



# Annual Comprehensive Financial Report

FISCAL YEARS ENDED  
JUNE 30, 2023 AND 2022







Annual Comprehensive Financial Report  
Fiscal years ended June 30, 2023 and 2022  
Prepared by the Finance Department

C O V E R



**“Color Bloom”**

*Submitted by Jaena Reyes*  
2023 Elfin Forest Recreational Reserve Photo Contest  
Plants Winner



# Our Mission

Olivenhain Municipal Water District is committed to serving present and future customers with safe, reliable, high quality water while exceeding all regulatory requirements in a cost effective and environmentally responsive manner.

The District is dedicated to providing recycled water, wastewater treatment, and hydroelectricity in the most cost effective, environmentally responsive, and service-oriented manner.

The District is devoted to the safe operation of the Elfin Forest Recreational Reserve and providing all users with a unique recreational, educational, and environmental experience.

## Board of Directors

**Christy Guerin**, President  
**Matthew R. Hahn**, Vice President  
**Neal Meyers**, Treasurer  
**Lawrence A. Watt**, Secretary  
**Marco San Antonio**, Director

## General Manager

**Kimberly A. Thorner, Esq.**

## General Counsel

**Alfred Smith, Esq.**, Nossaman LLP



**Christy Guerin**  
President



**Matthew R. Hahn**  
Vice President



**Neal Meyers**  
Treasurer



**Lawrence A. Watt**  
Secretary



**Marco San Antonio**  
Director



**Kimberly A. Thorner**  
General Manager



**Alfred Smith**  
General Counsel



Olivenhain Municipal Water District is a public agency proudly serving portions of Encinitas, Carlsbad, Solana Beach, Rancho Santa Fe, San Marcos, Elfin Forest, 4S Ranch, San Diego and the Olivenhain Valley.



# Table of Contents

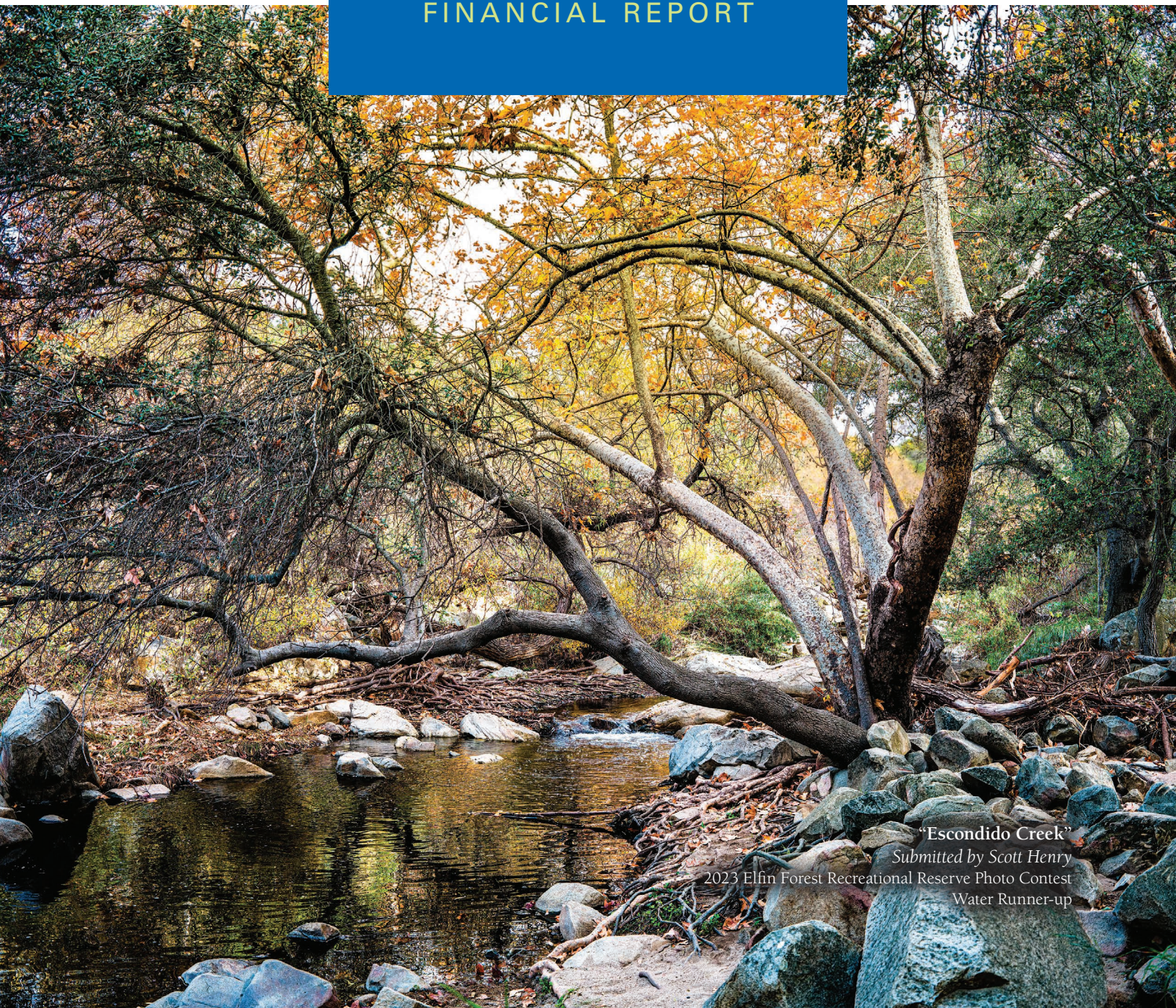
<b>Introductory Section</b>	7
Letter of Transmittal	9
Reporting Entity	9
General District Operations	10
San Diego Region Water Supply and Diversification Strategy	11
Internal Controls	12
Budget Process	12
Designated Fund Balances	13
Contacting the District's Finance Department	13
Certificate of Achievement	13
Organizational Chart	14
District Service Area	15
Acknowledgments	16
<b>Financial Section</b>	17
Independent Auditors' Report	19
Management's Discussion and Analysis	22
Basic Financial Statements	38
Statements of Net Position	38
Statements of Revenues, Expenses, and Changes in Net Position	40
Statements of Cash Flows	41
Notes to the Basic Financial Statements	43
Required Supplementary Information	84
Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets	84
Schedule of Contributions – Defined Benefit Pension Plans	86
Schedule of Proportionate Share of the Net Pension Liability	87
<b>Statistical Section</b>	89
Contents	91
Table I – Net Position by Component	92
Table II – Changes in Net Position	92
Table III – Revenues by Source	93
Table IV – Expenses by Function	93
Table V – Water Sales by Source	94
Table VI – Rate by Activity	94
Table VII – Principal Water Consumers	95
Table VIII – Principal Wastewater (Sewer) Customers	95
Table IX – Property Tax and Special Assessment	96
Table X – Assessed Value of Taxable Property	96
Table XI – Ratios of Net Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	97
Table XII – Direct and Overlapping Debt	98
Table XIII – Water System Revenue to Debt Service Ratio	99
Table XIV – Reassessment District 96-1 Billing and Collections	99
Table XV – Net Outstanding Long-Term Debt by Type	100
Table XVI – Demographic Statistics	100
Table XVII – San Diego County Principal Employers	101
Table XVIII – Full-time Equivalent Employees by Activity	101
Table XIX – Capital and Operating Indicators by Activity	102





# Introductory Section

## ANNUAL COMPREHENSIVE FINANCIAL REPORT



*"Escondido Creek"*

*Submitted by Scott Henry*

*2023 Elfin Forest Recreational Reserve Photo Contest*

*Water Runner-up*





**"Itsy Bitsy Momma"**

*Submitted by Francis Bova*

2023 Elfin Forest Recreational Reserve Photo Contest

People's Choice Winner



November 2, 2023

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, 2023. 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, 2023, 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, 2023, 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, 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.

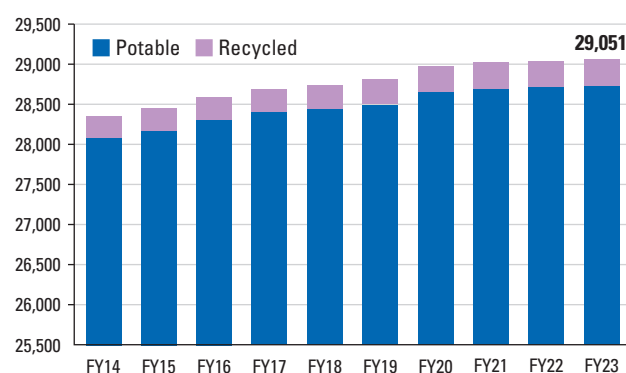
According to recent EDU (Equivalent Dwelling Units) projections, the District has about 1,180 EDUs remaining until it is completely built-out at an estimated 32,929 EDUs. For the fiscal year ended June 30, 2023, 70.7% of water delivered was for domestic use, 28.2% for commercial and irrigation use (including construction and recycled water), and 1.1% 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.

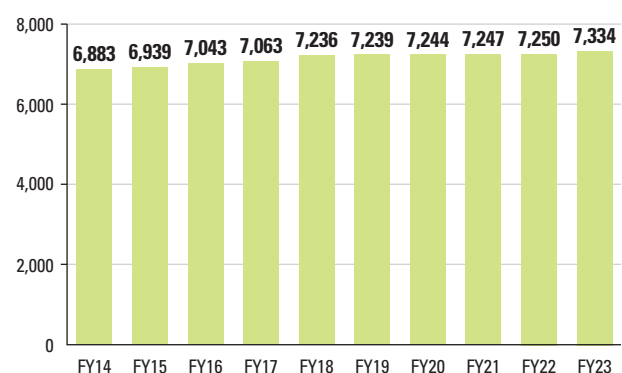
The District also sells recycled water in the northwest of its service area. To meet recycled water demand in the northwest, the District has entered into recycled water purchase agreements with Vallecitos Water District and San Elijo Joint Powers Authority. Recycled water in the northwest is delivered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

During the fiscal year ended June 30, 2023, the District billed 14,841 acre-feet (AF) of potable water through 28,731 active potable water meters and 2,270 AF of recycled water through 320 active recycled meters. The District provided wastewater collection services to 7,334 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 EDUs





# San Diego Region Water Supply and Diversification Strategy

California's water supply outlook is considerably more positive entering 2024 than just one year prior. After over three consecutive years of extreme drought, 2023 was a remarkably wet year throughout the southwestern United States. Rainstorms not only replenished water levels in California's reservoirs, but also improved water storage conditions in the Colorado River basin. Locally, rainfall in San Diego during the 2022–2023 water year was an astounding 161 percent of normal, according to the National Weather Service. Long-range forecasts from the Climate Prediction Center suggest a high likelihood of continued above-average rainfall well into 2024.

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

Though news has been positive with regard to water supplies, water affordability remains an immense challenge as wholesale water costs continue to skyrocket. The San Diego County Water Authority adopted an 11.8% per acre foot increase in all-inclusive untreated water wholesale purchases effective January 1, 2024. These higher wholesale costs, coupled with lower demand resulting from wet weather, inevitably impact OMWD's water sales revenue.

In response to wholesale costs increases, OMWD continues to pursue alternative water supplies in order to reduce its imported water demands. One such pursuit is the San Dieguito Valley Brackish Groundwater Desalination Project, which would produce at least 1.3 million gallons per day of potable water from a previously untapped source. OMWD completed a feasibility study for the project, and having found the project feasible, is currently performing environmental investigations and developing a hydrogeological groundwater model. Not only has the project garnered support from the community, U.S. Congress may approve nearly \$960,000 in Community Project Funding for the project in 2024.

OMWD has also continued the aggressive expansion 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 achieved \$23.9 million in funding from the US Bureau of Reclamation via the Title XVI Water Reclamation and Reuse Program, as well as \$5.0 million in Proposition 84 funding. Individual Coalition members have secured additional funds via Proposition 1 as well. These funding sources have contributed approximately \$900,000 to OMWD's Recycled Water Pipeline Extensions for Calle Barcelona, Village Park, and Summerhill Projects. Altogether, OMWD now meets up to 15 percent of its demands with recycled water each year.

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

# Internal Controls

District Management is responsible for establishing and maintaining a system of internal controls designed to safeguard District assets from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in accordance with 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 biennial 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.

# Contacting the District's Finance Department

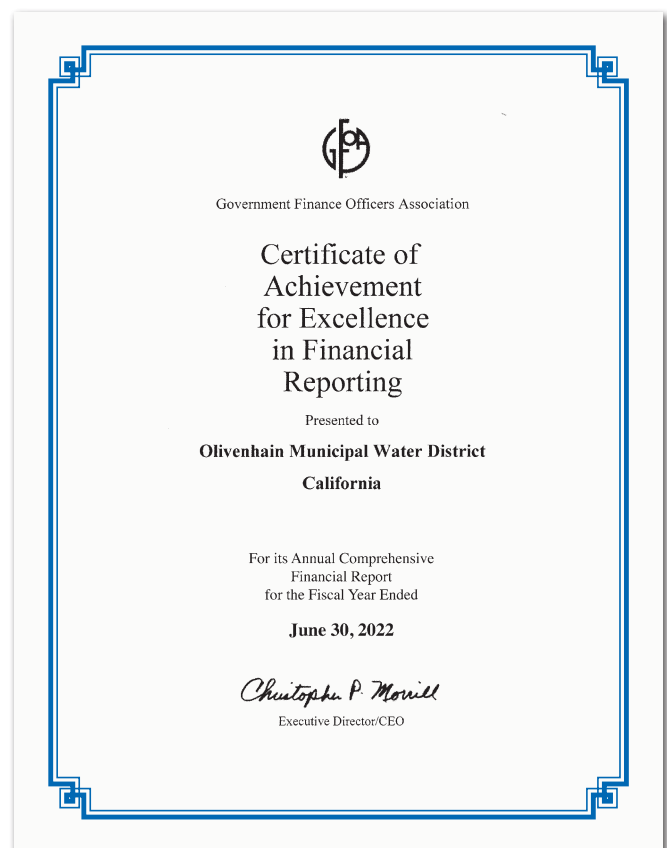
This financial report is designed to provide the Board, customers, creditors and investors with a general overview of the District's financial condition. Should you have any questions regarding the content of this report, please contact Rainy Selamat, OMWD Finance Manager, at (760) 753-6466.

# 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, 2022. This was the 28th consecutive year that the District has received this prestigious award.

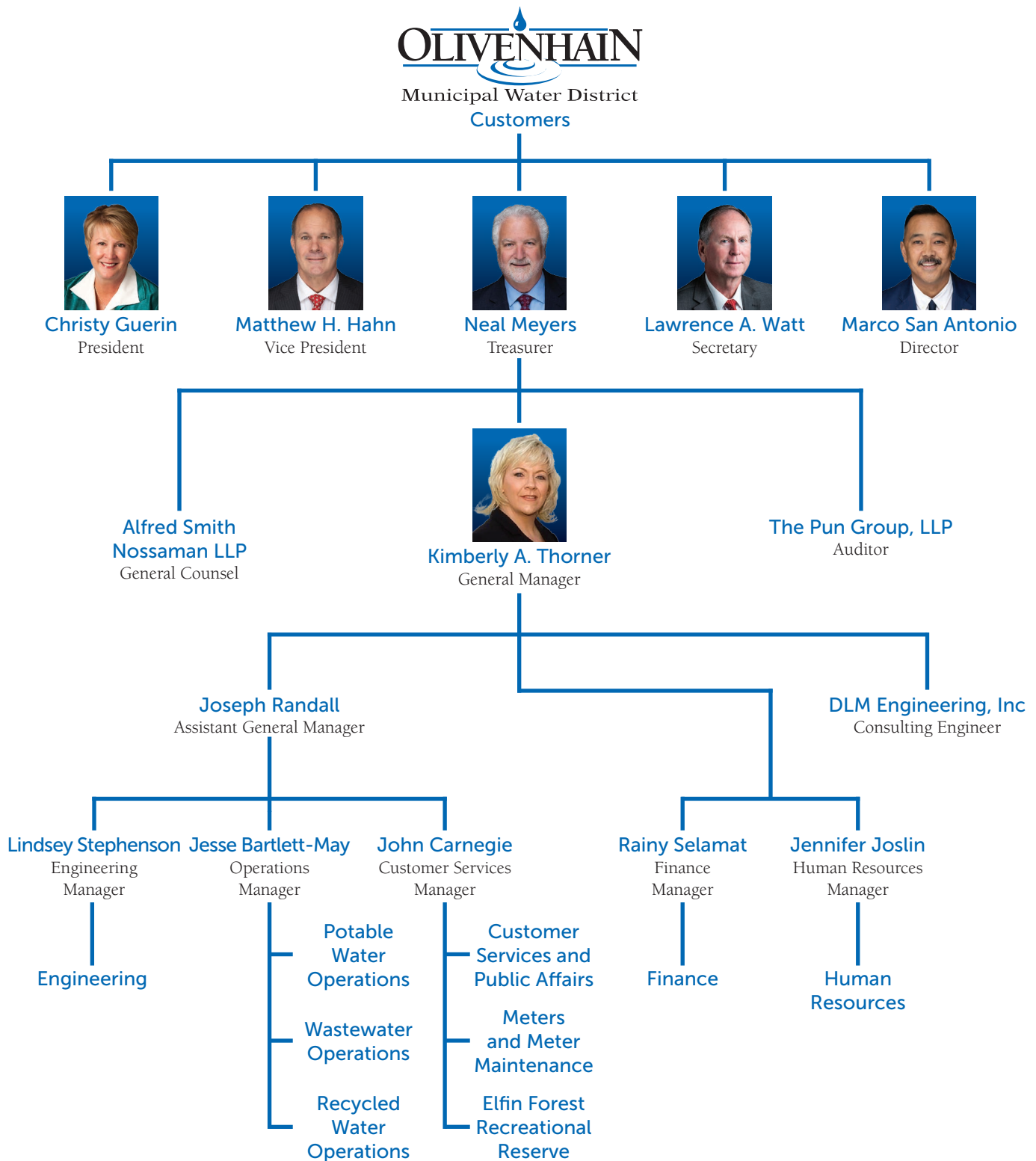
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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.



