



San Lorenzo Valley Water District
Annual Financial Report
For the Fiscal Years June 30, 2023 and 2022



Boulder Creek, California



Our Mission

Our mission is to provide our customers and all future generations with reliable, safe, and high quality water at an equitable price; to create and maintain outstanding customer service; to manage and protect the environmental health of the aquifers and watersheds; and to ensure the fiscal vitality of the San Lorenzo Valley Water District.

San Lorenzo Valley Water District

Board of Directors as of June 30, 2023

Name	Title	Elected/ Appointed	Term Expires
Mark Smolley	President	Elected	December 2026
Jeff Hill	Vice President	Elected	December 2026
Jayne Ackemann	Director	Elected	December 2024
Bob Fultz	Director	Elected	December 2026
Gail Mahood	Director	Elected	December 2024



San Lorenzo Valley Water District

Annual Financial Report

For the Fiscal Years Ended

June 30, 2023 and 2022

San Lorenzo Valley Water District
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Financial Section



Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
Jeffrey Palmer

C.J. Brown & Company CPAs

An Accountancy Corporation

Cypress Office:
10805 Holder Street, Suite 150
Cypress, California 90630
(657) 214-2307

Riverside Office:
5051 Canyon Crest Drive, Suite 203
Riverside, California 92507
(657) 214-2307

Independent Auditor's Report

Board of Directors
San Lorenzo Valley Water District
Boulder Creek, California

Opinion

We have audited the financial statements of the business-type activities of the San Lorenzo Valley Water District (District), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of June 30, 2023 and 2022, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

The District's 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.

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the required supplementary information on pages 47 through 50 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 audits 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.

Independent Auditor's Report, continued

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Combining Schedules of Net Position and the Combining Schedules of Revenues, Expenses, and Changes in Net Position (Combining Schedules) on pages 51 through 53, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the statistical section on pages 54 through 68, and the acronyms and glossary of terms on pages 71 through 75 but does not include the financial statements and our auditor's report thereon. Our opinion on the 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 audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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 January 4, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs

Cypress, California

January 4, 2024

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San Lorenzo Valley Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2023 and 2022

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the San Lorenzo Valley Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2023 and 2022. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased 7.01% or \$2,836,801 to \$43,311,965. In 2022, the District's net position increased 7.51% or \$2,828,846 to \$40,475,164.
- The District's operating revenues decreased 0.76% or \$92,510 to \$12,139,561. In 2022, the District's operating revenues increased 6.71% or \$769,442 to \$12,232,071.
- The District's non-operating revenues increased 44.72% or \$707,024 to \$2,288,100. In 2022, the District's non-operating revenues decreased 8.52% or \$147,230 to \$1,581,076.
- The District's operating expenses increased 1.57% or \$135,690 to \$8,787,118. In fiscal year 2022, the District's operating expenses decreased 10.76% or \$1,042,989 to \$8,651,428.
- The District's non-operating expenses increased 30.39% or \$325,772 to \$1,397,828. In 2022, the District's non-operating expenses decreased 9.19% or \$90,206 to \$1,072,056.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The District's statements consist of two funds, the Water Fund and the Sewer Fund. The District's records are maintained on an enterprise basis, as it is the intent of the Board of Directors that the costs of providing water and sewer services to the District's customers are financed primarily through user charges.

The Statement of Net Position includes all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net change in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, as well as providing answers to such questions as, where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

San Lorenzo Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets, deferred outflows, liabilities, and deferred inflows using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in it. One can think of the District's net position – the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources – as one way to measure the District's financial health or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as change in economic conditions, population growth, zoning, and new or changed government legislation, such as change in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 16 through 46.

Statement of Net Position

Below is a summary of the statements of net position.

	Condensed Statements of Net Position				
	2023	2022	Change	2021	Change
Assets:					
Current assets	\$ 32,184,383	34,714,752	(2,530,369)	34,502,435	212,317
Non-current assets	463,868	76,962	386,906	52,189	24,773
Capital assets, net	51,121,727	45,297,765	5,823,962	44,402,883	894,882
Total assets	83,769,978	80,089,479	3,680,499	78,957,507	1,131,972
Deferred outflows of resources	3,049,514	1,564,198	1,485,316	1,707,047	(142,849)
Liabilities:					
Current liabilities	5,020,448	2,826,671	2,193,777	3,035,157	(208,486)
Non-current liabilities	37,600,221	35,702,166	1,898,055	39,915,761	(4,213,595)
Total liabilities	42,620,669	38,528,837	4,091,832	42,950,918	(4,422,081)
Deferred inflows of resources	886,858	2,649,676	(1,762,818)	67,318	2,582,358
Net position:					
Net investment in capital assets	37,993,716	34,697,965	3,295,751	33,871,628	826,337
Restricted	1,145,225	1,109,231	35,994	302,122	807,109
Unrestricted (deficit)	4,173,024	4,667,968	(494,944)	3,472,568	1,195,400
Total net position	\$ 43,311,965	40,475,164	2,836,801	37,646,318	2,828,846

San Lorenzo Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Statement of Net Position, continued

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$43,311,965 and \$40,475,164 as of June 30, 2023 and 2022, respectively.

The District's net position increased 7.01% or \$2,836,801. In fiscal year 2022, the District's net position increased 7.51% or \$2,828,846. The District's total net position is made up of three components: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.

At the end of fiscal year 2023 and 2022, the District showed an unrestricted net position of \$4,173,024 and \$4,667,968, respectively. See Note 9 for the further information.

By far the largest portion of the District's net position (87.72% and 85.73% as of June 30, 2023 and 2022, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending. See Note 9 for further information.

Statement of Revenues, Expenses, and Changes in Net Position

Below is a summary of the statements of changes in revenues, expenses, and changes in net position.

Condensed Statements of Revenues, Expenses, and Changes in Net Position					
	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>2021</u>	<u>Change</u>
Revenues:					
Operating revenues	\$ 12,139,561	12,232,071	(92,510)	11,462,629	769,442
Non-operating revenues	2,288,100	1,581,076	707,024	1,728,306	(147,230)
Total revenues	<u>14,427,661</u>	<u>13,813,147</u>	<u>614,514</u>	<u>13,190,935</u>	<u>622,212</u>
Expenses:					
Operating expenses	8,787,118	8,651,428	135,690	9,694,417	(1,042,989)
Non-operating expenses	1,397,828	1,072,056	325,772	981,850	90,206
Overhead absorption	(210,614)	(180,218)	(30,396)	(379,539)	199,321
Depreciation	1,847,219	1,838,242	8,977	1,728,054	110,188
Total expenses	<u>11,821,551</u>	<u>11,381,508</u>	<u>440,043</u>	<u>12,024,782</u>	<u>(643,274)</u>
Net income before capital contributions	2,606,110	2,431,639	174,471	1,166,153	1,265,486
Capital contributions	<u>230,691</u>	<u>397,207</u>	<u>(166,516)</u>	<u>3,031,227</u>	<u>(2,634,020)</u>
Changes in net position	<u>2,836,801</u>	<u>2,828,846</u>	<u>7,955</u>	<u>4,197,380</u>	<u>(1,368,534)</u>
Net position, beginning of year	<u>40,475,164</u>	<u>37,646,318</u>	<u>2,828,846</u>	<u>33,448,938</u>	<u>4,197,380</u>
Net position, end of year	<u>\$ 43,311,965</u>	<u>40,475,164</u>	<u>2,836,801</u>	<u>37,646,318</u>	<u>2,828,846</u>

A closer examination of the sources of changes in net position reveals that:

The District's net position increased 7.01% or \$2,836,801 to \$43,311,965, due primarily to ongoing operations.

