ9 | FHLMC Callable | Aaa | AA+ | 07/28/20 | 07/28/25 | 07/28/23 | 1,033 | 302 | 0.65% | 0.72% | 901,440 | 1,000,000 | 1,000,000 |
| 3130AKGX8 | FHLB Step-up Callable | Aaa | AA+ | 12/15/20 | 12/15/25 | 12/15/22 | 1,173 | 77 | 0.35% | 0.39% | 1,792,760 | 2,000,000 | 2,000,000 |
| 3130AKMD5 | FHLB Callable | Aaa | AA+ | 01/26/21 | 01/26/26 | 10/26/22 | 1,215 | 27 | 0.50% | 0.57% | 876,320 | 1,000,000 | 999,500 |
| 3130AKU53 | FHLB Callable | Aaa | AA+ | 01/28/21 | 01/28/26 | 10/28/22 | 1,217 | 29 | 0.52% | 0.59% | 876,750 | 1,000,000 | 1,000,000 |
| 3130AKN69 | FHLB Callable | Aaa | AA+ | 01/28/21 | 01/28/26 | 10/28/23 | 1,217 | 121 | 0.50% | 0.57% | 876,150 | 1,000,000 | 1,000,000 |
| 3130AKVN3 | FHLB Callable | Aaa | AA+ | 01/29/21 | 01/29/26 | 10/29/22 | 1,218 | 30 | 0.52% | 0.59% | 876,660 | 1,000,000 | 1,000,000 |
| 3130AKWK8 | FHLB Callable | Aaa | AA+ | 02/12/21 | 02/12/26 | 11/12/22 | 1,232 | 44 | 0.51% | 0.58% | 875,190 | 1,000,000 | 1,000,000 |
| 3130AKX43 | FHLB Step-up Callable | Aaa | AA+ | 02/24/21 | 02/24/26 | 11/24/22 | 1,244 | 56 | 0.70% | 0.80% | 1,760,300 | 2,000,000 | 2,000,000 |
| 3130AL7M0 | FHLB Callable | Aaa | AA+ | 02/24/21 | 02/24/26 | 11/24/22 | 1,244 | 56 | 0.63% | 0.71% | 877,700 | 1,000,000 | 1,000,000 |
| 3130AKYR1 | FHLB Callable | Aaa | AA+ | 02/25/21 | 02/25/26 | 02/25/23 | 1,245 | 149 | 0.55% | 0.63% | 875,300 | 1,000,000 | 1,000,000 |
| 3130AL6K5 | FHLB Callable | Aaa | AA+ | 02/25/21 | 02/25/26 | 02/25/23 | 1,245 | 149 | 0.58% | 0.66% | 876,230 | 1,000,000 | 1,000,000 |
| 3130ALD76 | FHLB Callable | Aaa | AA+ | 02/25/21 | 02/25/26 | 11/25/22 | 1,245 | 57 | 0.70% | 0.80% | 879,940 | 1,000,000 | 1,000,000 |
| 3130ALCW2 | FHLB Callable | Aaa | AA+ | 02/25/21 | 02/25/26 | 02/25/23 | 1,245 | 149 | 0.63% | 0.71% | 877,630 | 1,000,000 | 998,500 |
| 3130ALGJ7 | FHLB Callable | Aaa | AA+ | 03/23/21 | 03/23/26 | 10/23/22 | 1,271 | 24 | 1.00% | 1.12% | 867,136 | 975,000 | 975,000 |
| 3130ALPQ1 | FHLB Step-up Callable | Aaa | AA+ | 03/30/21 | 03/30/26 | 09/30/22 | 1,278 | 1 | 0.75% | 0.84% | 897,910 | 1,000,000 | 1,000,000 |
| 3130ALVC5 | FHLB Step-up Callable | Aaa | AA+ | 04/14/21 | 04/14/26 | 10/14/22 | 1,293 | 15 | 0.75% | 0.84% | 895,310 | 1,000,000 | 1,000,000 |
| 3130APAY1 | FHLB Callable | Aaa | AA+ | 10/21/21 | 10/21/26 | 10/21/22 | 1,483 | 22 | 1.10% | 1.26% | 875,660 | 1,000,000 | 1,000,000 |
| 3130APL78 | FHLB Callable | Aaa | AA+ | 10/28/21 | 10/28/26 | 10/28/22 | 1,490 | 29 | 1.38% | 1.55% | 885,020 | 1,000,000 | 1,000,000 |
| | | | | | | | 989 | 2,220 | 0.67% | 0.74% | \$ 30,281,966 | \$ 33,426,111 | \$ 33,422,931 |

Medium Term Notes

| | | | | | | | | | | | | | |
|-----------|---------------------------|-----|-----|----------|----------|----------|------------|----------|--------------|--------------|-------------------|-------------------|-------------------|
| 740816AJ2 | Pres & Fellows of Harvard | Aaa | AAA | 05/06/22 | 10/01/23 | 10/01/22 | 367 | 2 | 2.30% | 2.35% | 489,490 | 500,000 | 497,940 |
| | | | | | | | 367 | 1 | 2.30% | 2.35% | \$ 489,490 | \$ 500,000 | \$ 497,940 |