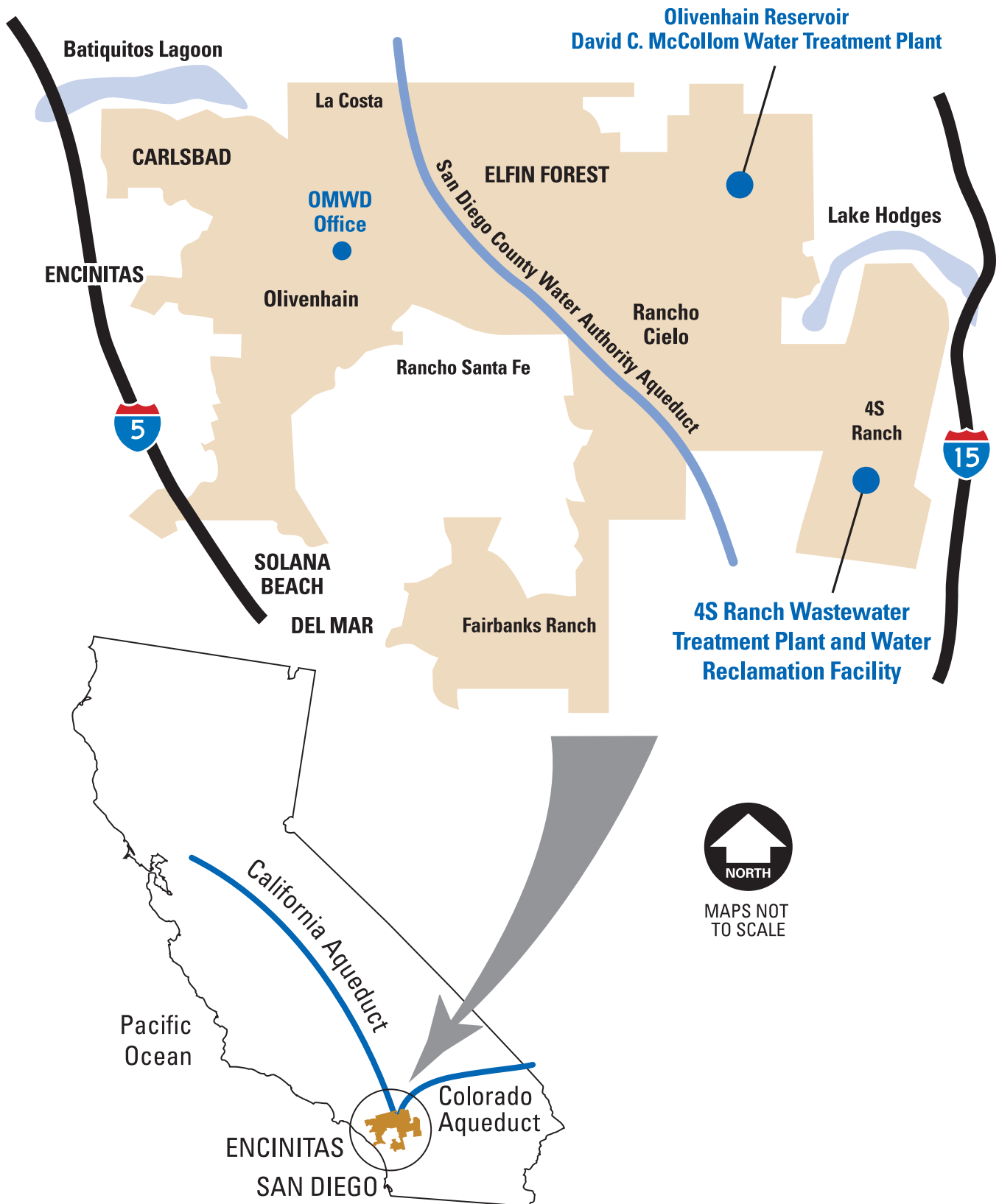


# Organizational Chart



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

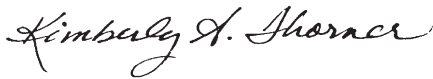
# District Service Area



# Acknowledgments

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, Esq.**  
General Manager

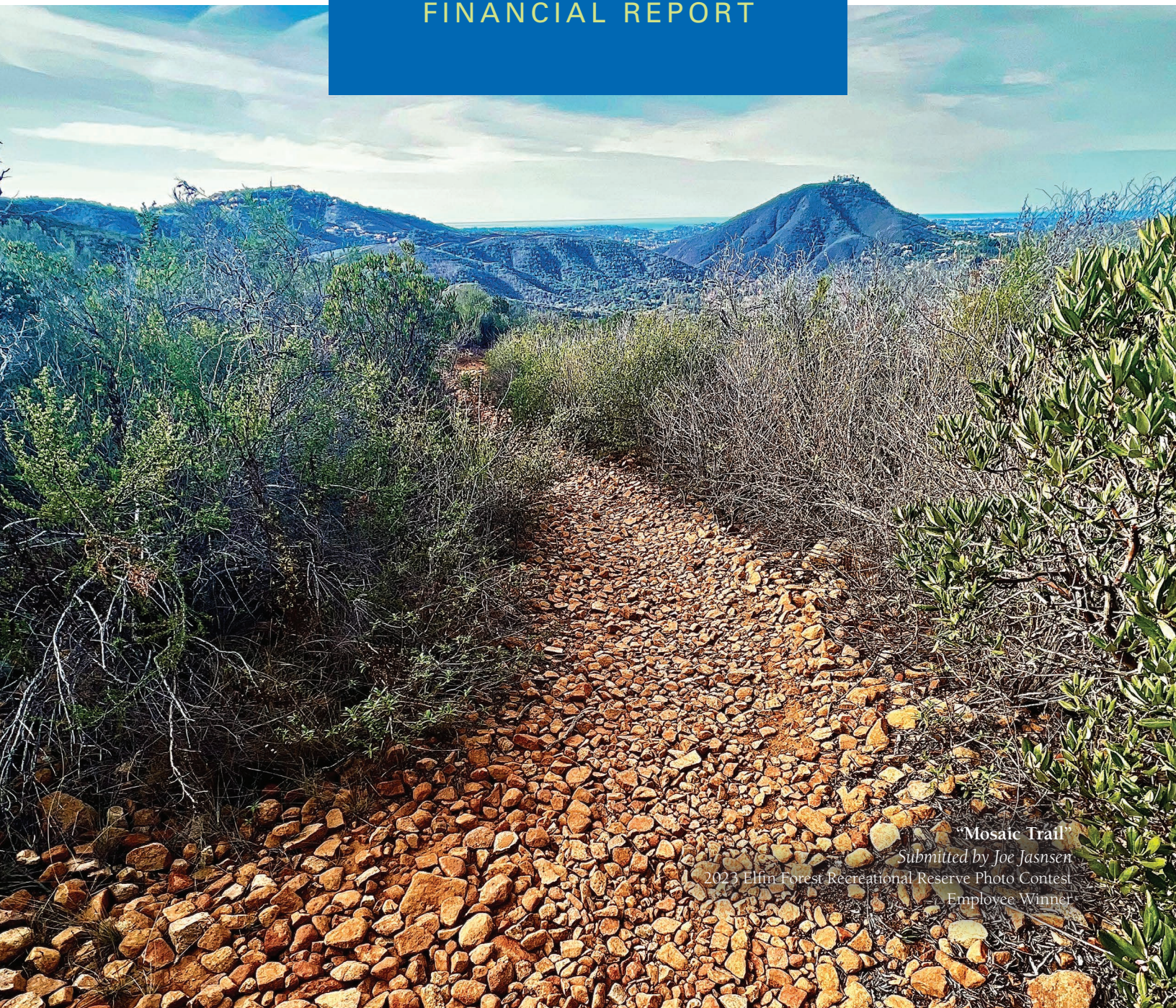


**Rainy K. Selamat**  
Finance Manager



# Financial Section

## ANNUAL COMPREHENSIVE FINANCIAL REPORT



"Mosaic Trail"

Submitted by Joe Jasnsen

2023 Ellin Forest Recreational Reserve Photo Contest

Employee Winner





**“Fun Guy”**

*Submitted by Jose Enciso*

2023 Elfin Forest Recreational Reserve Photo Contest  
Plants Runner-up

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Olivenhain Municipal Water District  
Encinitas, California

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the Olivenhain Municipal Water District, California (the "District"), which comprise the statements of net position as of June 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows, for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis of a Matter*

##### *Implementation of GASB Statement No. 96*

As described in Note 2L, Note 2W, and Note 18 to the financial statements, the District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The implementation of GASB Statement No. 96 requires the District to record "right-to-use" subscription assets and a corresponding subscription liability for all information technology subscription agreements 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

### ***Required Supplementary Information***

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



### ***Other Information***

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2023 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.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

San Diego, California  
November 2, 2023

# Management's Discussion and Analysis

## Fiscal Year Ended June 30, 2023

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, 2023. Included in this section are:

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

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

## Financial Highlights

During the fiscal year ended June 30, 2023 the following events impacted, or create the potential to impact, the finances of the District:

- On February 15, 2023, the District's Board of Directors approved a 5.9% 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, 2023.
- In April of 2023, Fitch reviewed the District's AAA bond rating on the 2015A and 2016A Water System Refunding Revenue Bonds and concluded that there should be no change to its existing rating.
- The District's Board of Directors approved a 3% increase to the District's wastewater (sewer) rates and charges effective July 1, 2023, consistent with the sewer rate ordinance adopted by the board in May 2021.
- The District completed a Single Audit for fiscal year 2023 as a result of grant funds expended for its recycled water and Advanced Metering Infrastructure (AMI) expansion projects. The District reported \$2,030,385 in federal award expenditures and received no findings from its external auditors.
- As of June 2023, the District has refunded \$584,483 to its customers via the Rate Reimbursement Credit (RRC) program, which was established by the Board of Directors in March of 2022. The program stemmed from refund payments received totaling \$3,661,916.91 as a result of settlement proceeds from the SDCWA. The Board voted to pass-on the refunds to District customers via the RRC. More information about the District's RRC is included under the Water Operations section of the Management Discussion and Analysis (MD&A).
- Total Revenues decreased in comparison to the prior year due to fluctuations in the District's water demand from changes in weather conditions, but the decrease was partially offset by increases in investment income, decreases in unrealized losses, and increases in grant revenues earned for the District's recycled water and Advanced Metering Infrastructure (AMI) projects. Other Non-Operating Revenues decreased compared to the prior year due to the following non-recurring revenue items that were recognized in 2022: 1) a refund payment received from the SDCWA and 2) a gain from the selling of a district parcel of land (Peay parcel).
- Total Expenses decreased primarily due to decreased water demand from wet weather conditions during the year which led to decreased costs to purchase water from the District's potable and recycled water suppliers. A reduction in pension expense resulting from the District's GASB Statement No. 68 adjustments also contributed to the decrease in total expenses.
- Total Assets decreased primarily due to reductions in cash from lower water sales and a decrease in Net Capital Assets due to depreciation, which decreased the carrying value of the District's Capital Assets.

# Management's Discussion and Analysis (continued)

## Financial Highlights (continued)

- Deferred Outflows of Resources increased from the prior year due to amounts from the District's pension that vary from year-to-year based on California Public Employees Retirement System (CalPERS) actuarial assumptions and Governmental Accounting Standards Board (GASB) Statement No. 68 reporting requirements. More information on the District's pension plan can be found in Note 10 of the financial statements.
- Total Liabilities increased due to an increase in Net Pension Liability, which fluctuates from year-to-year based on California Public Employees Retirement System (CalPERS) actuarial assumptions and Governmental Accounting Standards Board (GASB) Statement No. 68 reporting requirements. This increase was partially offset by the District's paydown of its long-term debt.
- Deferred Inflows of Resources decreased from the prior year due to CalPERS actuarial assumptions and GASB Statement No. 68 reporting requirements. The District's lease receivables for leases of land to comply with GASB Statement No. 87 – Leases are also attributed to the decrease. The District is a lessor for leases of land, primarily cell tower sites, and recognizes leases receivable and deferred inflows of resources related to these leases. Decreases to the District's leases receivable and deferred inflows are recorded as lease payments are received.
- The District's Net Position as of June 30, 2023 increased by \$3.9 million compared to fiscal year 2022. The increase was primarily due to an increase in grant revenues and investment income. The average return on investments increased from 0.97% at the end of fiscal year 2022, to 3.21% at the end of fiscal year 2023, which increased the District's investment income. Throughout the fiscal year, the District managed its cash flow to stay in compliance with its investment policy while maximizing investment income.
- The District adopted GASB Statement No. 91 "Conduit Debt Obligations", GASB Statement No. 94 "Public-Private and Public-Public Partnerships and Availability Payment Arrangements", GASB Statement No. 96 "Subscription-Based Information Technology Arrangements", and GASB Statement No. 99, "Omnibus 2022".

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.

# Management's Discussion and Analysis (continued)

## Overview of the Financial Statements (continued)

### Required Basic Financial Statements (continued)

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?"



# Management's Discussion and Analysis (continued)

## Financial Analysis of the District as a Whole (continued)

### Highlights of Statement of Net Position

	Fiscal Year ended June 30		
	2023	2022	2021
Current Assets – unrestricted	\$ 89,298,112	\$ 93,308,859	\$ 91,582,199
Current Assets – restricted	14,570,261	12,899,002	7,333,291
Capital Assets, net	374,715,143	375,213,684	381,987,256
Noncurrent Assets – unrestricted	9,355,778	9,955,712	7,188,378
Other Noncurrent Assets	17,219	35,463	82,997
Total Assets	487,956,513	491,412,720	488,174,121
Deferred Amounts on Refunding	857,886	1,016,228	1,191,088
Deferred Amount from Pension	7,296,286	2,731,692	3,585,712
Total Deferred Outflows of Resources	8,154,172	3,747,920	4,776,800
Current Liabilities – unrestricted	14,598,670	14,224,239	13,721,685
Current Liabilities – restricted	189,507	158,941	211,991
Compensated Absences, long-term	1,189,983	939,187	916,576
Unearned Revenue	—	—	—
Net Pension Liability	16,832,760	7,819,768	14,608,845
Long-term Debt	42,393,127	47,891,832	48,280,027
Total Liabilities	75,204,047	71,033,967	77,739,124
Deferred Amount on Pension	720,171	6,995,887	425,243
Deferred Amount on Leases	8,953,346	9,796,852	7,350,346
Total Deferred Inflows of Resources	9,673,517	16,792,739	7,775,589
Net Investment in Capital Assets	332,382,861	328,832,740	330,855,961
Restricted Net Position	10,503,646	7,727,858	7,121,300
Unrestricted Net Position	68,346,614	70,773,336	69,458,948
Total Net Position	\$ 411,233,121	\$ 407,333,934	\$ 407,436,209

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:** a decrease in fiscal year 2023 compared to 2022, and an increase in 2022 compared to 2021. This was 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 in 2022 and 2021 from the SDCWA (MWD settlement).

**Current Assets – restricted:** an increase in fiscal year 2023 compared to 2022, and an increase in fiscal year 2022 compared to 2021. The increase in fiscal year 2023 compared to 2022 was due to an increase in Grant Receivables recognized for the District's Manchester Recycled Pipeline Extension project. The large increase in fiscal year 2022 compared to 2021 was primarily due to an increase in restricted cash from the issuance of the 2021A Wastewater Revenue Refunding bonds to help finance the District's wastewater (sewer) improvement projects.

**Capital Assets, net:** a decrease between fiscal years 2023 and 2022, and a decrease between fiscal years 2022 and 2021. These decreases are primarily due to increases in accumulated depreciation, which decreased the carrying value of the District's Capital Assets. The decreases were partially offset by increases in capital assets from Construction in Progress (CIP) projects that were capitalized during the fiscal year. See note 6 of the District's financial statements for more details on the District's capital assets.

# Management's Discussion and Analysis (continued)

## Financial Analysis of the District as a Whole (continued)

**Noncurrent Assets – unrestricted:** a decrease between fiscal years 2023 and 2022, and an increase between fiscal years 2022 and 2021. The decrease between fiscal years 2023 and 2022 is due to a decrease in the District's leases receivable for its cell tower sites, as a result of regular lease payments received throughout the year. The increase between fiscal years 2022 and 2021 was due to an increase in the District's lease receivable resulting from extensions of cell tower site agreements. Governmental Accounting Standards Board Statement (GASB) No. 87 – Leases requires the District to recognize a noncurrent asset for the lease payments that are expected to be received during the lease term of the District's leases, which are primarily composed of cell tower sites. The District has 16 existing lease agreements, which generate other non-operating revenue for the District.

**Other Noncurrent Assets:** a decrease between fiscal years 2023 and 2022 and a decrease between fiscal years 2022 and 2021. 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. All loans were paid off before the end of fiscal year 2023, leaving only the District's prepaid bond insurance amount remaining under Other Non-Current Assets.

**Deferred Outflows of Resources:** In 2023, the District had Deferred Outflows of Resources of \$8.2 million, an increase of \$4.5 million compared to fiscal year 2022. In 2022, the District had Deferred Outflows of Resources of \$3.7 million, a decrease of \$1.0 million compared to fiscal year 2021. A portion of the change in the District's Deferred Outflows was due to fluctuations in recorded pension amounts as a result of changes in pension contributions subsequent to the measurement date, differences in actual and expected expenses, assumption changes, proportion changes, and net differences between projected and actual earnings on plan investments, as required by GASB Statement No. 68. The remaining change in the District's Deferred Outflows is due to decreases in the deferred loss on refunding recognized for the District's Water System Revenue Bonds. More information on the District's Long-term debt can be found in Note 8 of the basic financial statements.

**Current Liabilities – unrestricted:** an increase between fiscal years 2023 and 2022, and an increase between fiscal years 2022 and 2021. The increases were due to an increase in the current portion of long-term debt with a larger increase between fiscal years 2022 and 2021 that resulted from the issuance of new Wastewater Revenue Bonds during fiscal year 2022.

**Current Liabilities – restricted:** an increase in fiscal year 2023 compared to 2022, and a decrease in fiscal year 2022 compared to 2021. The changes were due to fluctuations in restricted payables related to the District's various construction projects.

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

**Net Pension Liability:** an increase of \$9.0 million in fiscal year 2023 compared to 2022, and a decrease of \$6.8 million in 2022 compared to fiscal year 2021. Net Pension Liability is reported at \$16.8 million for fiscal year 2023 and is based on the District's proportionate share of the net pension liability for the Miscellaneous Classic and Public Employees' Pension Reform Act (PEPRA) plans under the CalPERS retirement program. The District's Net Pension Liability for each fiscal year was recorded based on CalPERS actuarial report as of June 30th of the prior year. The District's Net Pension Liability was \$7.8 million and \$14.6 million for fiscal years 2022 and 2021, respectively.

# Management's Discussion and Analysis (continued)

## Financial Analysis of the District as a Whole (continued)

**Long-term Debt:** a decrease in fiscal year 2023 compared to 2022 and a decrease in fiscal year 2022 compared to 2021. The decreases were due to the District's regular payments on outstanding debt. The long-term debt decreased every year for the current portion of these debts paid down in each fiscal year. Long-term Debt decreased only slightly between 2022 and 2021 due to the issuance the new 2021A and 2021B bonds during fiscal year 2022, which offset the decrease from payments on the District's outstanding debt. For more information on the District's outstanding bond debts and payment schedules see Note 8 to the financial statements.