In fiscal year 2022, the District's net position increased 7.51% or \$2,828,846 to \$40,475,164, due primarily to ongoing operations.

San Lorenzo Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2023 and 2022

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

Total Revenues

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>2021</u>	<u>Change</u>
Operating revenues:					
Water consumption sales	\$ 11,778,792	11,902,044	(123,252)	11,139,017	763,027
Wastewater service	173,020	173,034	(14)	161,007	12,027
Meter sales, charges, and penalties	177,785	156,402	21,383	157,486	(1,084)
Other charges and services	<u>9,964</u>	<u>591</u>	<u>9,373</u>	<u>5,119</u>	<u>(4,528)</u>
Total operating revenues	<u>12,139,561</u>	<u>12,232,071</u>	<u>(92,510)</u>	<u>11,462,629</u>	<u>769,442</u>
Non-operating revenues:					
Property tax	965,059	896,170	68,889	847,676	48,494
Assessment revenues	340,764	343,333	(2,569)	343,086	247
Investment return	703,020	126,229	576,791	131,657	(5,428)
Operating grant	213,593	151,076	62,517	334,681	(183,605)
Rental revenue	54,367	54,840	(473)	50,558	4,282
Gain on disposal of capital assets	-	-	-	13,706	(13,706)
Settlement and purchase agreements	<u>11,297</u>	<u>9,428</u>	<u>1,869</u>	<u>6,942</u>	<u>2,486</u>
Total non-operating revenues	<u>2,288,100</u>	<u>1,581,076</u>	<u>707,024</u>	<u>1,728,306</u>	<u>(147,230)</u>
Capital contributions:					
Capital grants - other governments	<u>230,691</u>	<u>397,207</u>	<u>(166,516)</u>	<u>3,031,227</u>	<u>(2,634,020)</u>
Total revenues	<u>\$ 14,658,352</u>	<u>14,210,354</u>	<u>447,998</u>	<u>16,222,162</u>	<u>(2,011,808)</u>

The District's total revenues increased 3.90% or \$447,998. Operating revenues decreased 0.76% or \$92,510, primarily due to a decrease in water consumption sales of \$123,252, which was offset by an increase of \$21,383 in meter sales, charges, and penalties. Non-operating revenues increased 44.72% or \$707,024, primarily due to increases of \$576,791 in investment income, \$68,889 in property tax, \$62,517 in operating grant. Capital contributions decreased by \$166,516.

In fiscal year 2022, the District's total revenues decreased 12.40% or \$2,011,808. Operating revenues increased 6.71% or \$769,442, primarily due to an increase in water consumption sales of \$763,027. Non-operating revenues decreased 8.52% or \$147,230, primarily due to a decreases of \$183,605 in operating grants, which was offset by an increase of \$48,494 in property taxes. Capital contributions decreased \$2,634,020.

San Lorenzo Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2023 and 2022

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

Total Expenses

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>2021</u>	<u>Change</u>
Operating expenses including depreciation expense:					
Salaries and benefits	\$ 5,849,200	5,308,006	541,194	6,036,430	(728,424)
Professional services	1,032,345	1,582,052	(549,707)	1,823,155	(241,103)
Operational	563,646	478,768	84,878	509,163	(30,395)
Maintenance	225,600	203,623	21,977	200,846	2,777
Facilities	637,129	642,332	(5,203)	698,229	(55,897)
General and administrative	479,198	436,647	42,551	426,594	10,053
Depreciation	1,847,219	1,838,242	8,977	1,728,054	110,188
Total operating expenses including depreciation expense	<u>10,634,337</u>	<u>10,489,670</u>	<u>144,667</u>	<u>11,422,471</u>	<u>(932,801)</u>
Non-operating expenses:					
Interest expense	929,718	952,956	(23,238)	772,887	180,069
Change in investment in JPA	112,145	17,227	94,918	153,963	(136,736)
Bond issuance cost	-	-	-	55,000	(55,000)
Loss on disposition of capital assets	355,965	101,873	254,092	-	101,873
Total non-operating expenses	<u>1,397,828</u>	<u>1,072,056</u>	<u>325,772</u>	<u>981,850</u>	<u>90,206</u>
Total expenses	<u>\$ 12,032,165</u>	<u>11,561,726</u>	<u>470,439</u>	<u>12,404,321</u>	<u>(842,595)</u>

The District's total expenses increased 4.07% or \$470,439. The District's operating expenses (including depreciation expense) increased 1.38% or \$144,667 primarily due to increases of \$541,194 in salaries and benefits, \$84,878 in operational, \$42,551 in general and administrative, \$21,977 in maintenance; which were offset by a decrease of \$549,707 in professional services. The District's non-operating expenses increased \$325,772 primarily due to increases of \$254,092 in loss on disposal of capital assets and \$94,918 in change in investment in JPA; which were offset by a decrease of \$23,238 in interest expense.

In fiscal year 2022, the District's total expenses decreased 6.79% or \$842,595. The District's operating expenses (including depreciation expense) decreased 8.17% or \$932,801 primarily due to decreases of \$728,424 in salaries and benefits, \$241,103 in professional services, \$55,897 in facilities, and \$30,395 in operational; which were offset by an increase of \$110,188 in depreciation. The decrease in salaries and benefits include non-cash transactions of \$179,771 related to OPEB and pension. The District's non-operating expenses increased \$90,206 primarily due to increases of \$180,069 in interest expense, and \$101,873 in loss on disposition of capital assets; which were offset by decreases of \$136,736 in change in investment in JPA and \$55,000 in bond issuance cost.