Municipal Bonds

| | | | | | | | | | | | | | |
|-----------|-----------------------|-----|-----|----------|----------|--|--------------|--|--------------|--------------|---------------------|---------------------|---------------------|
| 882724RA7 | TEXAS ST PUB FIN AUTH | Aaa | AAA | 10/30/20 | 10/01/25 | | 1,098 | | 5.00% | 4.92% | 1,016,400 | 1,000,000 | 1,216,760 |
| | | | | | | | 1,098 | | 5.00% | 4.92% | \$ 1,016,400 | \$ 1,000,000 | \$ 1,216,760 |

Total Investments

| | | | | | | |
|--|------------|--------------|--------------|----------------------|----------------------|----------------------|
| | 470 | 1.68% | 1.75% | \$ 76,606,698 | \$ 80,120,855 | \$ 80,243,634 |
|--|------------|--------------|--------------|----------------------|----------------------|----------------------|

TOTAL - ALL DEPOSITS AND INVESTMENTS

\$ 95,178,669

**Olivenhain Municipal Water District
INVESTMENTS TRANSACTION
September 30, 2022**

PURCHASED

| DATE | | | | Investment Description | Stated | Current | Face Value | Book Value |
|----------|----------|------|---------|------------------------|--------|---------|------------|------------|
| Purchase | Maturity | Call | Step-Up | | Coupon | Yield | | |
| 09/23/22 | 12/22/22 | | | U.S. Treasury Bills | 3.200% | 3.223% | 2,000,000 | 1,984,335 |
| 09/29/22 | 03/30/23 | | | U.S. Treasury Bills | 3.907% | 3.982% | 2,000,000 | 1,961,780 |

MATURED / REDEEMED / CALLED

| DATE | | | | Investment Description | Stated | Current | Face Value | Book Value |
|------------|----------|------|---------|------------------------|--------|---------|------------|------------|
| Redemption | Maturity | Call | Step-Up | | Coupon | Yield | | |
| 09/08/22 | 09/08/22 | | | U.S. Treasury Bills | 0.720% | 0.720% | 1,000,000 | 996,520 |
| 09/29/22 | 09/29/22 | | | U.S. Treasury Bills | 1.029% | 1.031% | 1,000,000 | 994,894 |
| 09/22/22 | 09/22/22 | | | U.S. Treasury Bills | 1.585% | 1.587% | 2,000,000 | 1,992,128 |

Olivenhain Municipal Water District
UNAUDITED CASH POSITION BY FUNDING SOURCES
As of September 30, 2022

| <u>Water Funds (Potable & Recycled)</u> | | <u>Balance</u> |
|--|---------------------------------------|--------------------------|
| 10050-100 | Cash - Petty Cash Fund | 1,491 |
| 10030-100 | Cash - Capital and Equipment Fund | 39,019,982 |
| 10010-100 | Cash - Operating Fund | 16,270,632 |
| 10060-100 | Cash - Deposit Work for Other | 108,703 |
| 10040-100 | Cash - Rate Stabilization | 12,054,594 |
| 14000-500 | Restricted Cash - Capacity Fee Fund | 5,348,734 |
| Total Water Funds (Potable & Recycled) | | <u>72,804,136</u> |
| <u>Wastewater Funds</u> | | |
| 10010-110 | Wastewater - Operating Fund | 2,934,175 |
| 10030-110 | Wastewater - Capital Replacement Fund | 9,410,356 |
| 10040-110 | Wastewater - Rate Stabilization Fund | 2,619,073 |
| Total Wastewater Funds | | <u>14,963,604</u> |
| <u>Non Fiscal Agent Debt Service Cash</u> | | |
| 14020-570 | Cash non-agent - RAD 96-1 | 142,183 |
| 10070-561 | Cash non-agent - Bond 2015A | 621 |
| 10070-581 | Cash non-agent - Bond 2016A | 10,580 |
| 14020-521 | Cash non-agent - Bond 2021A | 5,039,779 |
| Total Non Fiscal Agent Debt Service Cash | | <u>5,193,162</u> |
| <u>Debt Service Funds</u> | | |
| 14030-510 | SRF Loan - Fiscal Agent | 856,562 |
| 14105-570 | Redemption fund - RAD 96-1 | 218,612 |
| 14110-570 | Reserve fund - RAD 96-1 | 48,867 |
| 14100-561 | Redemption fund - Bond 2015A | 607,829 |
| 14100-581 | Redemption fund - Bond 2016A | 248,172 |
| 14100-521 | Redemption fund - CB&T 2021A | 80,639 |
| 14100-522 | Redemption fund - CB&T 2021B | 157,086 |
| Total Debt Service Funds | | <u>2,217,767</u> |
| TOTAL FUND BALANCES | | <u>95,178,669</u> |



Memo

Date: November 9, 2022
To: Olivenhain Municipal Water District Board of Directors
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **ANNUAL REVIEW OF INVESTMENT POLICY FOR 2023 AND DISCUSS
PROPOSED CHANGES TO THE DISTRICT'S BOARD DESIGNATED FUND
BALANCES (RESERVES) POLICY FOR 2023**

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 Richard Babbe, Senior Managing Consultant at PFM Assets Management, to make sure the existing Policy is consistent with the California Government Code sections that govern the investment of public funds. A copy of PFM Asset Management report on the Policy is attached for review.

Board Designated Fund Balances (Reserves) Policy

Staff is proposing to add Pension Stabilization Funds to the District's Reserves Policy for Committee consideration to be consistent 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: PFM Asset Management LL memorandum; Investment Policy; Board Designated Fund Balances (Reserves) Policy; Reserve Fund Balances.