**Deferred Inflows of Resources:** The District had Deferred Inflows of Resources of \$9.7 million in fiscal year 2023, a decrease of \$7.1 million compared to 2022. The District had Deferred Inflows of Resources of \$16.8 million in fiscal year 2022, an increase of \$9.0 million compared to fiscal year 2021. The decrease in fiscal year 2023 compared to 2022 and increase in fiscal year 2022 compared to 2021 were due to changes in deferred inflows for the District's pension plan, which vary from year-to-year due to CalPERS actuarial assumptions and GASB 68, as described in the above Net Pension Liability Section.

**Total Net Position:** Total Net Position increased in fiscal year 2023 compared to 2022 by \$3.9 million and decreased slightly between fiscal years 2022 and 2021 by \$102 thousand. The increase in fiscal year 2023 was primarily due to an increase in grant revenues and investment income. The average return on investments increased from 0.97% at the end of fiscal year 2022, to 3.21% at the end of fiscal year 2023, which increased the District's investment income. The decrease between 2022 and 2021 was primarily due to the large unrealized loss recognized in 2022 from investments as a result of fair market value adjustments on the District's investment portfolio. Fluctuations in the District's Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and pension expense based on California Public Employees Retirement System (CalPERS) actuarial assumptions and Governmental Accounting Standards Board (GASB) Statement No. 68 reporting requirements have also contributed to the year-to-year changes in the District's Total Net Position.

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

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

## Water Operations

During fiscal year 2023, the District provided potable water and recycled water services to 29,051 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.



# Management's Discussion and Analysis (continued)

## Water Operations (continued)

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 \$3.92 to \$7.55 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 \$41.94 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.

In March of 2022, the District's Board of Directors established the District's Rate Reimbursement Credit (RRC) Program, which helps reduce the impact of current and future OMWD water rate increases on customers' monthly water bills. The program stemmed from a refund payment received totaling \$3,661,916.91 from the SDCWA for the District's share of settlement proceeds resulting from lawsuits between 2010 and 2018, where SDCWA challenged the Metropolitan Water District's (MWD) Water Stewardship Rate. The District's Board of Directors voted to return the \$3,661,916.91 to all District potable water customers (excluding construction users) as a credit on their monthly water bills equaling 6.9 cents per unit of water billed over the next six (6) years, in line with the period that overpayments were made (from 2011 to 2017). As of June 2023, the District has refunded \$584,483 to District customers via the RRC program.

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

## Wastewater (Sewer) Operations

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

In May of 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 7,334 equivalent dwelling units (EDUs) for wastewater discharged from residential and commercial customers.

# Management's Discussion and Analysis (continued)

## Recycled Water Operations

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

Recycled water revenues are collected from commodity rates and a monthly system access charge. The District adopted a uniform rate structure for collecting recycled water user fees based on monthly water consumption, and adjusts this fee annually to ensure it covers the costs of operation. On February 15th the District Board of Directors approved a 6.6% increase to the recycled commodity rate. The recycled commodity rate is currently billed at \$4.04 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 Homeowners' Associations' (HOA) that retrofit their potable water irrigation system to recycled water.

# Management's Discussion and Analysis (continued)

## Statements of Revenues, Expenses and Changes in Net Position

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

	Fiscal Year ended June 30		
	2023	2022	2021
<b>REVENUES</b>			
Operating Revenues:			
Water Sales	\$ 53,633,877	\$ 57,747,541	\$ 58,169,813
Sewer Charges	5,621,985	5,480,925	5,127,136
Other Operating Revenues	1,084,666	1,303,126	1,461,229
Total Operating Revenues	<u>60,340,528</u>	<u>64,531,592</u>	<u>64,758,178</u>
Non-Operating Revenues:			
Property Tax Revenues	4,577,755	4,242,794	4,027,357
Capacity Charges	1,327,295	1,530,925	2,754,730
Benefit Assessment Revenues	1,045,315	1,058,241	1,177,302
Investment Income	2,105,348	402,702	454,962
Fair Market Value Adjustment	(207,285)	(2,467,642)	(562,019)
Other Non-Operating Revenues	1,055,260	2,237,334	6,592,672
Total Non-Operating Revenues	<u>9,903,688</u>	<u>7,004,354</u>	<u>14,445,004</u>
Total Revenues	<u>70,244,216</u>	<u>71,535,946</u>	<u>79,203,182</u>
<b>EXPENSES</b>			
Operating Expenses:			
Cost of Water Sold	29,609,781	31,265,804	30,601,983
Depreciation	15,910,790	16,075,980	15,559,523
General and Administrative	6,865,224	7,745,048	7,041,160
Pumping and Water Treatment	4,353,775	4,322,820	4,378,418
Transmission and Distribution	4,434,815	4,485,962	4,220,269
Sewer Collection and Treatment	2,026,695	2,170,341	2,085,237
Customer Services	1,754,190	2,036,267	2,348,700
Facilities Maintenance	1,274,751	1,387,010	1,363,564
Elfin Forest Recreational Reserve	386,905	428,174	415,386
Other Operating Expenses	212,580	304,037	228,939
Total Operating Expenses	<u>66,829,506</u>	<u>70,278,416</u>	<u>68,243,179</u>
Non-Operating Expenses:			
Interest Expense, net	1,220,156	1,322,948	1,419,009
Other Non-Operating, net	1,935,949	606,602	1,076,547
Total Non-Operating Expenses	<u>3,156,105</u>	<u>1,929,550</u>	<u>2,495,556</u>
Total Expenses	<u>69,985,611</u>	<u>72,207,966</u>	<u>70,738,735</u>
Income (Loss) Before Capital Contributions	258,605	(672,020)	8,464,447
Capital Contributions	3,640,582	569,745	899,998
Changes in Net Position	3,899,187	(102,275)	9,364,445
Beginning Net Position	407,333,934	407,436,209	398,071,764
Ending Net Position	<u>\$ 411,233,121</u>	<u>\$ 407,333,934</u>	<u>\$ 407,436,209</u>



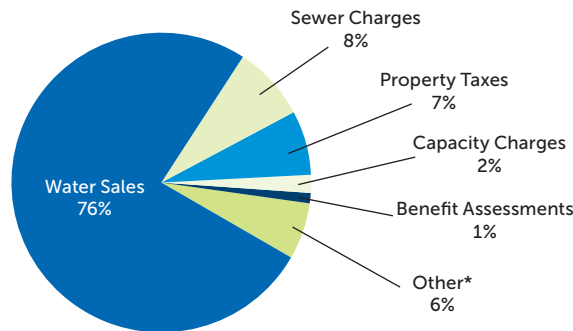
# Management's Discussion and Analysis (continued)

## Statements of Revenues, Expenses and Changes in Net Position (continued)

### Revenues

#### Sources of Revenues

Fiscal Year Ended June 30, 2023



\*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, 2023, total revenues were \$70.2 million, a 1.8% decrease compared to fiscal year 2022. Total revenues in fiscal year 2022 were \$71.5 million, a 9.7% decrease compared to fiscal year 2021. The change in fiscal year 2023 compared to 2022 was due to a decrease in operating revenue from lower-than-average water demand caused by wet weather conditions during the year. Water demand varies year-to-year based on weather conditions and other factors. This was partially offset by an increase in investment income compared to the prior year as a result of an increase in investment yields. 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 is due to significant revenues recognized in 2021 as a result of the sale of a district parcel to pay for a portion of the administrative and building improvement project costs (Building D) and settlement proceeds received from the Metropolitan Water District of Southern California (MWD), which the District is passing through to its customers through the Rate Reimbursement Credit (RRC).

**Operating Revenues:** a decrease in fiscal year 2023 compared to 2022, and a slight decrease between fiscal years 2022 and 2021 due to lower water consumption. This decrease in water consumption was offset by the 5.9% revenue adjustment in fiscal year 2023 and 4.3% revenue adjustment in 2022 water rates and charges. Fluctuations in water sales are due to year-to-year changes in customers' water consumption behaviors which vary depending on weather conditions. Revenues from sewer charges increased in fiscal years 2023 and 2022 due to increases in sewer rates and charges by 3% each year.

**Other Operating Revenues:** a decrease in fiscal year 2023 compared to 2022, and a slight decrease in fiscal year 2022 compared to 2021. The decreases are due to lower sales from selling excess treatment services to Vallecitos Water District from the David C. McCollom Water Treatment Plant (DCMWTP). The lower sales are a result of Vallecitos' temporary shutdown of its pipeline for planned repairs during the last three months of fiscal year 2022 and first six months of fiscal year 2023.

# Management's Discussion and Analysis (continued)

## Statements of Revenues, Expenses and Changes in Net Position (continued)

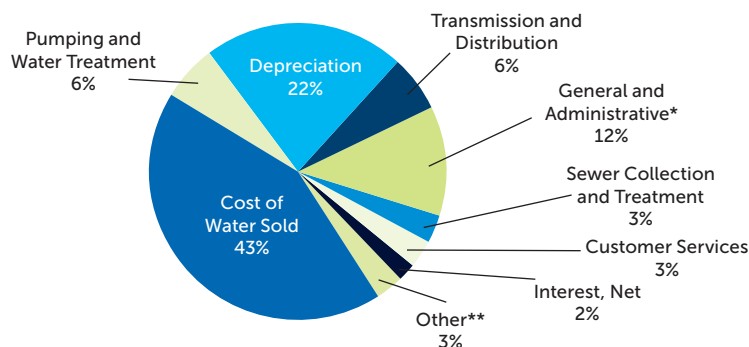
### Revenues (continued)

**Non-operating Revenues:** an increase in fiscal year 2023 compared to 2022, and a decrease in fiscal year 2022 compared to 2021. The increase in fiscal year 2023 is due to higher investment income during the year and a lower fair market value adjustment for unrealized losses compared to the prior year. The average return on investments increased from 0.97% at the end of fiscal year 2022, to 3.21% at the end of fiscal year 2023. The decrease in fiscal year 2022 compared to 2021 is due to an increase in unrealized losses on investments. During fiscal year 2022, 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 did not realize the losses because its holdings are held to maturity and are highly rated securities. The decrease in 2022 compared to 2021 is also due to a decrease in capacity fee receipts from a slow down in the 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. Fluctuations in the amounts collected from the District's property tax revenues, and benefit assessment revenues from the 96-1 Reassessment District Limited Obligation Improvement Bonds also contributed to the changes in Non-operating Revenues over the years.

### Expenses

#### Sources of Expenses

Fiscal Year Ended June 30, 2023



\*Includes Facilities Maintenance and Elfin Forest Recreational Reserve Expenses.

\*\*Includes Other Operating Expenses and Other Non-operating Expenses.

**Total Expenses:** fiscal year ended June 30, 2023 reported expenses were \$70 million. Included in Total Expenses were \$66.8 million in Operating Expenses and \$3.2 million in Non-operating Expenses. Total Expenses reported in fiscal years 2022 and 2021 were \$72.2 and \$70.7 million, respectively.

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

# Management's Discussion and Analysis (continued)

## Statements of Revenues, Expenses and Changes in Net Position (continued)

### Expenses (continued)

**Other Non-operating Expenses, net:** increased in fiscal year 2023 compared to fiscal year 2022 and decreased in fiscal year 2022 compared to fiscal year 2021. The increase in 2023 is due to about \$1 million of pass-through grant funds that were disbursed to sub-recipient members of the North San Diego Water Reuse Coalition (NSDWRC) as part of its Title XVI grant. A corresponding revenue amount was recorded as income under the Capital Contributions section of the District's Statement of Revenues, Expenses, and Changes in Net Position. Pursuant to the District's Board of Directors' established Rate Reimbursement Credit (RRC) program, the District passed on \$444,688 and \$139,795 to the District's customers in 2023 and 2022, respectively, and recognized these amounts as Other Non-operating Expenses. More information on the District's RRC program is included under the Water Operations section earlier in the Management Discussion and Analysis (MD&A).

### Income (Loss) Before Capital Contributions & Capital Contributions

**Income (loss) before Capital Contributions:** increased in fiscal year 2023 compared to 2022 and decreased in fiscal year 2022 compared to fiscal year 2021. These fluctuations were primarily due to changes in water sales, investment income, unrealized gains and losses on the District's investments, and capacity fees received from developers. 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 contributed to the decrease in Income (loss) before Capital Contributions in fiscal year 2022.

**Capital Contributions:** increased in fiscal year 2023 compared to fiscal year 2022 and decreased in fiscal year 2022 compared to fiscal year 2021 from year-over-year fluctuations in grants received and capital contributions from developers. In fiscal year 2023, the District recognized \$1 million in revenue as part of the NSDWRC Title XVI grant. These funds were recorded as capital contributions, then paid out to grant sub-recipients and recorded in Other Non-operating Expenses, in accordance with Generally Accepted Accounting Principles. The District also recognized \$2.2 million in grant revenue for its share of funds earned as part of its Title XVI, Proposition 1, Proposition 84, and AMI grants. The funds are being used to help finance the District's recycled water projects and its Advanced Metering Infrastructure (AMI). The District also recognized Contributed revenue for assets received from major developers which contributed to the fluctuations over the years. Being mostly built out, the District is receiving fewer contributed assets from developers.

### Changes in Net Position

Changes in Net Position for the fiscal year ended June 30, 2023, amounted to an increase of \$3.9 million. The Changes in Net Position for the fiscal years ended June 30, 2022, and June 30, 2021, amounted to a decrease of \$102 thousand and an increase of \$9.4 million, respectively. The fluctuations over the last three fiscal years were primarily due to changes in water sales, grant revenue, capacity charges collected, investment income, unrealized losses on the District's investments, and Other Nonoperating Revenue recognized from the Metropolitan Water District (MWD) legal settlement. Fluctuations in the District's Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and pension expense based on California Public Employees Retirement System (CalPERS) actuarial assumptions and Governmental Accounting Standards Board (GASB) Statement No. 68 reporting requirements have also contributed to the year-to-year changes in the District's Net Position.

# Management's Discussion and Analysis (continued)

## Restrictions, Commitments, and Limitations

### Capital Assets and Improvement Program

#### Condensed Schedule of Capital Assets

Description	As of June 30, 2023	As of June 30, 2022	As of June 30, 2021
Capital Assets, net of depreciation	\$ 332,489,700	\$ 336,787,649	\$ 340,390,744
Land and Steel Tanks	30,866,760	30,866,760	30,866,760
Construction in Progress	11,358,683	7,559,275	10,729,766
Net Capital Assets	<u>\$ 374,715,143</u>	<u>\$ 375,213,684</u>	<u>\$ 381,987,270</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](http://www.olivenhain.com).

The District's Net Capital Assets in service as of June 30, 2023, were \$374.7 million, net of \$244.4 million in accumulated depreciation and amortization. Included in the total Net Capital Assets is \$11.4 million in Construction in Progress (CIP), which includes: the San Elijo Valley Groundwater Project, Neighborhood 1 Sewer Pump Station 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 6 of this report.

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

The Tank Assessment Index (TAI) minimum established by the District is 5.0. The average TAI for fiscal year 2023 is 9.2, well above the established index. The average TAI for both fiscal years 2022 and 2021 was 9.0. The current lowest TAI is 8.2, and the highest is 9.9. It cost about \$40 thousand less than expected to maintain and preserve infrastructure assets at target conditions during the current period.

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



# Management's Discussion and Analysis (continued)

## Restrictions, Commitments, and Limitations (continued)

### Debt Administration

The District has one (1) note payable and five (5) bond issues outstanding: the 2013 State Revolving Fund, the 2019 Reassessment 96-1 Limited Obligation Improvement Bonds, the 2015 Water System Refunding Revenue Bonds Payable, the 2016 Water System Refunding Revenue Bonds Payable, and the 2021A and 2021B Wastewater Revenue Bonds Payable. The District's outstanding bonded indebtedness as of June 30, 2023 is as follows:

#### Schedule of Bond Indebtedness for Fiscal Year Ended 2023

Description	Year Issued	Total Sold	Final Maturity Date	Interest Rate Range		Bonds Outstanding As of June 30, 2023		
				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%	\$ 883,019	\$ 3,711,672	\$ 4,594,691
2013 State Revolving Fund	2013	17,069,309	7/1/2035	2.30%	2.30%	415,868	9,929,472	10,345,340
2015 Water System Refunding Revenue Bonds Payable	2015	23,455,000	6/1/2028	2.00%	5.00%	1,935,000	8,745,000	10,680,000
2016 Water System Refunding Revenue Bonds Payable	2016	15,990,000	6/1/2039	2.13%	5.00%	585,000	11,745,000	12,330,000
2021A Wastewater Revenue Bonds Payable	2021	5,042,140	6/1/2041	2.14%	2.14%	211,680	4,377,480	4,589,160
2021B Wastewater Revenue Refunding Bonds Payable	2021	3,932,970	6/1/2028	1.14%	1.14%	575,630	2,368,430	2,944,060

For the fiscal year ended June 30, 2023 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 \$52.

In April of 2023, Fitch Ratings reviewed the District's 2015A Water System Refunding Revenue Bonds and 2016 Water Revenue Refunding Bonds "AAA" rating and concluded that there should be no change to its existing 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

California has experienced significant rain and snowfall over the past 12 months which helped to mitigate drought conditions throughout the state. Despite the recent wet weather conditions, longer-term weather forecasts indicate a hotter and drier southwest climate in future years as the El Niño weather conditions continue to strengthen. In October 2023, San Diego County Water Authority, the potable water wholesaler for the San Diego region, announced that the County has reliable supplies to meet demands in 2024.

Meanwhile, higher than expected inflation continues to keep the Federal Reserve in a defensive position even as core Consumer Price Index (CPI) showed signs of slowing down compared to the pace of price inflation. According to the Bureau of Labor Statistics, food prices increased 0.2%, pretty much unchanged from August 2023, while energy prices increased by 1.5% after surging 5.6% in August. Most of the increase in energy prices stemmed from a 2.1% increase in gasoline prices, an 8.5% increase in fuel oil prices, and a 1.3% increase in electric prices.

# Management's Discussion and Analysis (continued)

## Economic Factors and Next Year's Budgets and Rates (continued)

The impact of high inflation has put pressure on the District's operating and capital budget over the last two years. High energy, fuel, and chemical prices have been the drivers for increased operating costs to operate the District's water treatment plants; the David McCollom Water Treatment Plant and the 4S Wastewater Treatment Plant and Reclamation Facility. Additionally, purchased water costs from the District's water suppliers have increased. The District buys all untreated water from San Diego County Water Authority (SDCWA). The cost of purchased water from SDCWA is the District's largest operating expense. At their June 2023 meeting, the SDCWA Board of Directors adopted an 11.8% all-inclusive untreated water wholesale price per acre foot increase effective January 1, 2024.