Capital Asset Administration

The change in capital assets for 2023, was as follows:

	<u>Balance 2022</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance 2023</u>
Capital assets:				
Non-depreciable assets	\$ 10,572,117	8,027,145	(4,556,076)	14,043,186
Depreciable assets	70,429,934	4,556,076	(756,992)	74,229,018
Accumulated depreciation	<u>(35,704,286)</u>	<u>(1,847,219)</u>	<u>401,028</u>	<u>(37,150,477)</u>
Total capital assets	<u>\$ 45,297,765</u>	<u>10,736,002</u>	<u>(4,912,040)</u>	<u>51,121,727</u>

San Lorenzo Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Capital Asset Administration, continued

The change in capital assets for 2022, was as follows:

	<u>Balance 2021</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance 2022</u>
Capital assets:				
Non-depreciable assets	\$ 12,361,800	2,837,366	(4,627,049)	10,572,117
Depreciable assets	66,377,030	4,627,050	(574,146)	70,429,934
Accumulated depreciation	(34,335,947)	(1,838,242)	469,903	(35,704,286)
Total capital assets	<u>\$ 44,402,883</u>	<u>5,626,174</u>	<u>(4,731,292)</u>	<u>45,297,765</u>

The District's investment in capital assets (net of accumulated depreciation) amounted to \$51,121,727. Major capital assets additions during the year included upgrades to the District's water transmission and distribution system, and field and shop equipment¹.

At the end of fiscal year 2022, the District's investment in capital assets (net of accumulated depreciation) amounted to \$45,297,765. Major capital assets additions during the year included upgrades to the District's water transmission and distribution system, field and shop equipment, and transportation equipment.

See Note 4 for further information.

Debt Administration

The change in long-term debt amounts for 2023, was as follows:

	<u>Balance 2022</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2023</u>
Long-term debt:				
Notes payable	\$ 18,497,385	-	(957,367)	17,540,018
Certificate of participation	14,353,548	-	(289,578)	14,063,970
Total long-term debt	<u>\$ 32,850,933</u>	<u>-</u>	<u>(1,246,945)</u>	<u>31,603,988</u>

The change in long term debt amounts for 2022, was as follows:

	<u>Balance 2021</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2022</u>
Long-term debt:				
Notes payable	\$ 19,429,630	-	(932,245)	18,497,385
Bonds payable	103,247	-	(103,247)	-
Certificate-of-participation	14,628,127	-	(274,579)	14,353,548
Capital lease payable	22,933	-	(22,933)	-
Total long-term debt	<u>\$ 34,183,937</u>	<u>-</u>	<u>(1,333,004)</u>	<u>32,850,933</u>

¹ Capital assets are at original purchase price and not replacement cost.

San Lorenzo Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Debt Administration, continued

The District's long-term debt decreased \$1,246,945, primarily due to principal payments.

In fiscal year 2022, the District's long-term debt decreased \$1,333,004, primarily due to principal payments.

See Note 6 for further information.

Conditions Affecting Current Financial Position

In August 2020, the District suffered damage to its water infrastructure caused by the CZU Fire, and in the winter storms of 2023, the District incurred damage to access roads and water mains caused by storms. As of fiscal year 2023, the District continued to repair the damage caused by the fire and storms.

Management is unaware of any other conditions which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present, and future.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District at San Lorenzo Valley Water District, 13060 Highway 9, Boulder Creek, California 95006, (831) 430-4620.

Basic Financial Statements

San Lorenzo Valley Water District
Statements of Net Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents (note 2)	\$ 305,997	405,280
Cash and cash equivalents – restricted (note 2)	1,145,225	23,360,364
Investments (note 2)	7,240,620	5,719,782
Investments - restricted (note 2)	18,127,969	-
Accrued interest receivable	672	158
Accounts receivable – water sales and services	1,876,552	1,880,582
Accounts receivable – property taxes	33,414	18,840
Accounts receivable – grant and loan receivable (note 4)	2,802,932	3,003,894
Accounts receivable – other	253,413	15,378
Due from other fund	18	-
Prepaid expenses	44,697	20,716
Materials and supplies inventory	352,874	289,758
Total current assets	<u>32,184,383</u>	<u>34,714,752</u>
Non-current assets:		
Investments - restricted (note 2)	348,008	-
Investments in joint-powers authority (note 3)	115,860	76,962
Capital assets – not being depreciated (note 4)	14,043,186	10,572,117
Capital assets – being depreciated (note 4)	37,078,541	34,725,648
Total non-current assets	<u>51,585,595</u>	<u>45,374,727</u>
Total assets	<u>83,769,978</u>	<u>80,089,479</u>
Deferred outflows of resources:		
Deferred OPEB outflows (note 7)	549,943	618,648
Deferred pension outflows (note 8)	2,499,571	945,550
Total deferred outflows of resources	<u>\$ 3,049,514</u>	<u>1,564,198</u>

Continued on next page

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Statements of Net Position, continued
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Current liabilities:		
Accounts payable and accrued expense	\$ 2,930,689	819,832
Accrued wages and related payables	190,349	155,164
Unearned revenues – customer deposits	108,205	90,861
Unearned revenues – construction deposits	21,985	13,978
Accrued interest payable	295,918	306,141
Long-term liabilities – due in one year:		
Compensated absences (note 5)	191,172	193,647
Loans payable (note 6)	982,551	957,469
Certificate-of-participation (note 6)	299,579	289,579
Total current liabilities	<u>5,020,448</u>	<u>2,826,671</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 5)	339,860	344,261
Loans payable (note 6)	16,557,467	17,539,916
Certificate-of-participation (note 6)	13,764,391	14,063,969
Net OPEB liability (note 7)	1,533,578	1,517,577
Net pension liability (note 8)	5,404,925	2,236,443
Total non-current liabilities	<u>37,600,221</u>	<u>35,702,166</u>
Total liabilities	<u>42,620,669</u>	<u>38,528,837</u>
Deferred inflows of resources		
Deferred OPEB inflows (note 7)	639,558	688,564
Deferred pension inflows (note 8)	247,300	1,961,112
Total deferred inflows of resources	<u>886,858</u>	<u>2,649,676</u>
Net position: (note 10)		
Net investment in capital assets	37,993,716	34,697,965
Restricted	1,145,225	1,109,231
Unrestricted	4,173,024	4,667,968
Total net position	<u>\$ 43,311,965</u>	<u>40,475,164</u>

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Water consumption sales	\$ 11,778,792	11,902,044
Wastewater service	173,020	173,034
Meter sales, charges, and penalties	177,785	156,402
Other charges and services	<u>9,964</u>	<u>591</u>
Total operating revenues	<u>12,139,561</u>	<u>12,232,071</u>
Operating expenses:		
Salaries and benefits	5,849,200	5,308,006
Professional services	1,032,345	1,582,052
Operational	563,646	478,768
Maintenance	225,600	203,623
Facilities	637,129	642,332
General and administrative	<u>479,198</u>	<u>436,647</u>
Total operating expenses	<u>8,787,118</u>	<u>8,651,428</u>
Operating income before overhead absorption	3,352,443	3,580,643
Overhead absorption	<u>210,614</u>	<u>180,218</u>
Operating income before depreciation expense	3,563,057	3,760,861
Depreciation expense	<u>(1,847,219)</u>	<u>(1,838,242)</u>
Operating income	<u>1,715,838</u>	<u>1,922,619</u>
Non-operating revenues(expenses):		
Property tax	965,059	896,170
Assessment revenues	340,764	343,333
Investment earnings	703,020	126,229
Change in investment in Santa Margarita Groundwater Agency	(112,145)	(17,227)
Operating grant	213,593	151,076
Rental revenue	54,367	54,840
Interest expense	(929,718)	(952,956)
Gain on disposition of capital assets	(355,965)	(101,873)
Settlement and purchase agreements	<u>11,297</u>	<u>9,428</u>
Total non-operating revenues, net	<u>890,272</u>	<u>509,020</u>
Net income before capital contributions	<u>2,606,110</u>	<u>2,431,639</u>
Capital contributions:		
Capital grants – other governments	<u>230,691</u>	<u>397,207</u>
Total capital contributions	<u>230,691</u>	<u>397,207</u>
Changes in net position	2,836,801	2,828,846
Net position, beginning of year	<u>40,475,164</u>	<u>37,646,318</u>
Net position, end of year	<u>\$ 43,311,965</u>	<u>40,475,164</u>