October 17, 2022

Memorandum

To: Rainy Selamat, Finance Manager
Olivenhain Municipal Water District

From: Richard Babbe, CCM, Senior Managing Consultant
PFM Asset Management LLC

RE: Investment Policy Review

At your request, we reviewed the Olivenhain Municipal Water District's ("District") Investment Policy ("Policy") as part of the District's annual review process. The District's current Policy is comprehensive and is consistent with the current California Government Code ("Code") statutes regulating the investment of public funds.

Although no changes to the Policy are needed, I wanted to bring to your attention to two upcoming Code changes that were made as part of SB 1489 that will take effect January 1, 2023. The Bill clarifies how to calculate a security's maximum maturity at purchase, and it updates the quarterly reporting deadline.

Although the Code specifies the maximum maturities for the different investment types, it did not specify whether the maximum maturity was to be calculated from a security's trade or settlement date. Going forward, an investment's term or remaining maturity shall be measured from the settlement date to final maturity (rather than the commonly interpreted trade date). The Code further specifies that the forward settlement date of an investment cannot exceed 45 days from the time of investment. As new issue securities often have maximum maturities that exceed the maturity limit if calculated to trade date but not to settlement date, this change will provide added flexibility for agencies when considering new issue securities. As neither trade nor settlement date is referenced in the Policy, no changes are needed but we wanted you to be aware of this change.

Government Code 53646 (b)(1) currently states that quarterly reports shall be submitted within 30 days following the end of the quarter. To provide agencies with added flexibility, SB 1489 increases the reporting deadline to 45 days. As the reporting deadline is not referenced, no Policy changes are needed. It will be between you and your Board whether to change your internal reporting deadlines.

Please let me know if you have any questions or if you would like to discuss further.

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, ~~2022~~2023. 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.

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 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 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, ~~2022~~2023. 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. 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.

V. REPORTING

Although it is no longer required for the Treasurer of ~~a~~ 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 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. 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. 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.

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 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(I)(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 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 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.

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.

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:

| Investment Description | Percentage Limitation | <i>Dollar Limitation</i> |
|--|-----------------------|---|
| Local Agency Investment Fund | 50% | \$40,000,000 |
| Treasury Securities | None | - |
| Certificates of Deposit, Placement Service Deposits and Negotiable Certificates of Deposit | 30% | Placement service deposits may be made up to FDIC limit per financial institution. No more than 5% per issuer |
| Local Government Investments Pools (such as CAMP) | 30% | - |
| Commercial Paper | 20% | No more than 5% per issuer |
| Medium Term Notes | 30% | No more than 5% per issuer |
| Agencies | 50% | - |
| Depository Accounts, Money Market Funds | 20% | No more than 5% in any money market fund |
| Investments Pools | 30% | - |
| Municipal Bonds | 30% | No more than 5% per issuer |
| Bankers Acceptances | 20% | No more than 3% per issuer with prior approval of the Board |
| Repurchase Agreements | 20% | With the prior approval of the Board |
| Reverse Repurchase Agreements | 10% | With the prior approval |

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.

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

VIII. 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.

IX. 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.

X. 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 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.

XI. 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.

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, 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, ~~2022~~ 2023 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, ~~2022~~ 2023 and annually thereafter.

DRAFT

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

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| 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

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| 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

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| 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.

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| 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

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| 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 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

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| 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

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|-----------------|---|
| 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

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| 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

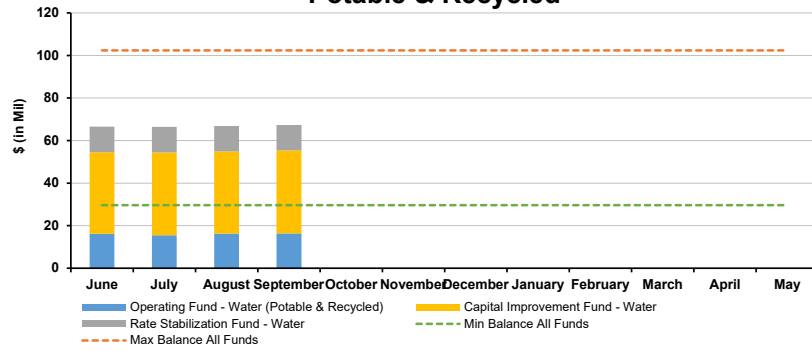
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|-----------------|--|
| Purpose: | To secure the District's ability to have a consistent annual Unfunded Accrued Liability (UAL) payment to California Public Employee's Retirement System (CalPERS), including Additional Discretionary Payment(s) while 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.

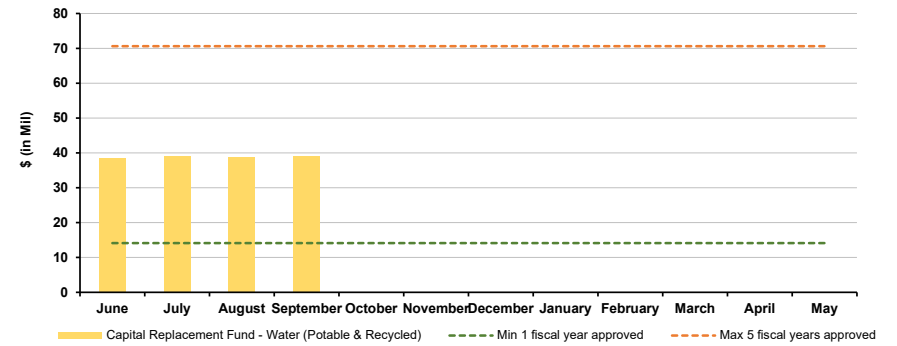
- Methodology:** The funding goal of a defined benefit pension plan is 100%, which is to fund the long-term cost of benefits provided to plan members. The District relies on water revenues which are subject to external and uncontrollable factors such as weather conditions, federal and state mandates, 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.