Due to the impact of higher purchased water costs and inflation on the District's budget, the District's Board of Directors is considering a 7.4% revenue adjustment for 2024 water rates and charges to pass through increases in purchased water wholesale costs and annual inflation adjustments, based on San Diego Consumer Price Index (SDCPI), effective March 1, 2024. The unusual wet and cool weather conditions in San Diego continue to persist in 2023. Water sales for fiscal year 2024 are projected to be the same as fiscal year 2023 actual sales due to the anticipated reduction in water consumption during the last quarters in calendar 2023. To help offset the proposed 7.4% revenue adjustment on water rates and charges for 2024, the Board is also considering an acceleration to the existing Rate Reimbursement Credit (RRC) program by increasing the existing credit of 6.9 cents for each unit of water billed up to 11 cents per unit of water billed to customers.

The District has also experienced higher employee turnover after due to high inflation and a tight labor market. Based on the 2020 Memorandum of Understanding (MOU) between the District and its Employee Association and Bargaining Unit Member Association, annual increases in District salaries and wages are projected between 3.5% and 6% depending on the year-over-year change in inflationary adjustments based on SDCPI. Increases in SDCPI have been as high as 8% over the last two years. To minimize employee turnover costs and as an employee retention strategy, the District's Board revised its compensation policy to be more competitive with other public agencies in the County.

The District continues to take steps to diversify its water supply through expansion of its recycled water system to reduce reliance on San Diego County Water Authority for water supplies. The District also has been proactive in pursuing grants to help reduce capital expenditures. The District is currently finalizing an agreement for a grant award from the US Bureau of Reclamation's Title XVI Water Reclamation and Reuse Program, which will amount to roughly 25% of total project cost.

On the capital budget side, several bids received on public work contracts for water and wastewater infrastructure projects were higher than estimates due to labor and material cost increases stemming from the tight labor market and supply chain issues. The water and wastewater capital spending plans for fiscal year 2024 have been revised upward to reflect current cost estimates as part of the District's midterm budget review process, which were approved by the Board of Directors in June 2023. With the District being mostly built out, its Capital Improvement Program is primarily focused on infrastructure replacement projects.

The next water rate study update will commence in Spring 2024. The 2024 rate study results will be brought to the District's Board of Directors for consideration and approval in late summer/early fall of 2024. The 2024 water rate study will include the planned rate increases for the next five years, 2025 to 2029.

The District collects and treats wastewater from 4S Ranch Sanitation District and Rancho Cielo Sanitation District. 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 in December of each year.

# Management's Discussion and Analysis (continued)

## Economic Factors and Next Year's Budgets and Rates (continued)

In 2022, the Board adopted a five-year sewer rate ordinance that allows the District to automatically increase sewer rates and charges by 3% on July 1st of each year (fiscal year 2022–fiscal year 2026). A 2020 Wastewater Rate Study was completed and used as the basis for allocating costs and calculating the sewer rate increases for five years. Due to actual higher inflation adjustments than projected in the 2020 Wastewater Rate Study, the District is updating its long-range financial plan to evaluate the impact of higher inflation and increased capital expenditures on its wastewater rates and charges. Pending results of this year's rate study update, the District's Board of Directors may consider rescinding its existing sewer rate ordinance and conducting a sewer rate hearing process in 2024 to set wastewater rates and charges for the next five years.

## 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 inquiries to our website at [www.olivenhain.com](http://www.olivenhain.com).

# Statements of Net Position

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u> (As Restated)
<b>ASSETS</b>		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$ 43,744,879	\$ 45,761,554
Investments	33,451,454	34,421,737
Accounts receivable – water and sewer, net	8,352,651	9,453,946
Interest receivable	337,527	144,127
Taxes receivable	210,021	184,365
Leases receivable, due within one year	403,389	394,170
Other receivables	384,301	245,308
Inventories	1,659,616	1,514,905
Prepaid expenses	754,274	1,188,747
Total unrestricted assets	<u>89,298,112</u>	<u>93,308,859</u>
Restricted assets:		
Cash and cash equivalents	9,676,866	10,185,471
Investments	2,761,401	2,331,719
Taxes receivable	53,206	39,292
Grants receivable	2,078,788	342,520
Total restricted assets	<u>14,570,261</u>	<u>12,899,002</u>
Total current assets	<u>103,868,373</u>	<u>106,207,861</u>
Noncurrent assets:		
Capital assets, nondepreciable	42,225,443	38,426,035
Capital assets, depreciable/amortizable, net	332,489,700	336,787,649
Capital assets, net	<u>374,715,143</u>	<u>375,213,684</u>
Leases receivables, due in more than one year	9,355,778	9,955,712
Other receivables	—	14,742
Prepaid bond insurance	17,219	20,721
Total noncurrent assets	<u>384,088,140</u>	<u>385,204,859</u>
<b>Total assets</b>	<u>487,956,513</u>	<u>491,412,720</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amount on refunding	857,886	1,016,228
Pension-related deferred outflows of resources	7,296,286	2,731,692
<b>Total deferred outflows of resources</b>	<u>8,154,172</u>	<u>3,747,920</u>

(continued)

See accompanying Notes to the Basic Financial Statements.



# Statements of Net Position (continued)

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u> (As Restated)
<b>LIABILITIES</b>		
Current liabilities:		
Liabilities payable from unrestricted assets:		
Accounts payable	\$ 7,808,544	\$ 7,725,598
Accrued payroll	580,760	442,835
Customer deposits	374,833	355,058
Payable related to work in progress	199,070	186,367
Compensated absences, current portion	961,314	996,839
Current portion of long-term debt:		
Wastewater revenue bonds	787,310	777,080
Water revenue refunding bonds	2,520,000	2,405,000
Special assessment debt with government commitment	883,019	863,064
Notes payable	415,868	406,452
Subscription liability	67,952	65,946
Total liabilities payable from unrestricted assets	<u>14,598,670</u>	<u>14,224,239</u>
Liabilities payable from restricted assets:		
Accounts payable	74,242	26,732
Interest payable	115,265	132,209
Total liabilities payable from restricted assets	<u>189,507</u>	<u>158,941</u>
Total current liabilities	<u>14,788,177</u>	<u>14,383,180</u>
Noncurrent liabilities:		
Compensated absences	1,189,983	939,187
Net pension liability	16,832,760	7,819,768
Long-term debt, excluding current portion:		
Wastewater revenue bonds	6,745,910	7,533,220
Water revenue refunding bonds	21,958,273	24,891,695
Special assessment debt with government commitment	3,711,672	4,594,691
Notes payable	9,929,472	10,756,474
Subscription liability	47,800	115,752
Total noncurrent liabilities	<u>60,415,870</u>	<u>56,650,787</u>
<b>Total liabilities</b>	<u>75,204,047</u>	<u>71,033,967</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension-related deferred inflows of resources	720,171	6,995,887
Lease-related deferred inflows of resources	8,953,346	9,796,852
<b>Total deferred inflows of resources</b>	<u>9,673,517</u>	<u>16,792,739</u>
<b>NET POSITION</b>		
Net investment in capital assets	<u>332,382,861</u>	<u>328,832,740</u>
Restricted for:		
Debt service	2,258,202	2,106,867
Construction	8,245,444	5,620,991
Total restricted	<u>10,503,646</u>	<u>7,727,858</u>
Unrestricted	<u>68,346,614</u>	<u>70,773,336</u>
<b>Total net position</b>	<u>\$ 411,233,121</u>	<u>\$ 407,333,934</u>

See accompanying Notes to the Basic Financial Statements.

# Statements of Revenues, Expenses and Changes in Net Position

For the years ended June 30, 2023 and 2022

	2023	2022 (As Restated)
<b>OPERATING REVENUES</b>		
Water sales	\$ 53,633,877	\$ 57,747,541
Sewer charges	5,621,985	5,480,925
Other water operating revenues	1,084,666	1,303,126
<b>Total operating revenues</b>	<b>60,340,528</b>	<b>64,531,592</b>
<b>OPERATING EXPENSES</b>		
Cost of purchased water sold	29,609,781	31,265,804
Pumping and water treatment	4,353,775	4,322,820
Transmission and distribution	4,434,815	4,485,962
Sewer collection and treatment	2,026,695	2,170,341
Elfin Forest recreation reserve operations	386,905	428,174
Facilities maintenance	1,274,751	1,387,010
Customer services	1,754,190	2,036,267
General and administrative	6,865,224	7,745,048
Other operating expenses	212,580	304,037
Depreciation and amortization	15,910,790	16,132,953
<b>Total operating expenses</b>	<b>66,829,506</b>	<b>70,278,416</b>
<b>Operating (loss)</b>	<b>(6,488,978)</b>	<b>(5,746,824)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Fair market value adjustment	(207,285)	(2,467,642)
Investment income (loss)	2,105,348	402,702
Property taxes	4,577,755	4,242,794
Capacity charges	1,327,295	1,530,925
Benefit assessments	1,045,315	1,058,241
Other nonoperating revenues	1,055,260	2,237,334
Interest expense, net	(1,220,156)	(1,322,948)
Other nonoperating expenses	(1,935,949)	(606,602)
<b>Total nonoperating revenues (expenses)</b>	<b>6,747,583</b>	<b>5,074,804</b>
<b>Income (loss) before capital contributions</b>	<b>258,605</b>	<b>(672,020)</b>
<b>Capital contributions</b>	<b>3,640,582</b>	<b>569,745</b>
<b>Changes in net position</b>	<b>3,899,187</b>	<b>(102,275)</b>
<b>Net position, beginning of year, as restated (Note 18)</b>	<b>407,333,934</b>	<b>407,436,209</b>
<b>Net position, end of year</b>	<b>\$ 411,233,121</b>	<b>\$ 407,333,934</b>

See accompanying Notes to the Basic Financial Statements.

# Statements of Cash Flows

For the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u> (As Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from water and sewer customers	\$ 61,337,349	\$ 65,848,393
Payments for water	(30,212,660)	(30,910,730)
Payments for services and supplies	(8,878,715)	(10,952,261)
Payments for employee wages, benefits, and related costs	(12,953,543)	(12,569,780)
<b>Net cash provided by operating activities</b>	<u>9,292,431</u>	<u>11,415,622</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property taxes and benefit assessments received	5,583,500	5,271,677
SDCWA water rebate payment	18,930	2,102,804
<b>Net cash provided by noncapital financing activities</b>	<u>5,602,430</u>	<u>7,374,481</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(14,493,861)	(8,765,436)
Proceeds from grants and capital contributions	1,495,622	—
Principal paid on long-term debt	(4,862,730)	(8,665,506)
Proceeds from debt issuance	—	8,975,110
Interest paid on long-term debt	(1,487,744)	(1,631,765)
Capacity charges received	1,364,791	1,552,833
Proceeds from sale of capital assets	—	595,875
Other capital financing receipts	1,055,261	1,125,345
Other capital financing expenses paid	(1,655,542)	(699,549)
<b>Net cash (used in) capital and related financing activities</b>	<u>(18,584,203)</u>	<u>(7,513,093)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale and maturities of investments	3,000,000	4,000,000
Purchases of investments	(2,957,913)	(9,061,033)
Investment income received	1,121,975	41,812
<b>Net cash (used in) investing activities</b>	<u>1,164,062</u>	<u>(5,019,221)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(2,525,280)</u>	<u>6,257,789</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>55,947,025</u>	<u>49,689,236</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 53,421,745</u>	<u>\$ 55,947,025</u>
<b>FINANCIAL STATEMENT PRESENTATION</b>		
Cash and cash equivalents	\$ 43,744,879	\$ 45,761,554
Cash and cash equivalents – restricted assets	9,676,866	10,185,471
<b>Total cash and cash equivalents</b>	<u>\$ 53,421,745</u>	<u>\$ 55,947,025</u>

(continued)

See accompanying Notes to the Basic Financial Statements.

# Statements of Cash Flows (continued)

For the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u> <u>(As Restated)</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating (loss)	\$ (6,488,978)	\$ (5,746,824)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation and amortization	15,910,790	16,132,953
GASB 68 adjustment to pension expense	(1,827,310)	635,588
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Receivables	977,045	1,320,055
Inventories	(144,711)	(449,525)
Prepaid expenses and deposits	434,473	(504,688)
Increase (decrease) in liabilities:		
Accounts payable	58,151	(290,575)
Accrued payroll and compensated absences	353,196	321,893
Customer deposits	19,775	(3,255)
<b>Net cash provided by operating activities</b>	<u><u>\$ 9,292,431</u></u>	<u><u>\$ 11,415,622</u></u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Contributions of capital assets	<u>\$ 386,344</u>	<u>\$ 569,745</u>
Amortization of premiums	<u>\$ (413,422)</u>	<u>\$ (469,828)</u>
Unrealized gains (losses) on investments	<u><u>\$ (207,285)</u></u>	<u><u>\$ (2,467,642)</u></u>

See accompanying Notes to the Basic Financial Statements.



# Notes to the Basic Financial Statements

For the years ended June 30, 2023 and June 30, 2022

## Note 1 – Reporting Entity

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

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

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

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

In keeping its books and records, the District has established various self-balancing groups of accounts in order to enhance internal control and to further the attainment of other management objectives. These groups of accounts, which are sub funds of the reporting entity, are identified in the District’s books and records as the General Fund, Recycled Water Capacity Fee Fund, Treated Water Capacity Fee Fund, Reassessment District 96-1 Fund, 4S Sanitation District Fund, Rancho Cielo Sanitation District Fund, 2015 Water System Revenue Refunding Bond Fund, 2016 Water System Revenue Refunding Bond Fund, 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 (“U.S. GAAP”). The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for governmental accounting financial reporting purposes. The more significant of the District’s accounting policies are described below:

### A. Financial Statements

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

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

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

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## 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

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.

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 2 – Summary of Significant Accounting Policies (continued)

### E. Restricted Assets

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

### F. Water and Wastewater (Sewer) Sales

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

### G. Allowance for Doubtful Accounts

The District recognizes bad debt expense relating to water and sewer receivables when it is probable that the accounts will be uncollectible. Water and sewer accounts receivable at June 30, 2023 and 2022 have been reduced by an allowance for doubtful accounts of \$110,000 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. As lease revenue is earned, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are reduced in a straight-line method over the life of the lease term as revenue is recognized.

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

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

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

### I. Inventories

Materials inventory is stated at current average cost and was reduced by an allowance for obsolete inventory of \$206,600 and \$71,600 at June 30, 2023 and 2022, respectively. Water inventory is stated at its purchase cost using the first-in, first-out method.

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 2 – Summary of Significant Accounting Policies (continued)

### 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.

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

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

### L. Subscription-Based Information Technology Arrangements ("SBITA"s)

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

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



# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 2 – Summary of Significant Accounting Policies (continued)

### L. Subscription-Based Information Technology Arrangements (“SBITA”s) (continued)

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

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

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

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

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

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

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

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

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

### M. Capital Contributions

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

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 2 – Summary of Significant Accounting Policies (continued)

### N. Compensated Absences

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

### O. Long-Term Obligation

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

### P. Refunding of Debt

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

### Q. Pensions

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

### R. Property Taxes

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

### S. Capacity Charges

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

### T. Net Position

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

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and 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.

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 2 – Summary of Significant Accounting Policies (continued)

### T. Net Position (continued)

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

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

### U. Use of Estimates

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

### V. Reclassification

For the year ended June 30, 2023, 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 2023 presentation.

### W. Implementation of New GASB Pronouncements For the Year Ended June 30, 2023

During fiscal year ended June 30, 2023, the District has implemented the following new GASB Pronouncements:

- 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. Application of this statement did not have an effect on the District’s financial reporting for the 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 did not have an effect on the District’s financial reporting for the 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. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. Application of this statement did have an effect on the District’s financial reporting for the fiscal year ending June 30, 2023. See Note 18.

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 2 – Summary of Significant Accounting Policies (continued)

### W. Implementation of New GASB Pronouncements For the Year Ended June 30, 2023 (continued)

- 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 did not have an effect on the District's financial reporting for the fiscal year ending June 30, 2023.

### X. Upcoming Governmental Accounting Standards Implementation

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

- In 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.

## Note 3 – Cash, Cash Equivalents, and Investments

Cash and investments at June 30, 2023 and 2022 are classified in the accompanying financial statements as follows:

	<u>2023</u>	<u>2022</u>
<b>Statement of Net Position:</b>		
Current Assets:		
Cash and cash equivalents	\$ 43,744,879	\$ 45,761,554
Restricted cash and cash equivalents	9,676,866	10,185,471
Investments	33,451,454	34,421,737
Restricted investments	<u>2,761,401</u>	<u>2,331,719</u>
Total cash and investments	<u>\$ 89,634,600</u>	<u>\$ 92,700,481</u>
Cash and investments consist of the following:		
Cash on hand	\$ 1,496	\$ 1,491
Deposits with financial institutions	2,809,866	4,358,962
Investments	<u>86,823,238</u>	<u>88,340,028</u>
Total cash and investments	<u>\$ 89,634,600</u>	<u>\$ 92,700,481</u>

### A. Demand Deposits

As of June 30, 2023, the carrying amount of demand deposits was \$2,809,866 and the bank balance was \$3,729,278 compared to \$4,358,962 and \$4,981,417 at June 30, 2022, 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*.



# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 3 – Cash, Cash Equivalents, and Investments (continued)

### 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

### 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.

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 3 – Cash, Cash Equivalents, and Investments (continued)

### 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, 2023.

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

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	<u>\$ 88,340,028</u>	<u>\$ 54,568,323</u>	<u>\$ 6,733,839</u>	<u>\$ 27,037,866</u>

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 3 – Cash, Cash Equivalents, and Investments (continued)

### E. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a Nationally Recognized Statistical Rating Organization (“NRSRO”). Presented below is the minimum rating required by (where applicable) the California Government Code, the District’s Investment Policy, or debt agreements, and the Moody’s rating for each investment type at June 30, 2023. (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/I+	Not Rated
Local Agency Investment Fund (LAIF)	\$ 9,265,185	N/A	\$ —	\$ —	\$ —	\$ 9,265,185
California Asset Management Program (CAMP)	27,320,397	AAA	27,320,397	—	—	—
Commercial Paper	496,070	A-1	496,070	—	—	—
Money Market Mutual Funds	2,560,872	N/A	—	—	—	2,560,872
U.S. Government Sponsored Entities	32,865,835	AAA	32,865,835	—	—	—
Municipal Obligations	998,530	A1/A+	998,530	—	—	—
U.S. Treasury Obligations	13,316,349	N/A	13,316,349	—	—	—
Total	<u>\$ 86,823,238</u>		<u>\$ 74,997,181</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 11,826,057</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, 2022.

Investment Type	Total	Minimum Legal Rating	Rating as of Year End			
			AAA	AA	A/I+	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>

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 3 – Cash, Cash Equivalents, and Investments (continued)

### E. Disclosures Relating to Credit Risk (continued)

#### 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 Types	2023	2022
Federal Home Loan Bank	U.S. Govt. Sponsored Entities	\$ 30,661,988	\$ 28,215,691

### F. Disclosures Relating to 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, 2023 and 2022, \$3,479,278 and \$4,731,417 of the District's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

### G. Local Agency Investment Fund (LAIF)

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

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

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

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



# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Notes 3 – Cash, Cash Equivalents, and Investments (continued)

### G. Local Agency Investment Fund (LAIF) (continued)

As of June 30, 2023, the District had \$9,265,185 invested in LAIF, which had invested 0.20% of the pool investment funds in structured notes and asset-backed securities compared to \$22,921,923 and 1.88% at June 30, 2022. 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 0.984828499 and 0.987125414 as of June 30, 2023 and 2022, respectively.