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash receipts from customers for sales and services	\$ 11,932,222	12,244,860
Cash paid to employees for salaries and wages	(5,820,891)	(5,363,451)
Cash paid to vendors for materials and services	<u>(757,231)</u>	<u>(3,380,729)</u>
Net cash provided by operating activities	<u>5,354,100</u>	<u>3,500,680</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes/assessments	1,291,249	1,220,730
Proceeds from rental revenue	54,367	54,840
Operating grant	<u>213,593</u>	<u>151,076</u>
Net cash provided by non-capital financing activities	<u>1,559,209</u>	<u>1,426,646</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(8,027,146)	(2,834,997)
Proceeds from capital contributions	431,653	399,588
Principal paid on long-term debt	(1,246,945)	(1,333,004)
Interest paid on long-term debt	<u>(939,941)</u>	<u>(970,970)</u>
Net cash used in capital and related financing activities	<u>(9,782,379)</u>	<u>(4,739,383)</u>
Cash flows from investing activities:		
Purchase of investments	(19,996,815)	(1,634,131)
Santa Margarita Groundwater Agency contribution	(151,043)	(42,000)
Proceeds from investment earnings	<u>702,506</u>	<u>126,140</u>
Net cash used in investing activities	<u>(19,445,352)</u>	<u>(1,549,991)</u>
Net decrease in cash and cash equivalents	<u>(22,314,422)</u>	<u>(1,362,048)</u>
Cash and cash equivalents, beginning of year	<u>23,765,644</u>	<u>25,127,692</u>
Cash and cash equivalents, end of year	<u>\$ 1,451,222</u>	<u>23,765,644</u>
Reconciliation of cash and cash equivalents to statements of net position:		
Cash and cash equivalents	\$ 305,997	405,280
Cash and cash equivalents – restricted	<u>1,145,225</u>	<u>23,360,364</u>
Total cash and cash equivalents	<u>\$ 1,451,222</u>	<u>23,765,644</u>

Continued on next page

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,715,838	1,922,619
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,847,219	1,838,242
Settlement and purchase agreements	11,297	9,428
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase)decrease in assets and deferred outflows of resources:		
Accounts receivable – water sales and services, net	4,030	15,606
Accounts receivable – other	(238,053)	(1,962)
Prepaid expenses	(23,981)	56,236
Materials and supplies inventory	(63,116)	6,367
Deferred outflows of resources	(1,485,316)	142,849
Increase(decrease) in liabilities and deferred inflows of resources:		
Accounts payable and accrued expense	2,110,857	(100,948)
Accrued wages and related payables	35,185	40,756
Unearned revenues – customer deposits	17,344	(15,091)
Unearned revenues – construction deposits	8,007	5,399
Compensated absences	(6,876)	(96,201)
Net OPEB liability	16,001	(611,305)
Net pension liability	3,168,482	(2,293,673)
Deferred inflows of resources	(1,762,818)	2,582,358
Total adjustments	<u>3,638,262</u>	<u>1,578,061</u>
Net cash provided by operating activities	<u>\$ 5,354,100</u>	<u>3,500,680</u>

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022

Note 1 Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The San Lorenzo Valley Water District (District) is an independent special district established in 1941, pursuant to Section 30,000 et seq. of the California Water Code for the purpose of developing and providing water for domestic use, fire protection, and recreation in the San Lorenzo Valley. Additionally, the District provides sewer service to the Bear Creek Estates area within the District. The District utilizes separate Water and Sewer funds to account for District operations. The District is governed by a five-member Board of Directors elected by the voters in the area serving four-year terms. The District provides approximately 7,900 customers with water service and 56 customers with sewer service within its service area.

B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water and sewer services to its customers on a continuing basis be financed or recovered primarily through user charges (water and sewer service fees). Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues, such as water and sewer fees, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as property taxes and investment income, result from non-exchange transactions, which the District gives (receives) value without directly receiving (giving) value in exchange.

The District recognizes revenue from water and sewer service charges based on cycle billings performed every month. The District accrues revenues with respect to water and sewer service sold, but not billed, at the end of a fiscal period.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 1 Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

The District has adopted the following GASB pronouncements in the current year:

In March 2020, the 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. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

In May 2020, the 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.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows, and disclosures of contingent assets, deferred outflows, liabilities, and deferred inflows at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 1 Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

3. Investments and Investment Policy

The District has adopted an investment policy to deposit and invest funds in financial institutions in accordance with California Government Code section 53600. The investment policy applies to all financial assets and investment activities of the District.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

4. Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on valuation inputs used to measure the fair value of assets as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of default, loss severity, and other assumptions that are internally generated and cannot be observed in the market.

5. Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

6. Property Taxes and Assessments

The Santa Cruz County Assessor's Office assesses all real and personal property within the County each year. The Santa Cruz Tax Collector's Office bills and collects the District's share of property taxes and assessments. The Santa Cruz County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the Santa Cruz County which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 1 Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

7. Materials and Supplies Inventory

Materials and supplies inventory consists primarily of water meters, pipes, and pipefittings for construction and repair to the District's water transmission and distribution system. Inventory is valued at cost using a weighted average method. Inventory items are charged to expense at the time those items are withdrawn from inventory or consumed.

8. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

9. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at acquisition value rather than fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances, and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Transmission and distribution mains – 33 to 50 years
- Buildings – 33 years
- Transportation and other equipment – 10 years
- Computer and office equipment – 5 years

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources that is applicable to future periods.

11. Construction Advances and Deposits

Construction deposits are collected by the District to cover the cost of construction projects within the District. Funds in excess of project costs are refunded to the customer.

12. Compensated Absences

The District's policy is to permit employees to accumulate earned paid time off. The liability for vested vacation and sick leave is recorded as an expense when earned.

Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused paid time off except for those employees that have not completed the probationary period.

13. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources that is applicable to future periods.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 1 Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

14. Pensions

For the purpose of measuring net pension liability, deferred outflows/inflows of resources related to pension, pension expense, and information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans), addition to/deduction 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. GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For fiscal years 2023 and 2022, the following timeframes are used:

- Valuation dates: June 30, 2021 and 2020
- Measurement dates: June 30, 2022 and 2021
- Measurement periods: July 1, 2021 to June 30, 2022; and July 1, 2020 to June 30, 2021

15. Water and Sewer Sales

The District recognizes water and sewer service charges based on cycle billings rendered to customers each month.

16. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies, or real estate developers desiring services that require capital expenditures or capacity commitment.

17. Net Position

The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:

- **Net investment in capital assets** – consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction, or improvement of those assets.
- **Restricted** – consists of constraints placed on net position use through external constraints imposed by creditors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** – consists of net position that does not meet the definition of *restricted* or *net investment in capital assets* components of net position.

18. Budgetary Policies

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 2 Cash and Investments

Cash and investments as of June 30, are classified as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 305,997	405,280
Cash and cash equivalents, restricted	1,145,225	23,360,364
Investments – current	7,240,620	5,719,782
Investments – current, restricted	18,127,969	-
Investments – non current, restricted	348,008	-
Total cash and investments	<u>\$ 27,167,819</u>	<u>29,485,426</u>

Cash and investments as of June 30, consist of the following:

	<u>2023</u>	<u>2022</u>
Cash on hand	\$ 305	340
Deposits with financial institutions	874,785	886,952
Investments	26,292,729	28,598,134
Total cash and investments	<u>\$ 27,167,819</u>	<u>29,485,426</u>

As of June 30, the District's authorized deposits had the following average days to maturity:

	<u>2023</u>	<u>2022</u>
Deposits held with the California Local Agency Investment Fund	260 days	311 days
Deposits held with the County of Santa Cruz Investment Fund	229 days	430 days

As of June 30, 2023, the District's investment was allocated as follows:

<u>Investment Type</u>	<u>2023</u>	<u>Percent Allocation</u>
Local Agency Investment Fund	\$ 85,613	0.33 %
County of Santa Cruz Investment Fund	7,431,758	28.27
U.S. Treasury Bill	12,447,638	47.34
U.S. Treasury Note	2,576,488	9.80
Money Market Mutual Funds	3,451,851	13.13
Held by bond trustee:		
Money market funds	299,381	1.14
Total	<u>\$ 26,292,729</u>	<u>100.00 %</u>

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 2 Cash and Investments, continued

As of June 30, 2022, the District's investment was allocated as follows:

Investment Type	2022	Percent Allocation
Local Agency Investment Fund	\$ 84,154	0.29 %
County of Santa Cruz Investment Fund	28,215,135	98.66
Held by bond trustee:		
Money market funds	298,845	1.04
Total	\$ 28,598,134	100.00 %

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

The following table identifies the investment types that are authorized by the District in accordance with 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 trustees that are governed by the provisions of debt agreements of the District; rather, the table addresses 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
Federal agency and bank obligations	5 years	None	None
Certificates-of-deposit (negotiable or placed)	5 years	30%	10%
Commercial paper (prime)	270 days	10%	10%
Money market mutual funds	N/A	20%	None
County of Santa Cruz Investment Fund	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of 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 risk for *investments* is the risk that, in the event of 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. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the District's investment policy do not contain legal and policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. As of June 30, 2023 and 2022, bank balances are federally insured up to \$250,000. The remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 2 Cash and Investments, continued

Investment in State Investment Pool

The District is a voluntary participant in the California 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 fair value factor for LAIF is reported on a quarterly basis. 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 deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of \$1,000.
- Withdrawals of \$10 million or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

Investment in County of Santa Cruz Investment Pool

The District is a voluntary participant in the County of Santa Cruz Investment Fund (Fund) that is established and controlled by the Treasury-Tax Department of the County of Santa Cruz to afford smaller agencies the benefits of a larger investment portfolio, including higher interest rates and greater diversification. Authority for the County of Santa Cruz Investment Fund is delegated to the County of Santa Cruz Treasurer. The fair value of the District's investment in this fund is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value for the entire Fund portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Fund, which are stated at cost in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".

The District's deposit and withdrawal restrictions and limitations are as follows:

- Notice must be submitted to the County at least one day prior to actual fund transfer or withdrawal.
- Transactions amounting to \$1 million must be provided with a 2 day notice.
- All requests must be in writing. Verbal transactions are not permitted.

Interest Rate Risk

Interest rate risk is the risk that the change 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 the change 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 matures or comes close to maturity evenly over time as necessary to provide for cash flow requirements and liquidity needed for operations.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no 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's investments at June 30, 2023 and 2022.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 2 Cash and Investments, continued

As of June 30, 2023, the District's investments are scheduled to mature as follows:

Investment Type	Total	Remaining Maturity in Months		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund	\$ 85,613	85,613	-	-
County of Santa Cruz Investment Fund	7,431,758	7,431,758	-	-
U.S. Treasury Bill	12,447,638	12,447,638	-	-
U.S. Treasury Note	2,576,488	2,228,480	348,008	-
Money Market Mutual Funds	3,451,851	3,451,851	-	-
Held by bond trustee:				
Money market funds	299,381	299,381	-	-
Total	\$ 26,292,729	25,944,721	348,008	-

As of June 30, 2022, the District's investments are scheduled to mature as follows:

Investment Type	Total	Remaining Maturity in Months		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund	\$ 84,154	84,154	-	-
County of Santa Cruz Investment Fund	28,215,135	28,215,135	-	-
Held by bond trustee:				
Money market funds	298,845	298,845	-	-
Total	\$ 28,598,134	28,598,134	-	-

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy or debt agreements, and the actual rating as of the years ended for each investment type.

Credit ratings as of June 30, 2023, were as follows:

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating At Year End (Not Rated)
Local Agency Investment Fund	\$ 85,613	N/A	-	85,613
County of Santa Cruz Investment Fund	7,431,758	N/A	-	7,431,758
U.S. Treasury Bill	12,447,638	AAA	-	12,447,638
U.S. Treasury Note	2,576,488	AAA	-	2,576,488
Money Market Mutual Funds	3,451,851	N/A	-	3,451,851
Held by bond trustee:				
Money market funds	299,381	AAA	299,381	-
Total	\$ 26,292,729		299,381	25,993,348

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 2 Cash and Investments, continued

Credit ratings as of June 30, 2022, were as follows:

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating At Year End (Not Rated)
Local Agency Investment Fund	\$ 84,154	N/A	-	84,154
County of Santa Cruz Investment Fund	28,215,135	N/A	-	28,215,135
Held by bond trustee:				
Money market funds	298,845	AAA	298,845	-
Total	\$ 28,598,134		298,845	28,299,289

Fair Value Measurements

As of June 30, 2023, investments measured at fair value on a recurring and non-recurring basis, are as follows:

Investment Type	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Mutual Funds	\$ 3,451,851	3,451,851	-	-
Held by bond trustee:				
Money market funds	299,381	299,381		
U.S. Treasury Bill	12,447,638	-	12,447,638	-
U.S. Treasury Note	2,576,488	-	2,576,488	-
	18,775,358	3,751,232	15,024,126	-
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	85,613			
County of Santa Cruz Investment Fund	7,431,758			
Total	\$ 26,292,729			

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 2 Cash and Investments, continued

Fair Value Measurements, continued

As of June 30, 2022, investments measured at fair value on a recurring and non-recurring basis, are as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Held by bond trustee:				
Money market funds	\$ 298,845	298,845		
	298,845	298,845	-	-
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	84,154			
County of Santa Cruz Investment Fund	28,215,135			
Total	\$ 28,598,134			

Note 3 Investment in Joint Powers Authority

Jointly governed organizations are legal entities or other organizations that result from a contractual arrangement and that are owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility as permitted by the California Government Code.