POTABLE & RECYCLED Fund Balance Analysis

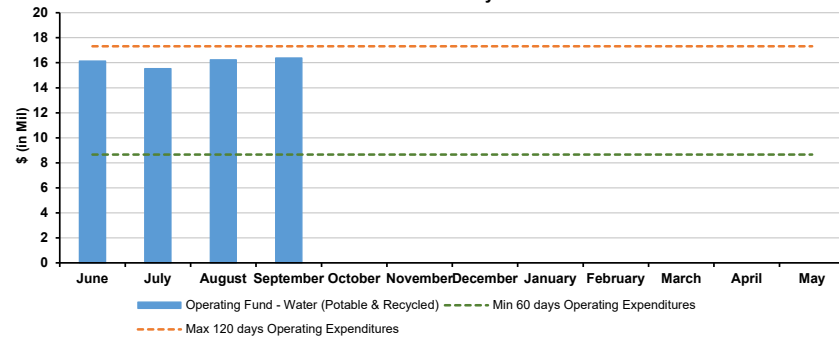
ALL FUNDS Potable & Recycled



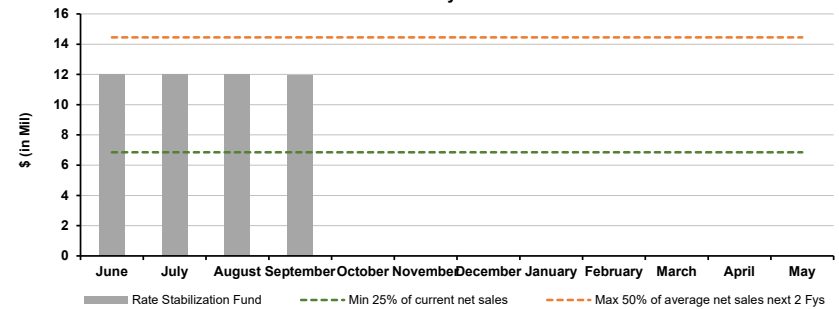
CAPITAL IMPROVEMENT FUND Potable & Recycled