### H. California Asset Management Program (CAMP)

The District is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust) and has a rating of AAA. The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act for the purpose of exercising the common power of its Participants to invest funds. The investments are limited to investments permitted by California Government Code. The total amount invested by all public agencies in CAMP at June 30, 2023 and 2022 was \$16.0 billion and \$7.3 billion, respectively. A board of seven trustees who are officials or employees of public agencies has oversight responsibility for CAMP. The value of the pool shares in CAMP, which may be withdrawn at any time, is determined on an amortized cost basis, which is different from the fair value of the District's position in the pool. At June 30, 2023 and 2022 the amortized cost approximated is the District's cost.

### I. Fair Value Measurements

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

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

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Notes 3 – Cash, Cash Equivalents, and Investments (continued)

### I. Fair Value Measurements (continued)

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

	Fair Value Measurement Using Significant Other Observable Inputs (Level 2)	June 30, 2022
<b>Investments by Fair Value Level</b>		
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>
<b>Investments not subject to fair value hierarchy:</b>		
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>

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, 2023, the District recognized \$639,127 in lease revenue and \$307,466 in interest revenue, and the outstanding receivable amount was \$9,759,167. 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.

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 4 – Leases Receivable (continued)

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

Balance July 1, 2022	Remeasurement	Additions	Reductions	June 30, 2023	Amounts Due Within One Year	Amounts Due in More Than One Year
\$ 10,349,882	\$ (195,799)	\$ —	\$ (394,916)	\$ 9,759,167	\$ 403,389	\$ 9,355,778

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

Balance July 1, 2021	Remeasurement	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

At June 30, 2023, the required payments for these leases, including interest, are:

Year Ending June 30	Lease Receivable	Interest	Total
2024	\$ 403,389	\$ 295,544	\$ 698,933
2025	435,537	282,948	718,485
2026	472,936	269,326	742,262
2027	511,088	254,514	765,602
2028	548,395	238,580	786,975
2029–2033	2,464,679	951,764	3,416,443
2034–2038	1,347,179	655,922	2,003,101
2039–2043	1,050,623	480,835	1,531,458
2044–2048	1,362,739	296,738	1,659,477
2049–2053	1,054,788	77,498	1,132,286
2054–2057	107,814	3,706	111,520
	<u>\$ 9,759,167</u>	<u>\$ 3,807,375</u>	<u>\$ 13,566,542</u>

As of June 30, 2023, 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
2024	\$ 613,500
2025	613,500
2026	613,500
2027	613,500
2028	613,500
2029–2033	2,444,504
2034–2038	1,231,959
2039–2043	830,895
2044–2048	798,608
2049–2053	512,875
2054–2057	67,005
	<u>\$ 8,953,346</u>

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 5 – Inventories

Inventories at June 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Water inventory	\$ 191,787	\$ 166,676
Materials inventory	1,467,829	1,348,229
Total	<u>\$ 1,659,616</u>	<u>\$ 1,514,905</u>

Materials inventory was reduced by an allowance for obsolete inventory of \$206,600 and \$71,600 at June 30, 2023 and 2022, respectively.

## Note 6 – Capital Assets

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

	<u>Balance July 1, 2022 As Restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers/ Adjustments</u>	<u>Balance June 30, 2023</u>
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	<u>7,559,275</u>	<u>15,402,007</u>	<u>(11,518,688)</u>	<u>(83,911)</u>	<u>11,358,683</u>
Total capital assets, not being depreciated	<u>38,426,035</u>	<u>15,402,007</u>	<u>(11,518,688)</u>	<u>(83,911)</u>	<u>42,225,443</u>
Capital assets, being depreciated/amortized:					
Treatment and distribution system	308,378,862	7,248,947	(540,285)	—	315,087,524
Capacity rights	27,739,008	—	—	—	27,739,008
Non-steel tanks	39,102,610	71,659	(183,913)	—	38,990,356
General plant	192,118,381	4,489,677	(1,900,082)	83,911	194,791,887
Subscription assets	<u>247,215</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>247,215</u>
Total capital assets, being depreciated/amortized	<u>567,586,076</u>	<u>11,810,283</u>	<u>(2,624,280)</u>	<u>83,911</u>	<u>576,855,990</u>
Accumulated depreciation/amortization:					
Treatment and distribution system	(115,962,904)	(7,477,867)	424,549	—	(123,016,222)
Capacity rights	(19,644,628)	(1,143,163)	—	—	(20,787,791)
Non-steel tanks	(14,512,671)	(947,465)	86,627	—	(15,373,509)
General plant	(80,621,251)	(6,275,168)	1,831,751	—	(85,064,668)
Subscription assets	<u>(56,973)</u>	<u>(67,127)</u>	<u>—</u>	<u>—</u>	<u>(124,100)</u>
Total accumulated depreciation/amortization	<u>(230,798,427)</u>	<u>(15,910,790)</u>	<u>2,342,927</u>	<u>—</u>	<u>(244,366,290)</u>
Total capital assets, being depreciated/amortized, net	<u>336,787,649</u>	<u>(4,100,507)</u>	<u>(281,353)</u>	<u>83,911</u>	<u>332,489,700</u>
Total capital assets, net	<u>\$375,213,684</u>	<u>\$ 11,301,500</u>	<u>\$(11,800,041)</u>	<u>\$ —</u>	<u>\$374,715,143</u>



# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 6 – Capital Assets (continued)

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

	Balance July 1, 2021	Prior Period Adjustment	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	41,596,526	—	9,201,825	(216,507)	(12,155,809)	38,426,035
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
Subscription assets	—	155,841	91,374	—	—	247,215
Total capital assets, being depreciated/amortized	556,962,450	155,841	484,735	(2,172,759)	12,155,809	567,586,076
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)
Subscription assets	—	—	(56,973)	—	—	(56,973)
Total accumulated depreciation/amortization	(216,571,720)	—	(16,132,953)	1,906,246	—	(230,798,427)
Total capital assets, being depreciated/amortized, net	340,390,730	155,841	(15,648,218)	(266,513)	12,155,809	336,787,649
Total capital assets, net	\$381,987,256	\$ 155,841	\$ (6,446,393)	\$ (483,020)	\$ —	\$375,213,684

Depreciation expense for depreciable capital assets was \$14,700,500 and \$14,806,778 for the years ended June 30, 2023 and 2022, respectively. Amortization expense for amortizable capital assets was \$1,210,290 and \$1,326,175 for the years ending 2023 and 2022, respectively.

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 6 – Capital Assets (continued)

Construction in progress consisted of the following at June 30:

	2023	2022
San Elijo Valley Groundwater	\$ 4,444,633	\$ 3,976,006
Replace Neighborhood 1 SPS	2,957,396	725,533
DCMWTP Condition Assessment	606,974	400
Hydropower Turbine Refurbishment	402,635	234,153
Replace Headworks Manual System	353,447	121,850
Manchester Recycled Extension	—	821,290
Other capital projects	2,593,598	1,680,043
<b>Total construction in progress</b>	<b>\$ 11,358,683</b>	<b>\$ 7,559,275</b>

## Note 7 – Accounts Payable

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

	2023	2022
Water purchases	\$ 5,177,992	\$ 5,780,870
Construction in progress	1,256,888	450,332
Other	1,373,664	1,494,396
<b>Total</b>	<b>\$ 7,808,544</b>	<b>\$ 7,725,598</b>

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

	2023	2022
Construction in progress	\$ 74,242	\$ 26,732
	<b>\$ 74,242</b>	<b>\$ 26,732</b>

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 8 – Long-Term Debt

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

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

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 8 – Long-Term Debt (continued)

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

	Balance July 1, 2021 As Restated	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>
SBITA Liability:						
SBITA Liability – direct borrowing	155,841	91,374	(65,517)	181,698	65,946	115,752
SBITA Liability	<u>155,841</u>	<u>91,374</u>	<u>(65,517)</u>	<u>181,698</u>	<u>65,946</u>	<u>115,752</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	6,300,863	—	(843,108)	5,457,755	863,064	4,594,691
Total	<u>\$ 52,478,224</u>	<u>\$ 9,066,484</u>	<u>\$ (9,135,334)</u>	<u>\$ 52,409,374</u>	<u>\$ 4,517,542</u>	<u>\$ 47,891,832</u>



# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 8 – Long-Term Debt (continued)

### 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, 2023, the outstanding loan balance was \$10,345,340. The due dates for the debt service payments are July 1 and January 1. Because of the July 1 debt service due date, the District makes this payment by June 30.

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
2024	\$ 415,868	\$ 119,152	\$ 535,020
2025	846,161	223,880	1,070,041
2026	865,765	204,277	1,070,042
2027	885,822	184,220	1,070,042
2028	906,345	163,697	1,070,042
2029–2033	4,856,592	493,616	5,350,208
2034–2035	1,568,787	36,275	1,605,062
Total	<u>\$ 10,345,340</u>	<u>\$ 1,425,117</u>	<u>\$ 11,770,457</u>

### 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 \$12,039,875. For the current year, principal and interest paid on the bonds was \$2,412,625. 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 \$68,909 for the year ended June 30, 2023. The remaining unamortized balance was \$162,479 at June 30, 2023.

A summary of the refunding bonds is as follows:

Interest Rates	Fiscal Year Maturities (varying amounts)	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
2%–5%	2024–2027	\$ 10,180,000	\$ —	\$ (1,845,000)	\$ 8,335,000
3%	2028	2,345,000	—	—	2,345,000
		<u>\$ 12,525,000</u>	<u>\$ —</u>	<u>\$ (1,845,000)</u>	<u>\$ 10,680,000</u>

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 8 – Long-Term Debt (continued)

### 2015 Water System Refunding Revenue Bonds Payable (continued)

Total bonds outstanding as of June 30, 2023, including unamortized bond premiums were as follows:

Principal outstanding at June 30, 2023	\$ 10,680,000
Plus unamortized bond premium	760,036
Total bonds outstanding at June 30, 2023	<u>\$ 11,440,036</u>

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

Year Ending June 30,	Principal	Interest	Total
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>\$ 10,680,000</u>	<u>\$ 1,359,875</u>	<u>\$ 12,039,875</u>

### 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 \$15,609,690. For the current year, principal and interest paid on the bonds was \$979,913. The bonds contain various covenants and restrictions, principally that the District fix, prescribe, collect rates and charges for the Water Service, which are reasonably expected to be at least sufficient to yield, during each fiscal year net service revenues equal to one hundred and twenty-five percent (125%) of the debt service on senior obligations for such fiscal year, and one hundred percent (100%) of debt service on all obligations for such fiscal year.

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

The original deferred loss on refunding of \$1,196,934 is being amortized over the remaining life of the refunded debt. Amortization expense totaled \$89,432 for the year ended June 30, 2023. The remaining unamortized balance was \$695,407 at June 30, 2023.

A summary of the refunding bonds is as follows:

Interest Rates	Fiscal Year Maturities (varying amounts)	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
2%–5%	2024–2036	\$ 10,135,000	\$ —	\$ (560,000)	\$ 9,575,000
2.5%	2037–2039	2,755,000	—	—	2,755,000
		<u>\$ 12,890,000</u>	<u>\$ —</u>	<u>\$ (560,000)</u>	<u>\$ 12,330,000</u>

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 8 – Long-Term Debt (continued)

### 2016 Water System Refunding Revenue Bonds Payable (continued)

Total bonds outstanding as of June 30, 2023, including unamortized bond premiums were as follows:

Principal outstanding at June 30, 2023	\$ 12,330,000
Plus unamortized bond premium	<u>708,237</u>
Total bonds outstanding at June 30, 2023	<u><u>\$ 13,038,237</u></u>

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

Year Ending June 30,	Principal	Interest	Total
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	705,000	272,663	977,663
2029–2033	3,820,000	1,056,050	4,876,050
2034–2038	4,340,000	536,475	4,876,475
2039	<u>945,000</u>	<u>28,350</u>	<u>973,350</u>
Total	<u><u>\$ 12,330,000</u></u>	<u><u>\$ 3,279,690</u></u>	<u><u>\$ 15,609,690</u></u>

### 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.

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 8 – Long-Term Debt (continued)

### 2019 Reassessment District 96-1 Limited Obligation Improvement Bonds (continued)

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
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>\$ 4,594,691</u>	<u>\$ 244,035</u>	<u>\$ 4,838,726</u>

### 2021A Wastewater Revenue Bonds

On October 27, 2021 the District issued Wastewater Revenue Bonds, Series 2021A in the amount of \$5,042,140 to finance wastewater (sewer) improvements at the 4S Wastewater Treatment Plant, including rehabilitations, replacements, and modifications to the existing Neighborhood One Sewer Pump Station and the Headworks Screening System at the 4S Wastewater Treatment Plant. The Series 2021A bonds mature on June 1, 2041 and carry an interest rate of 2.14%. The District's annual debt service cost for the 2021A bonds is approximately \$310,000. The 2021A Bonds were tax-exempt bonds issued by the 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 \$5,277,971. For the current year, principal and interest paid on the bonds was \$309,883. 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
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	230,390	79,498	309,888
2029–2033	1,228,040	321,392	1,549,432
2034–2038	1,365,200	184,245	1,549,445
2039–2041	891,240	38,414	929,654
Total	<u>\$ 4,589,160</u>	<u>\$ 988,811</u>	<u>\$ 5,577,971</u>



# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 8 – Long-Term Debt (continued)

### 2021B Wastewater Revenue Bonds

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

The District has pledged all of the Net Wastewater System Revenues for the debt service payment of the bond. The total principal and interest remaining to be paid on the bonds is \$3,045,506. For the current year, principal and interest paid on the bonds was \$609,898. 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
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>\$ 2,944,060</u>	<u>\$ 101,446</u>	<u>\$ 3,045,506</u>

### Subscription-Based Information Technology Arrangements (SBITA) Liability

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

Future minimum payments on SBITA liabilities are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 67,952	\$ 2,432	\$ 70,384
2025	38,096	916	39,012
2026	9,704	49	9,753
Total	<u>\$ 115,752</u>	<u>\$ 3,397</u>	<u>\$ 119,149</u>

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## 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, 2023 and 2022, were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year	Due in More Than One Year
June 30, 2023	\$ 1,936,026	\$ 1,110,651	\$ (895,380)	\$ 2,151,297	\$ 961,314	\$ 1,189,983
June 30, 2022	1,687,576	1,240,740	(992,290)	1,936,026	996,839	939,187

## 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, 2023, 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 rates	8%	6.25%
Required employer contribution rates	11.600%	7.600%

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 10 – Employee Retirement Systems (continued)

### A. General Information about the Pension Plan (continued)

**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.

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

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

Deferred outflow from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans determined as of June 30, 2022. As of June 30, 2023 and 2022 respectively, the District reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	2023	2022
Classic and PEPRA plans	\$ 16,832,760	\$ 7,819,768
Total net pension liability	<u>\$ 16,832,760</u>	<u>\$ 7,819,768</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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 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, 2021). 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, 2022). 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, 2022 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (fiscal year 2022).
- (3) The individual plan’s TPL, FNP, and NPL are also calculated at the valuation date.

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 10 – Employee Retirement Systems (continued)

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

- (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).

The District's proportionate share of the net pension liability for each Plan as of the measurement date ended June 30, 2021 and 2022 was as follows:

	<u>Classic and PEPRA Plans</u>
Proportion – June 30, 2020 (MD)	0.34634%
Proportion – June 30, 2021 (MD)	<u>0.41183%</u>
Change – Increase (Decrease)	0.06549%
Proportion – June 30, 2021 (MD)	0.41183%
Proportion – June 30, 2022 (MD)	<u>0.30884%</u>
Change – Increase (Decrease)	<u><u>-0.10299%</u></u>

For the years ended June 30, 2023 and 2022, the District recognized pension expense of \$3,014,862 and \$2,490,376, respectively. At June 30, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2023</u>		<u>2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,376,470	\$ —	\$ 1,854,789	\$ —
Differences between actual and expected experience	111,634	—	876,903	—
Change in assumptions	1,724,868	—	—	—
Changes in proportions	—	(224,189)	—	(112,478)
Differences between the employer's contributions and the employer's proportionate share of contributions	—	(495,982)	—	(57,165)
Net differences between projected and actual earnings on plan investments	3,083,314	—	—	(6,826,244)
Total	<u>\$ 7,296,286</u>	<u>\$ (720,171)</u>	<u>\$ 2,731,692</u>	<u>\$ (6,995,887)</u>

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 10 – Employee Retirement Systems (continued)

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

The District reported \$2,376,470 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

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

Deferred outflows of resources related to the contribution made subsequent to the measurement date in the amount of \$1,854,789 were recognized as a reduction of the net pension liability in the year ended 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:

Year 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>

**Actuarial Assumptions** – For the measurement period ended June 30, 2022 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021 total pension liability determined in the June 30, 2021 actuarial accounting valuation. The June 30, 2022 total pension liability was based on the following actuarial methods and assumptions:

	Classic and PEPRAs Plans
Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost method	Entry-Age Normal Cost Method
Actual assumptions:	
Discount rate	6.90%
Inflation	2.75%
Salary increases	(1)
Mortality rate table	(2)
Post retirement benefit increase	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 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.



# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## 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 2023, the actuarial report did not have a change of assumption. In fiscal year 2018, the discount rate was reduced from 7.65% to 7.15%. In fiscal year 2023, the discount rate was changed from 7.15% to 6.90%. All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period 1997 to 2015, 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 6.90% for each Plan and reflects the long-term expected rate of return for each Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 6.90% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 6.90% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website under the GASB 68 section.

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

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

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## 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	New Strategic Allocation	Real Return
Global equity – cap-weighted	30.00%	4.45%
Global equity – non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment-grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	<u>100.00%</u>	

**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 and PEPRA Plans	
	2023	2022
1% decrease	5.90%	6.15%
Net pension liability	\$ 25,863,266	\$ 15,848,851
Current discount rate	6.90%	7.15%
Net pension liability	\$ 16,832,760	\$ 7,819,768
1% increase	7.90%	8.15%
Net pension liability	\$ 9,402,895	\$ 1,182,239

**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, 2023.

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## 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, 2023 and 2022, the District contributed \$32,000 and \$21,550 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 \$482,802 and \$310,772 for the years ended June 30, 2023 and 2022, 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 \$123,103 and \$171,223 for the years ended June 30, 2023 and 2022, 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.

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, 2022.