As of June 30, 2023, the District's participation in the jointly governed organization consists of the following balance:

	<u>2022</u>	<u>Additions</u>	<u>Deletion</u>	<u>2023</u>
Santa Margarita Groundwater Agency	\$ 76,962	151,044	(112,146)	115,860

As of June 30, 2022, the District's participation in the jointly governed organization consists of the following balance:

	<u>2021</u>	<u>Additions</u>	<u>Deletion</u>	<u>2022</u>
Santa Margarita Groundwater Agency	\$ 52,189	42,000	(17,227)	76,962

The District has recorded its interest in the joint-powers authority under the equity method of accounting whereby, the District's equity in the joint-powers authorities is equal to the original cost of assets contributed plus their pro rata share of the net position of the joint-powers authority.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 4 Capital Assets

The change in capital assets for 2023, was as follows:

	<u>Balance 2022</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2023</u>
Non-depreciable assets:				
Land	\$ 5,197,413	-	-	5,197,413
Construction-in-process	<u>5,374,704</u>	<u>8,027,145</u>	<u>(4,556,076)</u>	<u>8,845,773</u>
Total non-depreciable assets	<u>10,572,117</u>	<u>8,027,145</u>	<u>(4,556,076)</u>	<u>14,043,186</u>
Depreciable assets:				
Water transmission and distribution	62,428,664	4,149,355	(756,992)	65,821,027
Wastewater system	1,428,103	-	-	1,428,103
Buildings and structures	2,953,525	52,915	-	3,006,440
Transportation equipment	1,209,569	129,717	-	1,339,286
Field and shop equipment	1,911,346	185,023	-	2,096,369
Office equipment	<u>498,727</u>	<u>39,066</u>	<u>-</u>	<u>537,793</u>
Total depreciable assets	<u>70,429,934</u>	<u>4,556,076</u>	<u>(756,992)</u>	<u>74,229,018</u>
Accumulated depreciation:				
Water transmission and distribution	(30,059,114)	(1,452,622)	401,028	(31,110,708)
Wastewater system	(1,225,297)	(42,001)	-	(1,267,298)
Buildings and structures	(1,885,030)	(93,209)	-	(1,978,239)
Transportation equipment	(1,060,966)	(71,316)	-	(1,132,282)
Field and shop equipment	(982,436)	(186,116)	-	(1,168,552)
Office equipment	<u>(491,443)</u>	<u>(1,955)</u>	<u>-</u>	<u>(493,398)</u>
Total accumulated depreciation	<u>(35,704,286)</u>	<u>(1,847,219)</u>	<u>401,028</u>	<u>(37,150,477)</u>
Total depreciable assets, net	<u>34,725,648</u>	<u>2,708,857</u>	<u>(355,964)</u>	<u>37,078,541</u>
Total capital assets, net	<u>\$ 45,297,765</u>			<u>51,121,727</u>

In fiscal year 2023, total depreciation expense of \$1,847,219 was charged to the District's water and sewer funds in the amount of \$1,803,661 and \$43,558, respectively.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 4 Capital Assets, continued

The change in capital assets for 2022, was as follows:

	<u>Balance 2021</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2022</u>
Non-depreciable assets:				
Land	\$ 5,197,413	-	-	5,197,413
Construction-in-process	<u>7,164,387</u>	<u>2,837,366</u>	<u>(4,627,049)</u>	<u>5,374,704</u>
Total non-depreciable assets	<u>12,361,800</u>	<u>2,837,366</u>	<u>(4,627,049)</u>	<u>10,572,117</u>
Depreciable assets:				
Water transmission and distribution	58,364,720	4,503,015	(439,071)	62,428,664
Wastewater system	1,428,103	-	-	1,428,103
Buildings and structures	2,929,197	38,328	(14,000)	2,953,525
Transportation equipment	1,209,569	-	-	1,209,569
Field and shop equipment	1,943,235	79,604	(111,493)	1,911,346
Office equipment	<u>502,206</u>	<u>6,103</u>	<u>(9,582)</u>	<u>498,727</u>
Total depreciable assets	<u>66,377,030</u>	<u>4,627,050</u>	<u>(574,146)</u>	<u>70,429,934</u>
Accumulated depreciation:				
Water transmission and distribution	(29,033,247)	(1,430,392)	404,525	(30,059,114)
Wastewater system	(1,183,242)	(42,055)	-	(1,225,297)
Buildings and structures	(1,804,656)	(94,374)	14,000	(1,885,030)
Transportation equipment	(969,730)	(91,236)	-	(1,060,966)
Field and shop equipment	(845,143)	(179,332)	42,039	(982,436)
Office equipment	<u>(499,929)</u>	<u>(853)</u>	<u>9,339</u>	<u>(491,443)</u>
Total accumulated depreciation	<u>(34,335,947)</u>	<u>(1,838,242)</u>	<u>469,903</u>	<u>(35,704,286)</u>
Total depreciable assets, net	<u>32,041,083</u>	<u>2,788,808</u>	<u>(104,243)</u>	<u>34,725,648</u>
Total capital assets, net	<u>\$ 44,402,883</u>			<u>45,297,765</u>

In fiscal year 2022, total depreciation expense of \$1,838,242 was charged to the District's water and sewer funds in the amount of \$1,794,759 and \$43,483, respectively.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 4 Capital Assets, continued

Construction-In-Process

The District has been involved in various construction projects throughout the year. Once completed, projects are capitalized and depreciated over the life of the asset. The projects that comprise the construction-in-process balances at June 30, are as follows:

	<u>2023</u>	<u>2022</u>
Admin Campus (inactive)	\$ 1,015,535	1,015,535
Alta Via Road Main	1,099,448	160,117
BCEWW Improvements	89,441	-
Bear Creek Wastewater	-	88,010
Big Steel Tank Piping	188,945	-
Blue Ridge Tank Replacement	323,030	68,928
Bracken Brae/Forest Springs Consolidation	731,345	91,649
CA-9 Bridges main Replacement	120,505	65,400
CZU Harmon Street 2	79,492	75,412
Eckley Tank Zone	284,459	262,465
Fallcreek Fish Ladder	956,739	623,622
Five Mile Pipeline	90,639	90,297
Foreman Creek Intake/Raw Water	134,329	107,090
Glen Arbor Bridge South	-	88,136
Habitat Conservation Plan	74,355	65,513
Hermosa Oak Fernwood Water main Replacement	156,438	58,343
Highway 9 & Park Drive Main	51,270	-
Huckleberry Island Main Line Replacement	200,258	88,783
Juanita Woods Water Main Replacement	345,196	56,084
Lyon Pipeline Project	694,125	362,931
Lyon Water Treatment Plant Access Road Repair	291,892	273,412
Orman Road Water Main Replacement	153,183	56,084
Peavine Intake	50,589	-
Redwood Park Tank Project	788,005	-
Quail Hollow Pipeline Project	300,699	1,021,432
Stewart Riverside Main Leak	88,831	-
Swim Tank	-	249,624
University Tank SCADA Upgrade	-	55,931
Various individual projects under \$50,000	375,486	349,906
Zayante Drive Water Main Replacement	161,539	-
Construction-in-process	<u>\$ 8,845,773</u>	<u>5,374,704</u>

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 5 Compensated Absences

Compensated absences comprise of unpaid time off which is accrued as earned. The District's liability for compensated absences is determined annually. Compensated absences are recorded as a liability on the Statements of Net Position and will be liquidated through the water fund.

The change in compensated absences for the year ended June 30, 2023, are as follows:

<u>Balance</u> <u>2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2023</u>	<u>Due within</u> <u>One Year</u>	<u>Due in more</u> <u>than one year</u>
\$ 537,908	431,126	(438,002)	531,032	191,172	339,860

The change in compensated absences for the year ended June 30, 2022, are as follows:

<u>Balance</u> <u>2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2022</u>	<u>Current</u> <u>Portion</u>	<u>Due in more</u> <u>than one year</u>
\$ 634,109	393,575	(489,776)	537,908	193,647	344,261

Note 6 Long-Term Debt

The change in long-term debt for the year ended June 30, 2023, are as follows:

	<u>Balance</u> <u>2022</u>	<u>Transfer/</u> <u>Additions</u>	<u>Transfer/</u> <u>Payments</u>	<u>Balance</u> <u>2023</u>	<u>Current</u> <u>Portion</u>	<u>Long-Term</u> <u>Portion</u>
Loans payable:						
CoBank, ACB	\$ 14,407,716	-	(606,584)	13,801,132	621,229	13,179,903
Felton Safe Drinking Water Loan	874,736	-	(166,642)	708,094	170,674	537,420
State of California Revolving Fund Loan	1,255,957	-	(72,440)	1,183,517	74,313	1,109,204
Capital One Loan	1,802,633	-	(77,969)	1,724,664	81,238	1,643,426
Government Obligation Contract	156,343	-	(33,732)	122,611	35,097	87,514
Total loans payable	18,497,385	-	(957,367)	17,540,018	982,551	16,557,467
Certificate-of-participation						
Revenue Series 2019	13,550,000	-	(260,000)	13,290,000	270,000	13,020,000
Premium	803,548	-	(29,578)	773,970	29,579	744,391
Total certificate-of-participation	14,353,548	-	(289,578)	14,063,970	299,579	13,764,391
Total long-term debt payable	32,850,933	-	(1,246,945)	31,603,988	1,282,130	30,321,858
Less: current portion	(1,247,048)			(1,282,130)		
Non-current portion	\$ 31,603,885			30,321,858		

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 6 Long-Term Debt, continued

The changes in long-term debt for the year ended June 30, 2022, are as follows:

	Balance 2021	Additions	Payments	Balance 2022	Current Portion	Long-Term Portion
Loans payable:						
CoBank, ACB	\$ 15,000,000	-	(592,284)	14,407,716	606,584	13,801,132
Felton Safe Drinking Water Loan	1,037,420	-	(162,684)	874,736	166,642	708,094
State of California Revolving Fund Loan	1,326,125	-	(70,168)	1,255,957	72,440	1,183,517
Capital One Loan	1,877,464	-	(74,831)	1,802,633	77,969	1,724,664
Government Obligation Contract	188,621	-	(32,278)	156,343	33,834	122,509
Total loans payable	19,429,630	-	(932,245)	18,497,385	957,469	17,539,916
Bonds payable						
Bank of Nevada Refunding Bonds	103,247	-	(103,247)	-	-	-
Total bonds payable	103,247	-	(103,247)	-	-	-
Certificate-of-participation						
Revenue Series 2019	13,795,000	-	(245,000)	13,550,000	260,000	13,290,000
Premium	833,127	-	(29,579)	803,548	29,579	773,969
Total certificate-of-participation	14,628,127	-	(274,579)	14,353,548	289,579	14,063,969
Obligation under capital lease:						
Capital lease payable	22,933	-	(22,933)	-	-	-
Total capital lease payable	22,933	-	(22,933)	-	-	-
Total long-term debt payable	34,183,937	-	(1,333,004)	32,850,933	1,247,048	31,603,885
Less: current portion	(1,333,004)			(1,247,048)		
Non-current portion	\$ 32,850,933			31,603,885		

Installment Purchase Agreement

In March 2021, the District and CoBank, ACB entered into an installment purchase agreement for the purpose of financing the acquisition, design, and construction of certain improvements to the District's water system totaling \$15 million. The terms of the agreement state an interest rate of 2.40%, maturing on March 20, 2041. The District makes semi-annual payments of \$474,376, including principal and interest on September 20th and March 20th each year.

Annual debt service requirements for the loan are as follows:

Year	Principal	Interest	Total
2024	\$ 621,229	327,522	948,751
2025	636,228	312,523	948,751
2026	651,589	297,162	948,751
2027	667,321	281,430	948,751
2028	683,433	265,318	948,751
2029-2033	3,672,791	1,070,965	4,743,756
2034-2038	4,138,104	605,653	4,743,757
2039-2041	2,730,437	115,818	2,846,255
Total	13,801,132	3,276,391	17,077,523
Current	(621,229)		
Non-current	\$ 13,179,903		

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 6 Long-Term Debt, continued

Felton Safe Drinking Water Loan

In fiscal year 2009, the District purchased the Felton water system and assumed Felton's California Safe Drinking Water Loan with a fixed rate of 2.42%, maturing on June 30, 2027. The District makes semi-annual payments of \$93,399, including principal and interest on July 1st and January 1st each year.

Annual debt service requirements for the loan are as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$	170,674	16,122	186,796
2025		174,864	11,933	186,797
2026		179,099	7,698	186,797
2027		183,457	3,342	186,799
Total		708,094	39,095	747,189
Current		(170,674)		
Non-current	\$	537,420		

State of California Revolving Fund Loan

On June 30, 2014, the District entered into a grant funding agreement with the California Department of Public Health (State) for a construction loan and grant under the Safe Drinking Water State Revolving Fund Law of 1997 (Revolving Fund Law) at a rate of 2.60%, maturing on January 1, 2037. The construction was for a mainline improvement and extension, in part to connect to the Olympia Mutual service area. A portion of this loan is funded by assessment district fees of the Olympia Mutual Assessment District. The District makes semi-annual payments of \$52,116, including principal and interest on July 1st and January 1st.