OPERATING FUND Potable & Recycled

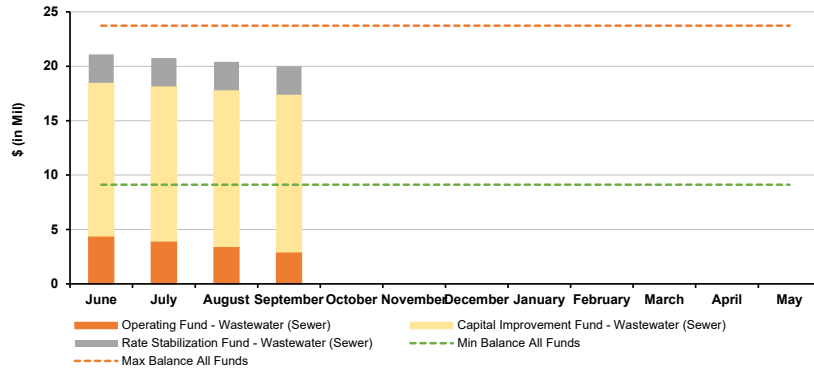


RATE STABILIZATION FUND Potable & Recycled

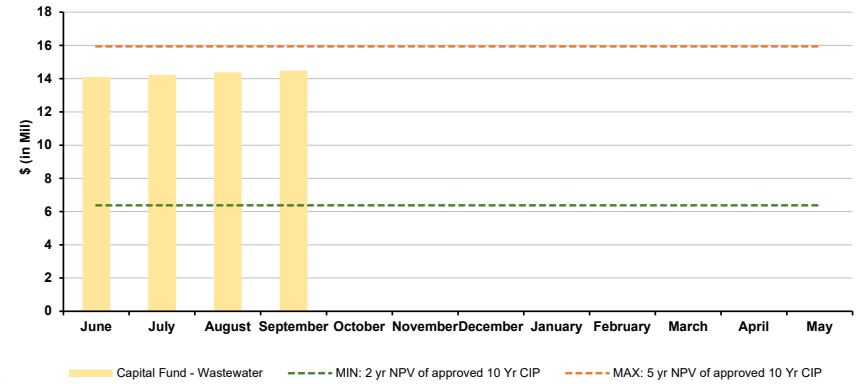


WASTEWATER Fund Balance Analysis

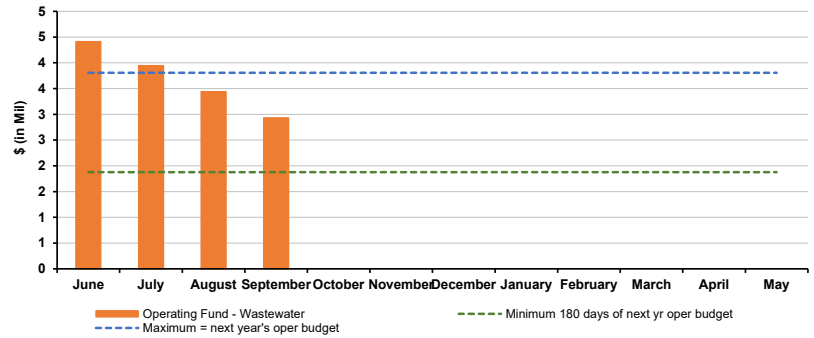
ALL FUNDS Wastewater



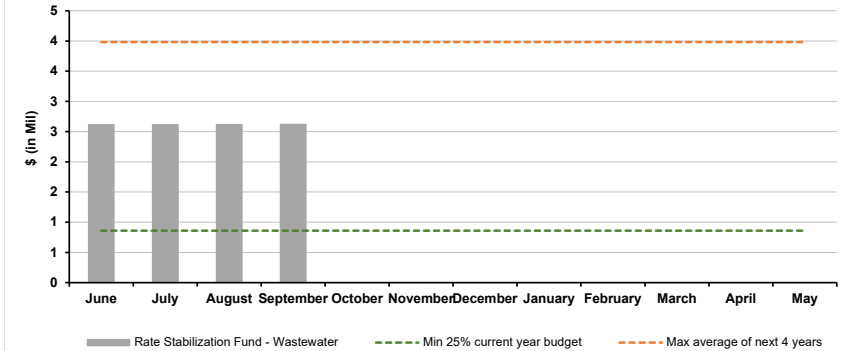
CAPITAL IMPROVEMENT FUND Wastewater



OPERATING FUND Wastewater



RATE STABILIZATION FUND Wastewater





Agenda Item 9

Memo

Date: November 9, 2022
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 2022**

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

2022



Purpose

- Review and report the District's pension funding status to the Board after OMWD financial audit is completed with the most current CalPERS actuarial report
- Staff's report is based on CalPERS' Actuarial Valuation as of June 30, 2021
 - Required contributions for fiscal year July 1, 2023 to June 30, 2024.

Timing of CalPERS Reports vs. Contributions to CalPERS

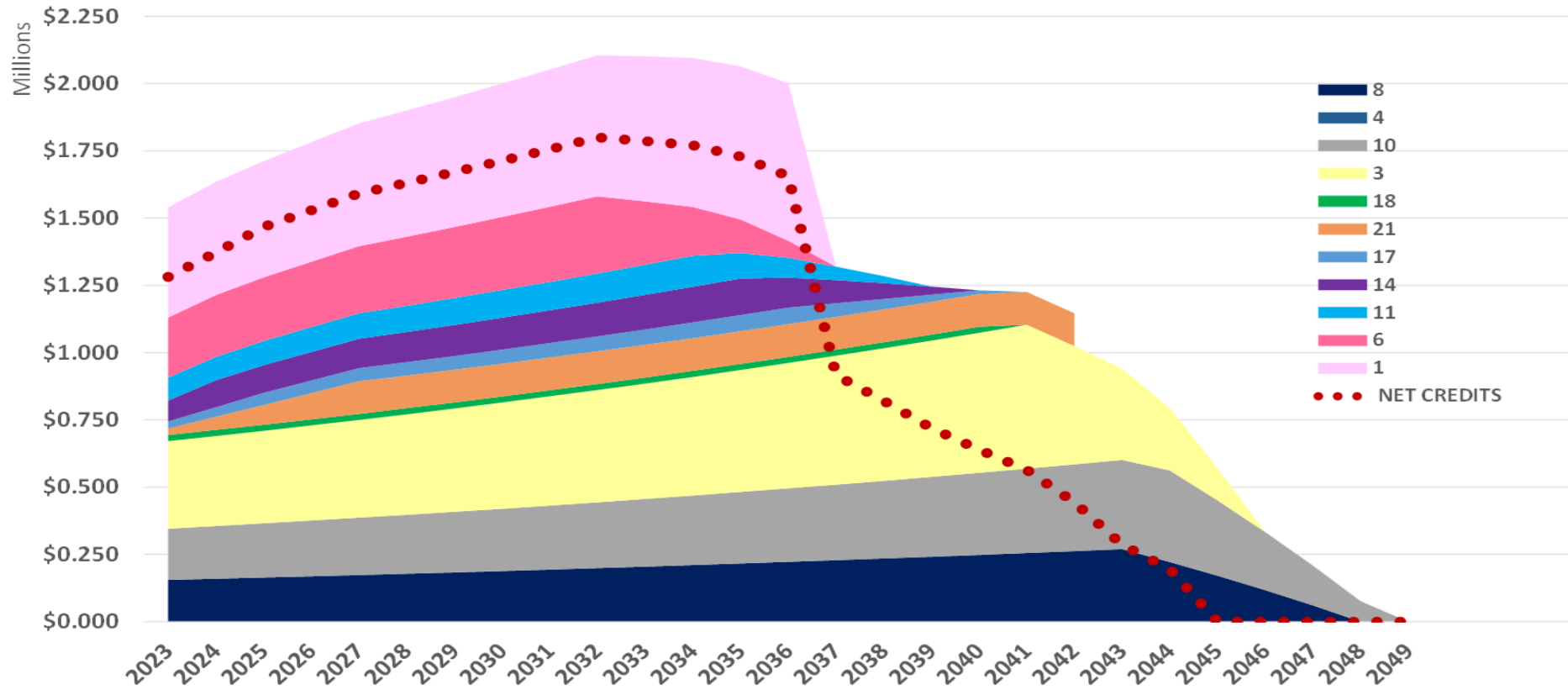
- Every August, CalPERS releases a new actuarial report, based on values as of June 30th of the previous fiscal year.
- The required contributions are due to be paid two years after the new released report
- For examples:
 - The Required Contributions for fiscal year 2022 (July 1, 2021 to June 30, 22) were paid to CalPERS in July 2021 was based on CalPERS' Actuarial Valuation as of June 30, 2019
 - The Required Contributions for fiscal year 2023 (July 1, 2022 to June 30, 2023) paid to CalPERS in July 2022 was based on CalPERS's Actuarial Valuation as of June 30, 2020
- Additional Unfunded Accrued Liability (UAL) payment, ie. Additional Discretionary Payment (ADP) made after the cut-off date (in April of each year) will be adjusted separately
 - The District of \$485,000 on June 28, 2021.