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 13 – Net Position

### A. Net Investment in Capital Assets

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

	<u>2023</u>	<u>2022</u> As Restated
Net investment in capital assets		
Capital assets, nondepreciable	\$ 42,225,443	\$ 38,426,035
Capital assets, depreciable/amortizable, net	332,489,700	336,787,649
Deferred amount on refunding	857,886	1,016,228
Unspent debt proceeds	3,877,108	5,012,202
Current portion of long-term debt:		
Waste water revenue bonds	(787,310)	(777,080)
Water revenue refunding bonds	(2,520,000)	(2,405,000)
Special assessment debt with government commitment	(883,019)	(863,064)
Note payable	(415,868)	(406,452)
Subscription liability	(67,952)	(65,946)
Long-term debt, excluding current portion:		
Waste water revenue bonds	(6,745,910)	(7,533,220)
Water revenue refunding bonds	(21,958,273)	(24,891,695)
Special assessment debt with government commitment	(3,711,672)	(4,594,691)
Note payable	(9,929,472)	(10,756,474)
Subscription liability	(47,800)	(115,752)
Total net investment in capital assets	<u>\$ 332,382,861</u>	<u>\$ 328,832,740</u>

### B. Restricted Net Position

Restricted Net Position at June 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
Net position restricted for debt service:		
<u>Restricted assets</u>		
Cash	\$ 2,266,117	\$ 2,138,897
Investments	54,144	60,887
Taxes/assessments receivable	53,206	39,292
Total restricted assets for debt service	2,373,467	2,239,076
Less liabilities payable from restricted assets	(115,265)	(132,209)
Net position restricted for debt service	<u>2,258,202</u>	<u>2,106,867</u>
Net position restricted for construction:		
<u>Restricted assets</u>		
Cash	3,533,641	3,034,372
Investments	2,707,257	2,270,831
Grants receivable	2,078,788	342,520
Total restricted assets for construction	8,319,686	5,647,723
Less liabilities from restricted assets	(74,242)	(26,732)
Net position restricted for construction	<u>8,245,444</u>	<u>5,620,991</u>
Total restricted net position	<u>\$ 10,503,646</u>	<u>\$ 7,727,858</u>

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 13 – Net Position (continued)

### C. Unrestricted Net Position

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:

	2023	2022 As Restated
Capital replacement reserve	\$ 45,586,928	\$ 47,486,992
Rate stabilization reserve	14,492,666	14,631,267
Pension stabilization reserve	481,838	—
Operating reserve	7,785,182	8,655,077
	<u>\$ 68,346,614</u>	<u>\$ 70,773,336</u>

The District received refund payments from the San Diego County Water Authority (SDCWA) in 2021 in the amount of \$3,661,917 for overpayments on water wholesale costs to the Metropolitan Water District of Southern California (MWD). The District's Board of Directors voted to return these refund payments to the District's potable water customers on their monthly water bills as a Rate Reimbursement Credit (RRC) of 6.9 cents per unit of water billed. These funds are held and paid from the District's rate stabilization reserves. As of June 30, 2023, the District has refunded \$584,483 to its customers via the RRC, leaving \$3,077,434 in the District's rate stabilization reserves for future refunds.

## Note 14 – Capital Contributions

Capital contributions for the years ended June 30, 2023 and 2022 were as follows:

	2023	2022
Contribution of capital assets	\$ 386,344	\$ 393,361
Other	3,254,238	176,384
Total	<u>\$ 3,640,582</u>	<u>\$ 569,745</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 15,921.4 acre-feet (AF) of potable water during fiscal year 2023, and 18,446.8 AF during fiscal year 2022. 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.



# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## 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:

	<u>2023</u>	<u>2022</u>
Total open contracts	\$ 11,529,585	\$ 12,135,465
Less costs incurred as of June 30,	<u>(5,959,591)</u>	<u>(9,787,184)</u>
Remaining contractual commitments	<u>\$ 5,569,994</u>	<u>\$ 2,348,281</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.

### 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.

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## 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 Revenue Bonds rely solely on the revenues of the District's water services for repayment. Similarly, investors in the 2021A and 2021B Wastewater Revenue Bonds rely solely on the revenues of the District's wastewater services for repayment. The following condensed financial statements provide a summary of the District's financial information for water and wastewater services for the fiscal year ended June 30, 2023.

### Condensed Statement of Net Position June 30, 2023

	Water Services	Wastewater Services	Total
<b>ASSETS</b>			
Current assets	\$ 84,070,451	\$ 19,797,922	\$ 103,868,373
Capital assets	315,590,122	59,125,021	374,715,143
Long-term assets	9,372,997	—	9,372,997
Total assets	409,033,570	78,922,943	487,956,513
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	857,886	—	857,886
Pension-related deferred outflows of resources	5,988,696	1,307,590	7,296,286
Total deferred outflows of resources	6,846,582	1,307,590	8,154,172
<b>LIABILITIES</b>			
Current liabilities	13,609,505	1,178,672	14,788,177
Long-term liabilities	49,798,425	10,617,445	60,415,870
Total liabilities	63,407,930	11,796,117	75,204,047
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension-related deferred inflows of resources	554,532	165,639	720,171
Lease-related deferred inflows of resources	8,953,346	—	8,953,346
Total deferred inflows of resources	9,507,878	165,639	9,673,517
<b>NET POSITION</b>			
Net investment in capital assets	276,913,948	55,468,913	332,382,861
Restricted for debt service	2,258,202	—	2,258,202
Restricted for construction	8,245,444	—	8,245,444
Unrestricted	55,546,750	12,799,864	68,346,614
Total net position	\$ 342,964,344	\$ 68,268,777	\$ 411,233,121

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 17 – Segment Information (continued)

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

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

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 17 – Segment Information (continued)

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

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

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 17 – Segment Information (continued)

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
<b>ASSETS</b>			
Current assets	\$ 85,222,038	\$ 20,985,823	\$ 106,207,861
Capital assets	316,650,025	58,563,659	375,213,684
Long-term assets	9,955,712	—	9,955,712
Other assets	35,463	—	35,463
Total assets	411,863,238	79,549,482	491,412,720
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
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
<b>LIABILITIES</b>			
Current liabilities	13,354,253	1,028,927	14,383,180
Long-term liabilities	47,319,020	9,331,767	56,650,787
Total liabilities	60,673,273	10,360,694	71,033,967
<b>DEFERRED INFLOWS OF RESOURCES</b>			
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
<b>NET POSITION</b>			
Net investment in capital assets	273,567,178	55,265,562	328,832,740
Restricted for debt service	2,106,867	—	2,106,867
Restricted for construction	5,620,991	—	5,620,991
Unrestricted	58,201,431	12,571,905	70,773,336
Total net position	\$ 339,496,467	\$ 67,837,467	\$ 407,333,934



# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## Note 17 – Segment Information (continued)

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

	Water Services	Wastewater Services	Total
<b>OPERATING REVENUES</b>			
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
<b>OPERATING EXPENSES</b>			
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	2,035,279	988	2,036,267
General and administrative	6,295,878	1,449,170	7,745,048
Other operating expenses	304,037	—	304,037
Depreciation and amortization	13,787,963	2,344,990	16,132,953
Total operating expenses	64,230,902	6,047,514	70,278,416
Operating income (loss)	(5,180,235)	(566,589)	(5,746,824)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
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	(1,180,177)	(142,771)	(1,322,948)
Other nonoperating expenses	(490,206)	(116,396)	(606,602)
Total nonoperating revenues (expenses)	4,742,237	332,567	5,074,804
Income (loss) before capital contributions	(437,998)	(234,022)	(672,020)
Capital contributions	80,949	488,796	569,745
Change in net position	(357,049)	254,774	(102,275)
Net position, beginning of year	339,853,516	67,582,693	407,436,209
Net position, end of year	\$ 339,496,467	\$ 67,837,467	\$ 407,333,934

# Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2023 and June 30, 2022

## 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	\$ 9,347,513	\$ 2,068,109	\$ 11,415,622
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	(10,286,133)	2,773,040	(7,513,093)
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	<u>\$ 41,996,391</u>	<u>\$ 13,950,634</u>	<u>\$ 55,947,025</u>

## Note 18 – Restatement of Net Position

As a result of implementation of GASB Statement No. 96, *Subscription-Based Information Technology Agreements (SBITAs)*, net position as of July 1, 2022 has been restated as follows:

Net position at July 1, 2022 as previously reported	\$ 407,325,390
Restatement to implement GASB Statement No. 96	8,544
Total restatement	<u>8,544</u>
Net position at July 1, 2022 as restated	<u>\$ 407,333,934</u>

	Originally Reported	Adjustments	As Restated
Capital assets, depreciable/amortizable, net	\$ 336,597,407	\$ 190,242	\$ 336,787,649
Subscription liability, current portion	—	(65,946)	(65,946)
Subscription liability, non-current portion	—	(115,752)	(115,752)
Total adjustments		<u>8,544</u>	
Net position	<u>\$ 407,325,390</u>	<u>\$ 8,544</u>	<u>\$ 407,333,934</u>

	Originally Reported	Adjustments	As Restated
Customer services expense	\$ 2,067,655	\$ (31,388)	\$ 2,036,267
General and administrative expense	7,774,311	(29,263)	7,745,048
Depreciation and amortization expense	16,075,980	56,973	16,132,953
Interest expense, net	1,327,814	(4,866)	1,322,948
Total adjustments		<u>8,544</u>	
Net position	<u>\$ 407,325,390</u>	<u>\$ 8,544</u>	<u>\$ 407,333,934</u>

# Required Supplementary Information (unaudited)

For the years ended June 30, 2023 and June 30, 2022

## 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 2023, inspections on the various tanks ended in July 2023.

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, 2023, 2022, 2021, 2020, and 2019 the District's steel water storage tanks were rated as follows:

Tank #	Name	Size (Gallons)	Type	TAI				
				FY 22/23	FY 21/22	FY 20/21	FY 19/20	FY 18/19
1	4 S-2 Tank	4,000,000	Ground Storage	9.4	9.4	9.4	8.8	8.1
2	Zorro Tank	1,200,000	Ground Storage	9.5	9.5	9.6	7.8	8.4
3	Wiegand Tank	1,000,000	Ground Storage	8.8	9.0	9.0	9.2	9.0
4	Peay Tank	10,000,000	Ground Storage	8.7	9.0	9.1	8.5	8.6
5	Denk Tank	10,000,000	Ground Storage	9.7	8.2	8.2	8.0	8.0
6	4S Tank	10,000,000	Ground Storage	9.1	9.6	8.7	7.3	7.0
7	Cielo Tank	1,000,000	Ground Storage	8.2	8.3	8.5	8.6	8.5
8	Roger Miller Tank	8,000,000	Ground Storage	9.4	9.4	9.5	9.7	9.6
9	Thelma Miller Tank	1,000,000	Ground Storage	9.9	8.9	8.9	8.9	9.1

# Required Supplementary Information (unaudited) (continued)

For the years ended June 30, 2023 and June 30, 2022

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

The District expensed \$865,427 and \$837,891 on the steel water storage tanks maintenance for the fiscal years ended June 30, 2023 and 2022, 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 2023 is a minimum of \$904,764.

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 2023		Maintenance Expenses 2022		Maintenance Expenses 2021		Maintenance Expenses 2020		Maintenance Expenses 2019	
		Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
1	4 S-2 Tank	\$ 63,539	\$ 60,776	\$ 58,290	\$ 58,842	\$ 55,251	\$ 55,251	\$ 55,251	\$ 55,251	\$ 52,513	\$ 52,513
2	Zorro Tank	37,068	35,456	34,006	34,328	32,233	32,233	32,233	32,233	30,636	30,636
3	Wiegand Tank	27,845	26,635	25,545	25,787	24,213	24,213	24,213	24,213	23,013	23,013
4	Peay Tank	180,936	173,070	165,989	167,563	157,336	157,336	157,336	157,336	149,540	149,540
5	Denk Tank	191,832	183,492	175,985	177,654	166,811	166,811	166,811	166,811	158,545	158,545
6	4S Tank	181,779	173,875	166,762	168,343	158,068	158,068	158,068	158,068	150,236	150,236
7	Cielo Tank	31,800	30,418	29,174	29,450	27,653	27,653	27,653	27,653	26,282	26,282
8	Roger Miller Tank	160,588	153,606	147,322	148,718	139,642	139,642	139,642	139,642	132,723	132,723
9	Thelma Miller Tank	29,377	28,100	26,950	27,206	25,545	25,545	25,545	25,545	24,279	24,279
Total		<u>\$ 904,764</u>	<u>\$ 865,428</u>	<u>\$ 830,023</u>	<u>\$ 837,891</u>	<u>\$ 786,752</u>	<u>\$ 786,752</u>	<u>\$ 786,752</u>	<u>\$ 786,752</u>	<u>\$ 747,767</u>	<u>\$ 747,767</u>

# Required Supplementary Information (unaudited) (continued)

For the years ended June 30, 2023 and June 30, 2022

## Schedule of Contributions – Defined Benefit Pension Plans

Last Ten Fiscal Years\*

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

### Notes to Schedule:

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

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market value***
Inflation	2.75%**
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	6.90%, net of pension plan investment expense, including inflation**
Retirement age	50 (2.5%@55), 52 years (2%@62)
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS board.**

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

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

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



# Required Supplementary Information (unaudited) (continued)

For the years ended June 30, 2023 and June 30, 2022

## Schedule of Proportionate Share of the Net Pension Liability

Last Ten Fiscal Years\*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Miscellaneous and PEPRA Plan</b>									
Plan's Proportion of the Net Pension Liability	0.30884%	0.41183%	0.34634%	0.34363%	0.33439%	0.32551%	0.12734%	0.12610%	0.10475%
Plan's Proportionate Share Share of the Net Pension Liability	\$16,832,760	\$ 7,819,768	\$14,608,844	\$13,760,678	\$12,602,286	\$12,831,806	\$11,018,852	\$ 8,653,737	\$ 6,517,867
Plan's Covered Payroll	\$ 7,687,861	\$ 7,502,733	\$ 7,168,522	\$ 6,921,133	\$ 6,760,547	\$ 6,392,406	\$ 6,083,865	\$ 5,906,665	\$ 5,808,158
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	218.95%	104.23%	203.79%	198.82%	186.41%	200.74%	181.12%	146.51%	112.22%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.59%	87.14%	74.69%	74.59%	75.38%	73.57%	74.06%	79.86%	83.03%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 2,376,470	\$ 2,084,274	\$ 1,926,217	\$ 1,673,663	\$ 1,469,602	\$ 1,351,241	\$ 1,196,711	\$ 1,116,013	\$ 862,289

### Notes to Schedule:

#### Benefit Changes:

There were no changes in benefits.

#### Changes in Assumptions:

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

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

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

There were no changes in assumptions.

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

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

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

There were no changes in assumptions.

##### Fiscal year June 30, 2023:

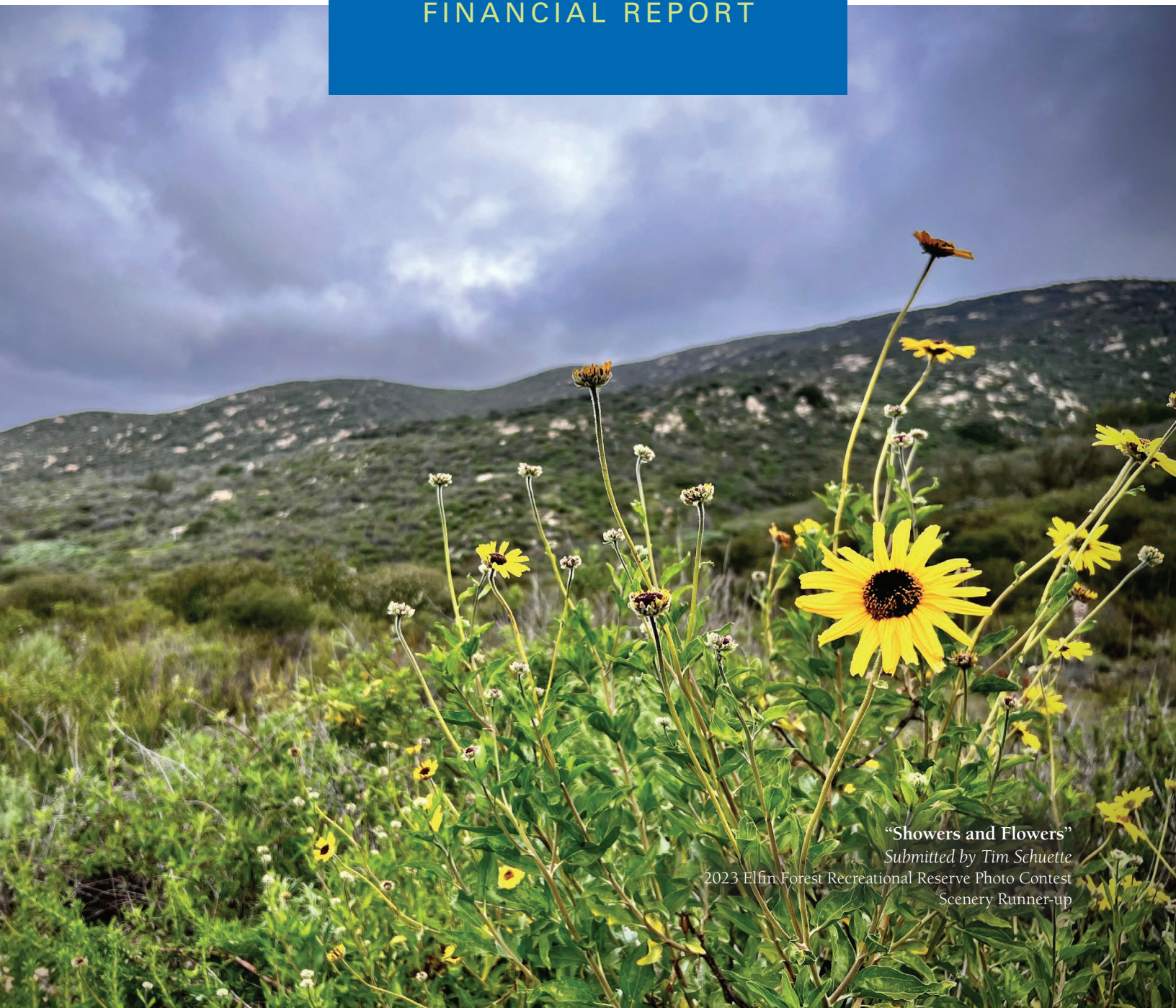
The discount rate was reduced from 7.15% to 6.90%.