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)
 - Employees pay 8% of Normal Cost (Fixed Max %)
 - Employer pay the remaining (~ 13%)
- Amortization of Unfunded Accrued Liability (UAL)
 - 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

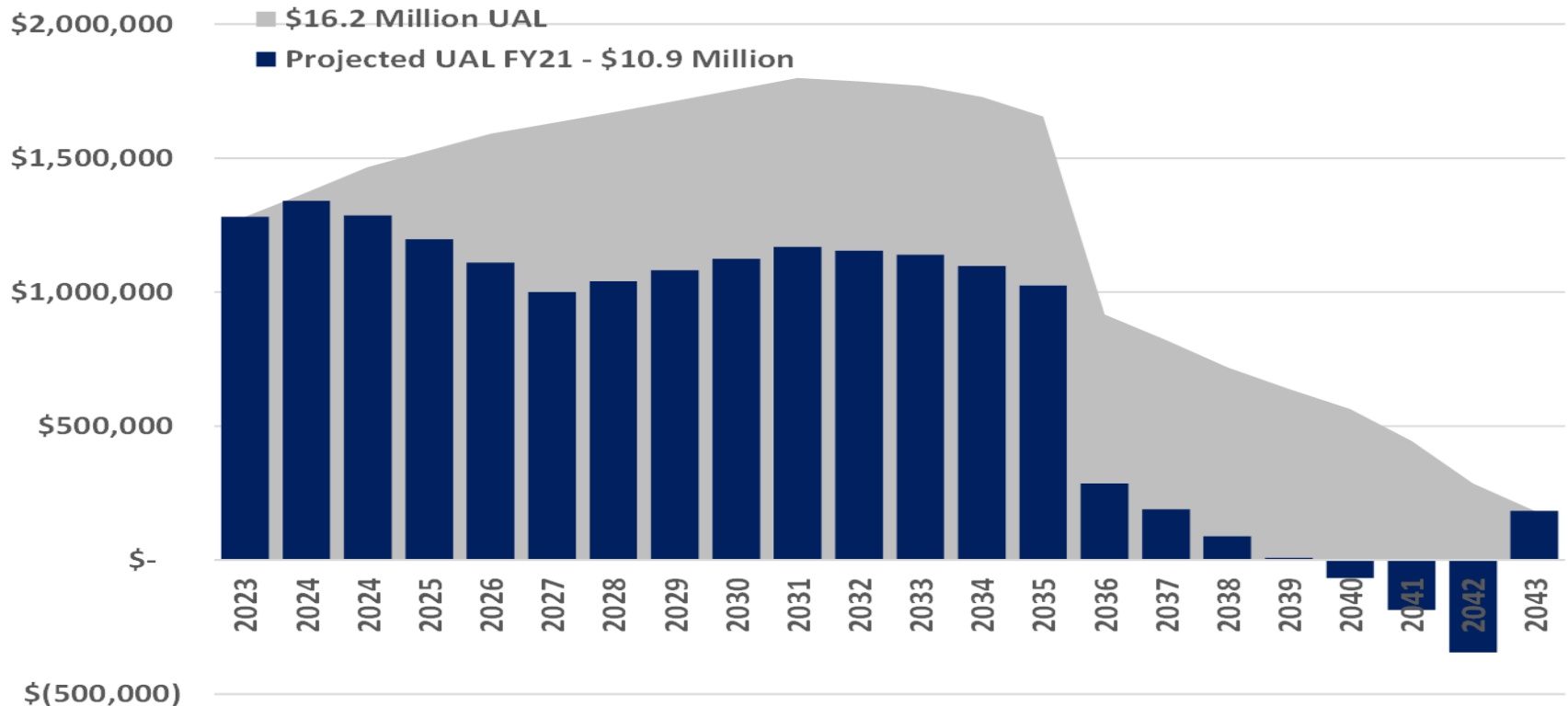
UAL Layer Cake – presented to the Board in April 2022

UAL PAYMENT SCHEDULE "LAYER CAKE"



Projected UAL @06/30/21 (presented to the Board in April 2022)

Projected UAL Net of FY21 Credit



Changes in Actuarial Methods and Assumptions since the PY's Valuation (FY 20)

- On November 17, 2021, CalPERS Board adopted new actuarial assumptions on termination rates, mortality rates, rates of salary increases, and inflation assumption for public agencies
 - Impact: an increase to the required contribution for FY 2023-24 from 11.6% to 13.34%
- CalPERS Board adopted a new asset portfolio as part of its Asset Liability Management Process
 - Impacts: a reduction in CalPERS discount rate from 7% to 6.8% and a change in the price inflation assumption to 2.3%