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



# Statistical Section

ANNUAL COMPREHENSIVE  
FINANCIAL REPORT



**"Showers and Flowers"**

*Submitted by Tim Schuette*

2023 Elfin Forest Recreational Reserve Photo Contest

Scenery Runner-up





**"Night Heron"**

*Submitted by Kay Wood*

2023 Elfin Forest Recreational Reserve Photo Contest  
Animals Winner

# 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 – Net Position by Component (Water and Wastewater)

Last Ten Fiscal Years

	Fiscal Year ended June 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Net investment in capital assets	\$ 332,382,861	\$ 328,832,740	\$ 330,855,961	\$ 330,720,794	\$ 321,290,220	\$ 322,232,147	\$ 322,388,785	\$ 322,493,799	\$ 315,240,098	\$ 314,218,584
Restricted	10,503,646	7,727,858	7,121,300	6,593,159	10,947,134	10,912,202	11,690,890	15,355,420	20,852,200	22,359,148
Unrestricted	68,346,614	70,773,336	69,458,948	60,757,811	62,445,287	57,908,178	53,114,033	48,664,923	50,582,280	53,318,489
Total net position	\$ 411,233,121	\$ 407,333,934	\$ 407,436,209	\$ 398,071,764	\$ 394,682,641	\$ 391,052,527	\$ 387,193,708	\$ 386,514,142	\$ 386,674,578	\$ 389,896,221

Source: Olivenhain Municipal Water District

# Table II – Changes in Net Position

Last Ten Fiscal Years

	Fiscal Year ended June 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Operating Revenues</b>										
Water sales	\$ 53,633,877	\$ 57,747,541	\$ 58,169,813	\$ 50,430,847	\$ 48,238,490	\$ 53,444,449	\$ 45,433,161	\$ 40,936,218	\$ 45,145,400	\$ 47,875,747
Sewer charges	5,621,985	5,480,925	5,127,136	4,952,194	5,245,015	4,464,710	4,447,426	4,474,853	4,656,781	4,246,033
Other water operating revenues	1,084,666	1,303,126	1,461,229	2,200,252	2,269,665	2,271,495	2,217,932	1,560,779	1,077,003	2,098,535
Total operating revenues	\$ 60,340,528	\$ 64,531,592	\$ 64,758,178	\$ 57,583,293	\$ 55,753,170	\$ 60,180,654	\$ 52,098,519	\$ 46,971,850	\$ 50,879,184	\$ 54,220,315
<b>Operating Expenses</b>										
Cost of purchased water sold	\$ 29,609,781	\$ 31,265,804	\$ 30,601,983	\$ 27,188,350	\$ 25,532,687	\$ 27,578,413	\$ 24,568,729	\$ 21,979,036	\$ 23,634,844	\$ 25,074,331
Pumping and water treatment	4,353,775	4,322,820	4,378,418	4,139,526	4,028,711	4,129,127	3,988,991	3,390,124	3,629,349	3,915,661
Transmission and distribution	4,434,815	4,485,962	4,220,269	4,090,468	3,480,238	3,557,507	3,874,766	3,482,086	3,348,083	3,666,030
Sewer collection and treatment	2,026,695	2,170,341	2,085,237	1,980,603	1,631,657	1,845,906	1,672,289	1,758,907	1,703,761	1,767,162
Elfin Forest recreation operations	386,905	428,174	415,386	381,540	376,635	337,557	316,387	287,923	187,525	198,143
Facilities maintenance	1,274,751	1,387,010	1,363,564	1,456,702	1,224,506	1,083,246	1,154,241	843,456	888,677	821,966
Customer services	1,754,190	2,036,267	2,348,700	2,404,916	1,817,086	1,734,656	1,789,423	1,757,388	1,205,838	1,057,472
General and administrative	6,865,224	7,745,048	7,041,160	7,326,820	6,926,933	7,252,941	6,265,690	5,388,804	5,141,239	4,513,964
Other operating expenses	212,580	304,037	228,939	329,185	407,811	244,817	388,995	—	—	—
Depreciation and amortization	15,910,790	16,132,953	15,559,523	15,029,936	14,892,827	14,584,093	15,069,090	13,053,286	13,757,848	13,661,241
Total operating expenses	\$ 66,829,506	\$ 70,278,416	\$ 68,243,179	\$ 64,328,046	\$ 60,319,091	\$ 62,348,263	\$ 59,088,601	\$ 51,941,010	\$ 53,497,164	\$ 54,675,970
Operating income (loss)	(6,488,978)	(5,746,824)	(3,485,001)	(6,744,753)	(4,565,921)	(2,167,609)	(6,990,082)	(4,969,160)	(2,617,980)	(455,655)
<b>Non-operating Revenues (Expenses)</b>										
Investment income, net										
of market value adjustment <sup>(1)</sup>	\$ 1,898,063	\$ (2,064,940)	\$ (107,057)	\$ 1,542,608	\$ 2,135,687	\$ 658,473	\$ 230,271	\$ 514,911	\$ 457,182	\$ 474,651
Property taxes	4,577,755	4,242,794	4,027,357	3,863,252	3,714,060	3,557,919	3,414,858	3,268,438	3,066,946	2,896,741
Capacity charges	1,327,295	1,530,925	2,754,730	3,200,022	2,337,015	645,964	3,624,426	1,482,945	1,792,125	4,944,025
Benefit assessments	1,045,315	1,058,241	1,177,302	1,115,704	1,474,830	1,414,791	1,460,881	1,451,751	1,375,093	1,516,201
Other non-operating revenues	1,055,260	2,237,334 <sup>(2)</sup>	6,592,672 <sup>(2)</sup>	91,836	67,097	2,669	278,589	53,458	137,836	347,610
Interest expense, net	(1,220,156)	(1,322,948)	(1,419,009)	(1,457,739)	(1,794,797)	(2,120,456)	(2,342,667)	(2,629,591)	(2,879,588)	(3,037,510)
Other non-operating expenses <sup>(3)</sup>	(1,935,949) <sup>(4)</sup>	(606,602)	(1,076,547)	(1,458,033)	(1,036,442)	(561,079)	(1,012,913)	(1,211,973)	(358,178)	(2,448,061)
Total non-operating revenues (expenses)	\$ 6,747,583	\$ 5,074,804	\$ 11,949,448	\$ 6,897,650	\$ 6,897,450	\$ 3,598,281	\$ 5,653,445	\$ 2,929,939	\$ 3,591,416	\$ 4,693,657
Income before capital contributions	258,605	(672,020)	8,464,447	152,897	2,331,529	1,430,672	(1,336,637)	(2,039,221)	973,436	4,238,002
Capital contributions	3,640,582	569,745	899,998	3,236,226	1,298,585	2,428,147	2,016,203	1,878,785	4,524,509	4,191,775
<b>Change in net position</b>	3,899,187	(102,275)	9,364,445	3,389,123	3,630,114	3,858,819	679,566	(160,436)	5,497,945	8,429,777
<b>Net position</b>										
Beginning of year	\$ 407,333,934	\$ 407,436,209	\$ 398,071,764	\$ 394,682,641	\$ 391,052,527	\$ 387,193,708	\$ 386,514,142	\$ 386,674,578	\$ 389,896,221	\$ 381,466,444
Prior year adjustment/ equity adjustment	—	—	—	—	—	—	—	—	(8,719,588)	—
End of year	\$ 411,233,121	\$ 407,333,934	\$ 407,436,209	\$ 398,071,764	\$ 394,682,641	\$ 391,052,527	\$ 387,193,708	\$ 386,514,142	\$ 386,674,578	\$ 389,896,221

Source: Olivenhain Municipal Water District

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

(2) Includes rate refunds from SDCWA in the amount of \$2,039,332 in FY 2021 and \$1,622,585 in FY 2022.

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

(4) Includes \$1,020,928 of grant pass through expenses for the Title 16 Grant.



# Table III – Revenues by Source

Last Ten Fiscal Years

Fiscal Year Ended	OPERATING REVENUES						NONOPERATING REVENUES						
	Water Sales <sup>(1)</sup>	Service Charges <sup>(1)</sup>	Meter Installs	Sewer Charges	Other <sup>(2)</sup>	Total Operating Revenues	Investment Income <sup>(3)</sup>	Prop. Taxes and Benefit Assessment	Capacity Charges <sup>(4)</sup>	Capital Contributions <sup>(5)</sup>	Other <sup>(2)</sup>	Total Non-operating Revenues	TOTAL REVENUES
2023	\$37,503,235	\$16,130,642	\$ 2,017	\$ 5,621,985	\$ 1,082,649	\$60,340,528	\$ 1,898,063	\$ 5,623,070	\$ 1,327,295	\$ 3,640,582	\$ 1,055,260	\$13,544,270	\$73,884,798
2022	42,215,756	15,531,785	1,116	5,480,925	1,302,010	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

Source: Olivenhain Municipal Water District

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

# Table IV – Expenses by Function

Last Ten Fiscal Years

Fiscal Year Ended	OPERATING EXPENSES								NONOPERATING EXPENSES			
	Cost of Water Sold	Pumping and Water Treatment	Transmission and Distribution	Sewer Collection and Treatment	Customer Services	Depreciation and Amortization	Other <sup>(1)</sup>	Total Operating Expenses	Interest Expense	Other <sup>(2)</sup>	Total Non-operating Expenses	TOTAL EXPENSES
2023	\$29,609,781	\$ 4,353,775	\$ 4,434,815	\$ 2,026,695	\$ 1,754,190	\$15,910,790	\$ 8,739,460	\$66,829,506	\$ 1,220,156	\$ 1,935,949	\$ 3,156,105	\$69,985,611
2022	31,265,804	4,322,820	4,485,962	2,170,341	2,036,267	16,132,953	9,864,269	70,278,416	1,322,948	606,602	1,929,550	72,207,966
2021	30,601,983	4,378,418	4,220,269	2,085,237	2,348,700	15,559,523	9,049,049	68,243,179	1,419,009	1,076,547	2,495,556	70,738,735
2020	27,188,350	4,139,526	4,090,468	1,980,603	2,404,916	15,029,936	9,494,247	64,328,046	1,457,739	1,458,033	2,915,772	67,243,818
2019	25,532,687	4,028,711	3,480,238	1,631,657	1,817,086	14,892,827	8,935,885	60,319,091	1,794,797	1,036,442	2,831,239	63,150,330
2018	27,578,413	4,129,127	3,557,507	1,845,906	1,734,656	14,584,093	8,918,561	62,348,263	2,120,456	561,079	2,681,535	65,029,798
2017	24,568,729	3,988,991	3,874,766	1,672,289	1,789,423	15,069,090	8,125,313	59,088,601	2,342,667	1,012,913	3,355,580	62,444,181
2016	21,979,036	3,390,124	3,482,086	1,758,907	1,757,388	13,053,286	6,520,185	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

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<sup>(1)</sup>

Last Ten Fiscal Years

Fiscal Year Ended	Domestic/Commercial			Agriculture			Recycled Water			Total		Combined Direct Rate <sup>(2)</sup>	
	Value	Acre Feet	% of Total	Value	Acre Feet	% of Total	Value	Acre Feet	% of Total	Value	Acre Feet	\$/Acre Feet	\$/HCF
2023	\$ 33,831,813	14,657.2	88.7%	\$ 475,857	183.9	1.2%	\$ 3,821,445	2,270.1	10.0%	\$ 38,129,114	17,111.2	\$ 2,228	\$ 5.12
2022	38,105,626	17,179.4	88.7%	373,711	237.5 <sup>(3)</sup>	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

Source: Olivenhain Municipal Water District

Notes: (1) Exclude 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									
	2023	2022	2021	2020	2019	2018	2017	2016 <sup>(6)</sup>	2015	2014
<b>Potable Water<sup>(1)</sup></b>										
Monthly system access charge	\$ 41.94	\$ 40.41	\$ 39.44	\$ 38.46	\$ 37.70	\$ 37.70	\$ 36.08	\$ 33.88	\$ 31.97	\$ 30.76
Monthly commodity charge										
Domestic rate										
1st tier	3.92	3.68	3.39	3.30	2.71	2.64	2.53	2.50	2.25	2.32
2nd tier	5.69	5.34	5.02	4.90	4.75	4.62	4.43	4.35	3.93	3.71
3rd tier	6.35	5.96	5.63	5.49	5.61	5.46	5.23	5.60	4.65	4.75
4th tier	7.55	7.09	6.74	6.58	6.58	6.40	6.13	6.26	5.44	—
Rate Reimbursement Credit <sup>(7)</sup>	(0.069)	(0.069)	—	—	—	—	—	—	—	—
Commercial rate										
1st tier	5.35	5.02	4.71	4.59	4.07	3.96	3.79	3.64	3.36	3.90
2nd tier <sup>(2)</sup>	—	—	—	—	—	—	—	—	—	4.97
Irrigation <sup>(3)</sup>										
1st tier	6.02	5.65	5.33	5.20	4.35	4.23	4.05	3.99	3.60	—
2nd tier	6.43	6.04	5.71	5.57	5.90	5.74	5.50	5.61	4.88	—
Agricultural rate	6.26	5.88	5.55	5.42	4.75	4.62	4.43	4.26	3.93	3.70
PSAWR/TSARW credit <sup>(4)</sup>	(1.17)	(1.11)	(0.97)	(0.99)	(0.94)	(0.95)	(0.89)	(0.90)	(0.77)	(0.47)
<b>Recycled<sup>(1)</sup></b>										
Monthly system access charge	\$ 41.94	\$ 40.41	\$ 39.44	\$ 38.46	\$ 37.70	\$ 37.70	\$ 36.08	\$ 33.88	\$ 31.97	\$ 30.76
Monthly commodity charge										
uniform rate	4.04	3.79	3.65	3.61	3.85	3.75	3.59	3.37	3.18	3.03
<b>Sewer<sup>(1)</sup></b>										
Annual system access charge per EDU <sup>(5)</sup>										
4S Ranch	\$ 191.76	\$ 186.17	\$ 181.09	\$ 181.09	\$ 175.81	\$ 170.68	\$ 165.70	\$ 147.00	\$ 147.00	\$ 147.00
Rancho Cielo	191.76	186.17	181.09	181.09	175.81	170.68	165.70	147.00	147.00	147.00
Multi-family and commercial	151.75	147.33	181.09	181.09	175.81	170.68	165.70	147.00	147.00	147.00
Commodity charge per unit										
Domestic rate	7.02	6.81	6.59	6.59	6.39	6.20	6.01	6.00	6.00	6.00
Multi-family rate	7.02	6.81	6.59	6.59	6.39	6.20	6.01	6.00	6.00	6.00
Commercial rate										
Group I	7.02	6.81	6.59	6.59	6.39	6.20	6.01	6.00	6.00	6.00
Group II	9.72	9.43	10.16	10.16	9.86	9.57	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

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 (January 1 to December 31).

(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 2 Rate.

(7) Rate refunds recived in FY 2021 and 2022 from SDCWA/MWD given back to customers as a per unit bill credit each month.

# Table VII – Principal Water Consumers

Current and Nine Years Ago

## FISCAL YEAR ENDED 2023

Customer Name	Usage (AF)	% of Water Sold
The Bridges Club at RSF Inc. <sup>(1)</sup>	705.6	4.12%
4S Ranch Master HOA <sup>(2)</sup>	467.4	2.73%
Bando National Corporation <sup>(2)(3)</sup>	265.8	1.55%
Cymer Inc. <sup>(1)</sup>	248.8	1.45%
La Costa Glen Carlsbad CCRC LLC <sup>(1)(4)</sup>	228.4	1.34%
Rancho Santa Fe Farms Golf Inc. <sup>(2)</sup>	222.3	1.30%
Crosby Estates HOA <sup>(2)</sup>	214.6	1.25%
4S Ranch Holdco LLC <sup>(1)</sup>	211.0	1.23%
La Costa Oaks Association <sup>(2)</sup>	202.2	1.18%
Del Mar Country Club <sup>(2)</sup>	190.0	1.11%
Total top ten consumers	2,956.2	17.28%
Other consumers	14,155.0	82.72%
Total water billed	17,111.2	100.00%

## FISCAL YEAR ENDED 2014

Customer Name	Usage (AF)	% of Water Sold
4S Ranch Master HOA	479.1	2.06%
The Bridges at Rancho Santa Fe	363.5	1.57%
Fairbanks Ranch Country Club	330.3	1.42%
Del Mar Country Club	326.6	1.41%
Crosby National Golf Club	277.2	1.19%
La Costa Oaks Association	240.4	1.04%
Rancho Santa Fe Farms Golf Inc.	237.7	1.02%
Crosby Estates HOA	187.5	0.81%
Continuing Life Communities	147.7	0.64%
Cielo Homeowners Association	143.9	0.62%
Total top ten consumers	2,733.9	11.77%
Other consumers	20,492.3	88.23%
Total water billed	23,226.2	100.00%

Source: Olivenhain Municipal Water District

**Note:** (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 Three Years Ago

## FISCAL YEAR ENDED 2023

Customer Name	Amount Billed	% of Total Sewer Billed
Cymer Inc.	\$ 564,826	10.05%
4S Ranch Holdco LLC	537,888	9.57%
Amante and Ravenna at 4S Ranch	384,718	6.84%
Summit of Rancho Bernardo HOA	282,836	5.03%
Poway Unified School District	244,404	4.35%
Gianni at 4S Ranch	225,005	4.00%
Bridgeport 4S	202,883	3.61%
San Moritz at 4S Ranch HOA	160,692	2.86%
Dove Canyon Apartments	139,270	2.48%
4S Regency Partners LLC	134,123	2.39%
Total top ten consumers	2,876,646	51.17%
Other consumers	2,745,339	48.83%
Total sewer billed	\$ 5,621,985	100.00%

## FISCAL YEAR ENDED 2020

Customer Name	Amount Billed	% of Total Sewer Billed
4S Ranch Holdco LLC	\$ 470,755	9.53%
Cymer Inc.	465,287	9.42%
Amante and Ravenna at 4S Ranch	355,164	7.19%
Summit of Rancho Bernardo HOA	304,500	6.16%
Poway Unified School District	261,516	5.29%
Gianni at 4S Ranch	213,207	4.32%
Bridgeport 4S	188,358	3.81%
San Moritz at 4S Ranch HOA	150,443	3.05%
4S Regency Partners LLC 00760	139,674	2.83%
Dove Canyon Apartments	135,630	2.75%
Total top ten consumers	2,684,534	54.34%
Other consumers	2,255,477	45.66%
Total sewer billed	\$ 4,940,010	100.00%

Source: Olivenhain Municipal Water District

# Table IX – Property Tax and Special Assessment

Last Ten Fiscal Years

Fiscal Year Ended	Current Year Levy <sup>(1)</sup>			Total Collection Through June 30 <sup>(4)</sup>	Net Uncollected at June 30	Percent Uncollected at June 30
	Property Taxes <sup>(2)</sup>	Special Assessment <sup>(3)</sup>	Total Levy			
2023	\$ 4,466,104	\$ 1,032,342	\$ 5,498,447	\$ 5,584,041	\$ (85,594)	-1.56%
2022	4,157,765	1,029,837	5,187,602	5,247,821	(60,219)	-1.16%
2021	3,998,833	1,054,717	5,053,550	5,103,286	(49,737)	-0.98%
2020	3,878,790	1,027,879	4,906,669	4,890,204	16,465	0.34%
2019	3,670,386	1,417,674	5,088,059	5,103,906	(15,847)	-0.31%
2018	3,578,486	1,417,716	4,996,202	4,973,806	22,396	0.45%
2017	3,371,836	1,438,673	4,810,509	4,856,043	(45,534)	-0.95%
2016	3,237,786	1,432,319	4,670,105	4,698,456	(28,351)	-0.61%
2015	3,065,704	1,436,411	4,502,115	4,457,893	44,222	0.98%
2014	2,979,746	1,441,062	4,420,808	4,362,648	58,160	1.32%

Source: County of San Diego Office of the Auditor Controller

- Notes:** (1) Excludes Wastewater Service 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			
2023	\$28,259,090,456	\$ 29,421,612	\$ (326,716,447)	\$27,961,795,621	\$ 428,194,797	\$28,389,990,418
2022	26,419,545,022	19,958,978	(303,262,519)	26,136,241,481	335,348,712	26,471,590,193
2021	25,473,591,937	40,376,998	(303,002,411)	25,210,966,524	438,607,395	25,649,573,919
2020	24,494,325,764	37,689,822	(283,228,046)	24,248,787,540	370,522,672	24,619,310,212
2019	23,391,490,448	39,283,241	(271,258,202)	23,159,515,487	372,459,609	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

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 <sup>(1)</sup>	Add: Premium <sup>(2)</sup>	Less: Reserve Funds <sup>(3)</sup>	Net Bonded Debt	Total Secured Real Property <sup>(4)</sup>	Debt to Total Secured Real Property	Population Estimate <sup>(5)</sup>	Net Bonded Debt Per Capita	Personal Income	As a Share of Personal Income
2023	\$ 4,594,691	\$ —	\$ 79,155	\$ 4,515,536	\$ 28,259,090,456	0.02%	86,441	\$ 52	\$ 6,355,401,643	0.07%
2022	5,457,755	—	82,152	5,375,603	26,419,545,022	0.02%	86,614	62	6,055,791,038	0.09%
2021	6,300,863	—	247,578	6,053,286	25,473,591,937	0.02%	86,649	70	5,717,794,212	0.11%
2020	7,130,000	—	71,899	7,058,101	24,494,325,764	0.03%	87,084	81	5,379,178,680	0.13%
2019	9,765,000	22,870	1,438,918	8,348,952	23,391,490,448	0.04%	86,997	96	5,167,708,797	0.16%
2018	10,625,000	25,671	1,431,668	9,219,003	22,371,096,064	0.04%	86,478	107	4,987,791,606	0.18%
2017	11,670,000	28,471	1,435,593	10,262,878	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%

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

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

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

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

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

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



# Table XII – Direct and Overlapping Debt

June 30, 2023

2022–23 Assessed Valuation: \$28,389,990,418

	Total Debt as of 6/30/2023	% Applicable <sup>(1)</sup>	District's Share of Debt as of 6/30/2023
<b>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</b>			
Metropolitan Water District	\$ 19,215,000	0.781%	\$ 150,069
Mira Costa Community College District	376,155,000	15.957%	60,023,053
Palomar Community College District	641,965,146	4.615%	29,626,691
Poway Unified School District School Facilities Improvement District No. 2002-1	105,410,766	5.301%	5,587,825
Poway Unified School District School Facilities Improvement District No. 2007-1	160,781,672	3.263%	5,246,306
San Marcos Unified School District	268,478,476	0.078%	209,413
Escondido Union High School District	76,648,138	1.534%	1,175,782
San Dieguito Union High School District	416,410,000	26.494%	110,323,665
Cardiff School District	22,688,273	4.613%	1,046,610
Encinitas Union School District	42,125,407	57.684%	24,299,620
Escondido Union School District	165,824,622	1.585%	2,628,320
Rancho Santa Fe School District	27,714,322	27.849%	7,718,162
Solana Beach School District Community Facilities District No. 2016-1	89,095,000	27.422%	24,431,631
Palomar Health District	400,167,282	6.683%	26,743,179
Poway Unified School District Community Facilities Districts	154,818,048	19.641–100%	145,647,447
San Dieguito Union High School District Community Facilities Districts	59,535,000	16.822–100%	27,820,736
City of Encinitas Community Facilities District No. 1	17,040,000	26.022%	4,434,149
Rancho Santa Fe Community Services District Community Facilities District No. 1	24,040,000	100%	24,040,000
Olivenhain Municipal Water District	—	100%	—
Olivenhain Municipal Water District Assessment District No. 2019-96-1	4,605,000	100%	4,605,000
<b>Total direct and overlapping tax and assessment debt</b>			<b>\$ 505,757,658</b>
<b>OVERLAPPING GENERAL FUND DEBT:</b>			
San Diego County General Fund Obligations	\$ 229,680,000	4.322%	\$ 9,926,770
San Diego County Pension Obligation Bonds	227,990,000	4.322%	12,014,728
San Diego County Superintendent of Schools General Fund Obligations	6,935,000	4.322%	299,731
Palomar Community College District General Fund Obligations	1,310,000	4.615%	60,457
Poway Unified School District Certificates of Participation	53,720,000	11.980%	6,435,656
Other School District General Fund Obligations	166,553,112	Various	6,143,045
City of Encinitas Certificates of Participation	35,865,000	36.63%	13,135,915
City of San Diego General Fund Obligations	642,372,180	0.253%	1,625,202
Other Cities' General Fund Obligations	1,910,000	Various	1,872
<b>Total overlapping general fund debt</b>			<b>\$ 49,643,376</b>
<b>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</b>	<b>\$ 191,485,000</b>	<b>0.105%</b>	<b>\$ 201,059</b>
<b>Total direct debt</b>			<b>—</b>
<b>Total overlapping debt</b>			<b>\$ 555,602,093</b>
<b>Combined total debt</b>			<b>\$ 555,602,093<sup>(2)</sup></b>

**Notes:** (1) The percentage of overlapping debt applicable to the district is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the overlapping district divided by the district's total taxable assessed value.  
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded lease obligations.

## Ratios to 2022–23 Assessed Valuation:

Direct debt	0.00%
Total direct and overlapping tax and assessment debt	1.78%
Combined total debt	1.96%

## Ratios to Redevelopment Successor Agency Incremental Valuation (\$11,943,221):

Total overlapping tax increment debt	1.68%
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Source: California Municipal Statistics, Inc.

# Table XIII – Water System Revenue to Debt Service Ratio

Last Ten Fiscal Years

Fiscal Year Ended	Water Sales <sup>(1)</sup>	Property Taxes	Capacity Charges	Other Nonoperating Revenues <sup>(2)</sup>	Total Water System Revenues	Less: Cost of Water Sold	Less: Operations and Maintenance Costs <sup>(3)</sup>	Net Water System Revenues <sup>(4)</sup>	Debt Service Payment <sup>(5)</sup>	Revenue to Debt Service Ratio	Pledged Revenue Debt Limit
2023	\$ 54,505,963	\$ 4,577,755	\$ 1,327,295	\$ 2,641,953	\$ 63,052,966	\$ 29,609,781	\$ 17,254,362	\$ 16,188,823	\$ 4,462,579	3.63	125%
2022	58,746,630	4,242,794	1,530,925	2,963,069	67,483,418	31,265,804	18,435,197	17,782,417	4,451,579	3.99	125%
2021	59,402,103	4,027,357	2,754,730	4,522,808	70,706,998	30,601,983	17,883,079	22,221,936	4,450,079	4.99	125%
2020	52,307,718	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	620,224	1,779,546	56,214,173	25,532,687	16,223,249	14,458,237	4,457,329	3.24	125%
2018	55,471,127	3,557,919	1,761,723	533,766	61,324,535	27,578,413	16,487,251	17,258,871	4,513,537	3.82	125%
2017	47,262,098	3,414,858	3,624,426	474,085	54,775,467	24,568,729	15,906,059	14,300,679	4,716,802	3.03	125%
2016	42,496,997	3,268,438	1,482,945	452,463	47,700,843	21,979,036	13,743,834	11,977,973	4,681,052	2.56	125%
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 <sup>(6)</sup>	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%

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 and 2021 only), and sale of District parcels (2022 and 2021 only). Excludes Wastewater (Sewer) revenues and unrealized gain and losses on investments.

(3) Excludes Elfin Forest Recreational Reserve operations and 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 2018 Bond since it is specific to Wastewater.

(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<sup>(1)</sup>

Last Ten Fiscal Years

Fiscal Year Ended	AMOUNT LEVIED				Amount Collected <sup>(3)</sup>	Percent Collected
	Principal	Interest	Other <sup>(2)</sup>	Total		
2023	\$ 879,601	\$ 95,670	\$ 57,071	\$ 1,032,342	\$ 1,034,916	100.2%
2022	862,309	113,983	53,546	1,029,837	1,037,863	100.8%
2021	844,142	131,835	78,740	1,054,717	1,067,741	101.2%
2020	815,000	162,677	50,202	1,027,879	1,047,644	101.9%
2019	915,294	473,591	28,789	1,417,674	1,410,387	99.5%
2018	876,008	511,464	30,244	1,417,716	1,414,221	99.8%
2017	844,112	548,651	45,911	1,438,673	1,446,310	100.5%
2016	804,478	581,889	45,952	1,432,319	1,434,925	100.2%
2015	779,900	613,211	43,300	1,436,411	1,379,474	96.0%
2014	746,576	647,046	47,440	1,441,062	1,454,689	100.9%

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<sup>(1)</sup>

Last Ten Fiscal Years

Fiscal Year Ended	Water Revenue Bonds				Sewer Revenue Bond			Special Assessment Bonds	Note Payable		SBITA Liability	Total Net Outstanding Debt	Percentage of Personal Income	Per Capita
	2016 Water Revenue Refunding Bonds	2015 Water Revenue Refunding Bonds	2009 Water Revenue Bonds	2006 Water Revenue Refunding Bonds	2018 Sewer Revenue Bonds	2021A Sewer Revenue Bonds	2021B Sewer Revenue Refunding Bonds <sup>(4)</sup>	Limited Obligation Reassessment District 96-1 <sup>(3)</sup>	2013 State Revolving Fund	2012 California Bank & Trust <sup>(2)</sup>	SBITA Liability <sup>(5)</sup>			
2023	\$ 13,038,237	\$ 11,440,036	\$ —	\$ —	\$ —	\$ 4,589,160	\$ 2,944,060	\$ 4,594,691	\$ 10,345,340	\$ —	\$ 115,752	\$ 47,067,278	0.74%	543
2022	13,689,319	13,607,376	—	—	—	4,796,400	3,513,900	5,457,755	11,162,925	—	181,698	52,409,374	0.87%	605
2021	14,316,208	15,730,315	—	—	4,013,000	—	—	6,300,863	11,961,998	—	—	52,322,384	0.92%	604
2020	14,923,628	17,816,383	—	—	4,520,000	—	—	7,130,000	12,742,976	—	—	57,132,987	1.06%	656
2019	15,511,305	19,873,396	—	—	5,011,000	—	—	9,787,870	13,506,271	—	—	63,689,842	1.23%	732
2018	16,084,017	21,899,196	—	—	5,500,000	—	—	10,650,671	14,252,283	—	—	68,386,167	1.37%	791
2017	16,577,296	23,627,014	—	—	—	—	—	11,698,471	15,339,748	—	—	67,242,530	1.39%	784
2016	—	25,289,832	16,925,215	—	—	—	—	12,516,272	15,693,954	518,339	—	70,943,613	1.51%	835
2015	—	—	17,353,724	26,414,577	—	—	—	13,304,072	16,390,314	1,540,841	—	75,003,529	1.66%	889
2014	—	—	17,767,233	27,934,221	—	—	—	14,056,873	17,069,309	2,546,030	—	79,373,666	1.89%	952

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.  
(4) The District issued 2021B Sewer Revenue Refunding Bonds to refund and refinance the 2018 Sewer Revenue Bonds.  
(5) The District implemented GASB 96 Accounting for Subscription-Based Information Technology Arrangements starting with fiscal year 2022.

# Table XVI – Demographic Statistics

San Diego County Current and Prior Ten Years

Year	Population Estimate	Personal Income	Per Capita Personal Income <sup>(1)</sup>	Unemployment Rate <sup>(2)</sup>
2023	86,441	\$6,355,401,643	\$ 73,523	4.0%
2022	86,614	6,055,791,038	69,917	3.4%
2021	86,649	5,717,794,212	65,988	7.3% <sup>(3)</sup>
2020	87,084	5,379,178,680	61,770	13.3% <sup>(3)</sup>
2019	86,997	5,167,708,797	59,401	3.4%
2018	86,478	4,987,791,606	57,677	3.6%
2017	85,792	4,842,786,816	56,448	4.3%
2016	85,010	4,690,851,800	55,180	4.7%
2015	84,352	4,529,364,992	53,696	5.2%
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 Department.  
(3) COVID-19 crisis.

# Table XVII – San Diego County Principal Employers

Current and Nine Years Ago

FISCAL YEAR 2023			FISCAL YEAR 2014 <sup>(5)</sup>		
Employer Name	Number of Employees <sup>(1)</sup>	Percentage of Total County Employment	Employer Name	Number of Employees <sup>(3)</sup>	Percentage of Total County Employment
Naval Base San Diego	48,000	3.14%	U.S. Navy, Marines and Civic Services	30,588	4.31%
University of California San Diego <sup>(2)</sup>	40,285	2.64%	University of California San Diego	28,672	4.04%
County of San Diego	25,940	1.70%	Sharp HealthCare	16,446	2.32%
Scripps Health	20,000	1.31%	County of San Diego	16,215	2.28%
Sharp HealthCare	19,000	1.24%	Qualcomm Inc.	13,725	1.93%
San Diego Unified School District	16,774	1.10%	San Diego Unified School District	13,071	1.84%
City of San Diego	12,829	0.84%	City of San Diego	10,411	1.47%
Qualcomm Inc. <sup>(3)</sup>	12,000	0.79%	Kaiser Permanente	8,172	1.15%
San Diego State University	10,566	0.69%	UC San Diego Medical Center	6,302	0.89%
Kaiser Permanente San Diego	9,500	0.62%	San Diego Gas & Electric Co.	4,457	0.63%
Total Top Ten County Employers	214,894	14.06%	Total Top Ten County Employers	148,059	20.86%
All Other County Employers	1,313,306	85.94%	All Other County Employers	561,741	79.14%
Total County Employment <sup>(4)</sup>	1,528,200	100.00%	Total County Employment <sup>(5)</sup>	709,800	100.00%

Sources: California Employment Development Department, PublicPay.ca.gov, company websites

**Note:** (1) Numbers are based on most recent data available from Bureau of Labor Statistics, company websites, or PublicPay.ca.gov.

(2) UC San Diego and UC San Diego Health numbers are combined starting in 2022.

(3) Approximate based on secondary sources, no primary sources available.

(4) California Employment Development Department in June.

(5) 2014 numbers pulled from City of San Diego FY 2014 CAFR (ACFR).

# Table XVIII – Full-time Equivalent Employees by Activity

Last Ten Fiscal Years

	Full-time Equivalent Employees <sup>(1)</sup>									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Water operations <sup>(2)</sup>	37	36	35	37	34	36	34	31	36	38
Wastewater and recycled water <sup>(3)</sup>	8	8	8	8	7	7	6	6	6	8
Elfin Forest recreation operations	3	3	3	3	3	3	3	3	3	3
General and administration										
General manager	4	4	4	4	4	4	4	2	2	5
Engineering	10	8	9	8	8	8	8	11	9	7
Finance	8	8	7	8	8	8	8	8	8	13
Human resources	4	4	4	4	4	4	4	4	4	4
Customer service and public relations	16	16	14	16	15	16	14	14	14	—
<b>Total</b>	<b>90</b>	<b>87</b>	<b>84</b>	<b>88</b>	<b>83</b>	<b>86</b>	<b>81</b>	<b>79</b>	<b>82</b>	<b>78</b>

Source: Olivenhain Municipal Water District

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

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

(3) Includes treatment plant operations at the 45 wastewater treatment plant and water reclamation facility.

# Table XIX – Capital and Operating Indicators by Activity

Last Ten Fiscal Years

	Full-time Equivalent Employees as of June 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Potable</b>										
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 <sup>(1)</sup>	466.5	466.2	466.2	466.2	466.2	466.2	466.2	419.0	419.0	419.0
Number of treated reservoirs in service	12	12	12	12	12	12	12	12	12	13
Total treated reservoirs capacity (million gallons)	66.9	66.9	66.9	66.9	66.9	66.9	66.9	65.9	65.9	68.1
Number of service connections	28,888	28,871	28,848	28,803	28,664	28,585	28,563	28,477	28,343	28,251
Number of meters in service	28,731	28,713	28,696	28,657	28,504	28,431	28,393	28,295	28,161	28,082
Potable water peak demand (million gallons) <sup>(2)</sup>	24.0	27.0	25.8	25.5	26.7	25.4	29.8	23.9	29.9	32.7
Average treated water demand (MGD) <sup>(2)</sup>	14.2	17.4	17.4	15.3	15.0	17.3	18.9	14.4	17.5	19.7
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) <sup>(2)</sup>	14.3	17.6	20.8	18.1	17.7	21.4	18.7	13.9	17.1	22.3
<b>Sewer</b>										
Service area (acres)	5,549.5	5,508.0	5,508.0	5,508.0	5,508.0	5,508.0	5,508.0	5,338.0	5,338.0	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 <sup>(3)</sup>	7,334	7,250	7,247	7,244	7,239	7,236	7,063	7,043	6,939	6,883
<b>Recycled</b>										
Service area (acres)	10,638.0	10,638.0	10,638.0	10,638.0	10,638.0	10,638.0	10,637.8	10,567.0	10,567.0	10,567.0
Miles of recycled water main <sup>(4)</sup>	67.3	67.1	67.1	67.1	67.1	67.0	54.5	48.0	48.0	48.0
Total recycled storage capacity (million gallons) <sup>(5)</sup>	136.0	136.0	136.0	136.0	136.0	136.0	135.6	135.6	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	320	314	314	308	295	293	288	278	273	260
<b>General Information</b>										
Average years of service of employees <sup>(6)</sup>	9.1	8.5	9.1	8.6	10.0	9.3	9.1	9.5	10.1	10.2

Source: Olivenhain Municipal Water District

**Notes:** (1) Total miles for FY 2017 and beyond include hydrant laterals in the Geographic Information System (GIS).

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

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

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

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

(6) Based on the numbers of full-time equivalent employees as of June 30.









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*"Water Reflection"*

*Submitted by Sabine Kurz-Sherman*

*2023 Elfin Forest Recreational Reserve Photo Contest*

*Water Winner*

OLIVENHAIN MUNICIPAL WATER DISTRICT, ENCINITAS, CALIFORNIA