Updated UAL @ 06/30/21- Classic

CALPERS ACTUARIAL VALUATION - June 30, 2021
 Miscellaneous Plan of the Olivenhain Municipal Water District
 CalPERS ID: 7505210944

Plan's Funded Status

| | June 30, 2020 | June 30, 2021 |
|---|---------------|---------------|
| 1. Present Value of Projected Benefits (PVB) | \$64,311,632 | \$68,959,317 |
| 2. Entry Age Accrued Liability (AL) | 57,897,331 | 62,213,836 |
| 3. Plan's Market Value of Assets (MVA) | 41,912,549 | 51,909,629 |
| 4. Unfunded Accrued Liability (UAL) [(2) - (3)] | 15,984,782 | 10,304,207 |
| 5. Funded Ratio [(3) / (2)] | 72.4% | 83.4% |

Actuarial Valuation as of 06/30/21

Funding History

The table below shows the recent history of the actuarial accrued liability, share of the pool's market value of assets, unfunded accrued liability, funded ratio, and annual covered payroll.

| Valuation Date | Accrued Liability (AL) | Share of Pool's Market Value of Assets (MVA) | Unfunded Accrued Liability (UAL) | Funded Ratio | Annual Covered Payroll |
|----------------|------------------------|--|----------------------------------|--------------|------------------------|
| 06/30/2012 | \$31,441,149 | \$22,625,378 | \$8,815,771 | 72.0% | \$5,283,146 |
| 06/30/2013 | 34,526,611 | 26,306,710 | 8,219,901 | 76.2% | 5,638,988 |
| 06/30/2014 | 39,388,054 | 31,865,061 | 7,522,993 | 80.9% | 5,691,711 |
| 06/30/2015 | 41,569,707 | 32,254,101 | 9,315,606 | 77.6% | 5,664,840 |
| 06/30/2016 | 44,640,192 | 32,334,569 | 12,305,623 | 72.4% | 5,076,491 |
| 06/30/2017 | 48,015,640 | 35,772,067 | 12,243,573 | 74.5% | 5,018,358 |
| 06/30/2018 | 52,009,563 | 37,853,859 | 14,155,704 | 72.8% | 5,230,406 |
| 06/30/2019 | 55,279,567 | 40,368,634 | 14,910,933 | 73.0% | 4,968,187 |
| 06/30/2020 | 57,897,331 | 41,912,549 | 15,984,782 | 72.4% | 4,631,209 |
| 06/30/2021 | 62,213,836 | 51,909,629 | 10,304,207 | 83.4% | 4,281,996 |

Updated UAL @ 06/30/21 -PEPRA

CALPERS ACTUARIAL VALUATION - June 30, 2021
 PEPRA Miscellaneous Plan of the Olivenhain Municipal Water District
 CalPERS ID: 7505210944

Plan's Funded Status

| | June 30, 2020 | June 30, 2021 |
|---|----------------------|----------------------|
| 1. Present Value of Projected Benefits (PVB) | \$5,214,618 | \$6,991,579 |
| 2. Entry Age Accrued Liability (AL) | 1,310,963 | 2,007,986 |
| 3. Plan's Market Value of Assets (MVA) | 1,184,160 | 2,100,772 |
| 4. Unfunded Accrued Liability (UAL) [(2) - (3)] | 126,803 | (92,786) |
| 5. Funded Ratio [(3) / (2)] | 90.3% | 104.6% |

Volatility of employer contributions

Maturity Measures History

| Valuation Date | Ratio of Retiree Accrued Liability to Total Accrued Liability | Support Ratio | Asset Volatility Ratio | Liability Volatility Ratio |
|----------------|--|------------------|------------------------------|----------------------------------|
| 06/30/2017 | 0.51 | 0.80 | 7.1 | 9.6 |
| 06/30/2018 | 0.50 | 0.78 | 7.2 | 9.9 |
| 06/30/2019 | 0.51 | 0.66 | 8.1 | 11.1 |
| 06/30/2020 | 0.52 | 0.56 | 9.1 | 12.5 |
| 06/30/2021 | 0.52 | 0.46 | 12.1 | 14.5 |

Maturity Measures History

| Valuation Date | Ratio of Retiree Accrued Liability to Total Accrued Liability | Support Ratio | Asset Volatility Ratio | Liability Volatility Ratio |
|----------------|--|------------------|------------------------------|----------------------------------|
| 06/30/2017 | 0.00 | N/A | 0.2 | 0.2 |
| 06/30/2018 | 0.00 | N/A | 0.3 | 0.4 |
| 06/30/2019 | 0.00 | N/A | 0.4 | 0.5 |
| 06/30/2020 | 0.00 | N/A | 0.4 | 0.5 |
| 06/30/2021 | 0.00 | N/A | 0.7 | 0.7 |

Actuarial Valuations

Preview of 06/30/22

CalPERS Investment Returns and How They Impact Your Rates

Two Key Stats

PERF return for
FY 2021-22 is **-6.1%**
(Expected return: 6.8%)

Estimated PERF
funded status as of
6/30/22 is **72%**

CalPERS Investment Returns and How They Impact Your Rates

Total Net Investment Returns Over Time

| | |
|----------------|--------------|
| 30 year | 7.7% |
| 20 year | 6.9% |
| 10 year | 7.7% |
| 5 year | 6.7% |
| 1 year | -6.1% |

(As of fiscal year ending 6/30/22)

CalPERS Investment Returns and How They Impact Your Rates

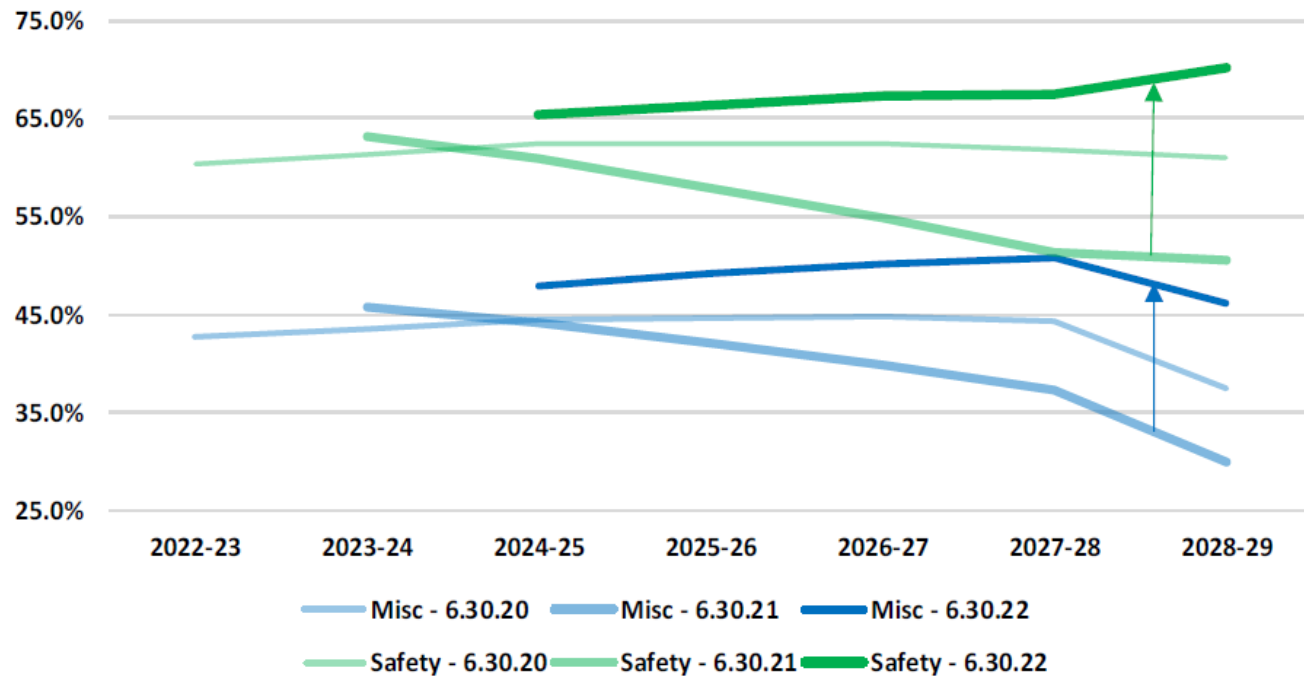
Contributing Macroeconomic Themes

- Labor market is tight, putting pressure on wages
- Supply chain constraints and higher commodity prices pushing inflation higher
- Federal Reserve is raising rates to cool the economy
- Economic activity is slowing

CalPERS Investment Returns and How They Impact Your Rates

Projected Contribution Rates — Sample Plan

Projected Employer Rates from 6/30/2022 Estimates



CalPERS Investment Returns and How They Impact Your Rates

2021-22 PERF Investment Returns

\$440 Billion Assets Under Management, as of June 30, 2022

Fiscal Year 2021-22 By Asset Class

| Asset Class | Return |
|-----------------------------------|--------|
| Public Equity | -13.1% |
| Private Equity¹ | 21.3% |
| Income | -14.5% |
| Real Assets¹ | 24.1% |
| Liquidity | 0.3% |

¹ Private asset valuations are lagged one quarter and reported as of March 31, 2022

Discussion

OMWD Pension Funding Policy

- Make regular annual Additional Discretionary Payment (ADP) of \$311,000 before December 31st
 - To reduce UAL and long-term savings
- Implement a 13-year Fresh Start
 - To re-amortize UAL over a shorter time
 - To level the District's annual UAL payments
- Fund the District's Pension Stabilization Fund
 - To be used as emergency source of funds to pay for additional amortization bases (future new layer in UAL Layer Cake) during difficult budgetary or economic times
 - To be used to pay for future ADP, if needed
 - The Board has full discretion

Staff's Recommendations

- Make a \$311,000 Additional Discretionary Payment (ADP) before December 31, 2022 in accordance with adopted Pension Funding Policy
- Modify the amortization schedule of the District's Unfunded Accrued Liability (UAL) over a period of 13 years or a 13-year "Fresh Start"
- Result:
 - A reduction (saving) in the District's UAL Payment of \$148,840 from \$1,184,077 to \$1,035,237
- Funding:
 - A \$715,000 transfer from Water (Potable and Recycled) Operating Fund to Pension Stabilization Fund – Water
 - \$311,000 of this amount will be used to make \$311,000 ADP in 2022
 - Additional \$500,000 in ADP has been planned and included in the District's LRFP in each fiscal year since Fiscal year 2020-21.
 - A \$71,000 transfer from Sewer Operating Fund to Pension Stabilization Fund - Sewer

Questions