Annual debt service requirements for the loan are as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$	74,313	29,919	104,232
2025		76,236	27,997	104,233
2026		78,207	26,025	104,232
2027		80,230	24,003	104,233
2028		82,305	21,927	104,232
2029-2033		444,582	76,582	521,164
2034-2037		347,644	18,051	365,695
Total		1,183,517	224,504	1,408,021
Current		(74,313)		
Non-current	\$	1,109,204		

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 6 Long-Term Debt, continued

Capital One Loan

On December 12, 2018, the District entered into a loan agreement with Capital One Public Funding, LLC to finance the construction, acquisitions, and improvements associated with the District's water storage facilities, known as the Probation Tank, servicing the Scotts Valley area. The terms of the agreement state an interest rate of 4.15% and matures on September 1, 2038. The District makes semi-annual payments of \$75,989, including principal and interest on September 1st and March 1st.

Annual debt service requirements for the loan are as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$	81,238	63,784	145,022
2025		84,645	60,086	144,731
2026		88,194	56,233	144,427
2027		91,892	52,218	144,110
2028		95,745	48,035	143,780
2029-2033		542,420	171,027	713,447
2034-2038		666,085	156,089	822,174
2039		74,445	36,604	111,049
Total		1,724,664	644,076	2,368,740
Current		(81,238)		
Non-current	\$	1,643,426		

Government Obligation Contract

On November 7, 2016, the District entered into a loan agreement with NBH Bank to finance the installation of the solar electric system in three different locations (as noted in Exhibit B of the agreement) at a rate of 3.67%, maturing on November 15, 2026. The District makes monthly payments of \$3,250, including principal and interest.

Annual debt service requirements for the loan are as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$	35,097	3,897	38,994
2025		36,407	2,587	38,994
2026		37,766	1,228	38,994
2027		13,341	99	13,440
Total		122,611	7,811	130,422
Current		(35,097)		
Non-current	\$	87,514		

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 6 Long-Term Debt, continued

Bank of Nevada Refunding Bonds

On March 22, 2012, the District entered into a refunding bond agreement with the Bank of Nevada at a rate of 2.6% in order to pay off several other previously held loans. The District made semi-annual payments of \$354,855, including principal and interest on September 1st and March 1st. Final maturity was scheduled for September 1, 2022. During the year ended June 30, 2022, the District paid the bond in full.

Revenue Series 2019 Certificate of Participation

On August 1, 2019, the District executed and delivered a certificate of participation at a rate ranging from 3.0% to 5.0%. The proceeds from the sale of the certificate will be used to finance the acquisition and construction of certain water storage and transmission facilities of the District's water and wastewater system. The District makes payments of principal and interest on September 1st commencing on September 1, 2020 and maturing on September 1, 2049.

Annual debt service requirements for the certificate of participation are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 270,000	482,100	752,100
2025	285,000	468,225	753,225
2026	300,000	453,600	753,600
2027	315,000	438,225	753,225
2028	330,000	422,100	752,100
2029-2033	1,905,000	1,857,450	3,762,450
2034-2038	2,330,000	1,427,350	3,757,350
2039-2043	2,820,000	938,250	3,758,250
2044-2048	3,280,000	469,950	3,749,950
2049-2050	1,455,000	44,025	1,499,025
Total	13,290,000	<u>7,001,275</u>	<u>20,291,275</u>
Premium	744,391		
Current	<u>(270,000)</u>		
Non-current	\$ <u>13,764,391</u>		

Capital Lease

On May 31, 2017, the District entered into a municipal lease purchase agreement (agreement) with Leasource Financial Services, Inc. to purchase three vehicles (lease asset). The agreement has a bargain purchase option, where the District has the option to purchase the lease asset following the expiration of the lease at below market rate. Per Exhibit E of the agreement, the value at the end of the lease term is zero. The District made monthly payments of \$2,101, including principal and interest, and was scheduled to mature on May 31, 2022. During the year ended June 30, 2022, the District paid the capital lease in full.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 7 Other Post-Employment Benefits

Plan Description

The District's defined benefit Other Post-Employment Benefit (OPEB) Plan (Plan) provides lifetime retiree medical coverage to eligible employees who retire from the District with a CalPERS Pension. Coverage is extended to dependents and surviving spouses of eligible retirees. The Plan is a single-employer defined benefit OPEB plan administered by the District. The medical plan benefits are contracted with the California Public Employees' Retirement System under the Public Employees' Medical and Hospital Care Act (PEMHCA). No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The District provides a capped benefit, which varies based on years of service and employee classification. Classified employees who retire directly from the District are eligible to receive a monthly benefit up to \$325, with over 25 years of District service. Classified employees with 15-24 years of service receive a monthly benefit up to \$275. Classified employees with under 15 years of service receive a monthly benefit up to \$225. Management employees who retire directly from the District are eligible to receive a monthly benefit up to \$275, with over 25 years of District service. Management employees with 15-24 years of service receive a monthly benefit up to \$225. Management employees with under 15 years of service receive a monthly benefit up to \$175. Current retirees are subject to caps ranging from \$150 per month to \$275 per month. One retiree receives the full premium. The District also pays the PEMHCA administrative fee.

Employee Covered by Benefit Terms

At June 30, the following employees were covered by the benefit terms:

	<u>2023</u>	<u>2022</u>
Participating active employees	32	32
Inactive employees or beneficiaries currently receiving benefit payments	<u>10</u>	<u>10</u>
Total plan membership	<u>42</u>	<u>42</u>

Total OPEB Liability

The District's total OPEB liability of \$1,533,578 and \$1,517,577 was measured as of June 30, 2022 and 2021, respectively, and was determined by an actuarial valuation as June 30, 2022 and 2020, respectively.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 7 Other Post-Employment Benefits, continued

Actuarial Assumptions and Other Inputs

As of June 30, 2023 and 2022, the total OPEB liability in the actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.26%
Salary increases	2023: 3.00% 2022: 3.00%
Discount rate	2023: 3.86% 2022: 3.69%
Healthcare cost trend rates	2023: 7.31% for 2024; 7.06% for 2025; 6.81% for 2026, and decreasing to ultimate rate of 4% for 2069 and later years. 2022: actual for 2023 decreasing 0.25% until 6.81% in 2026; then decreasing 0.31% in 2027 and 0.25% in 2028 through 2032 to 5.00%. The rate is at 5.00% from 2032 through 2039; 4.75% from 2040-2054; 4.50% from 2054-2067; and then 4.00% for years 2069 and later
Retirees share of benefit-related cost	See benefit provisions

For the years ended June 30, 2023 and 2022, the discount rate was based on a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

Pre-retirement and post-retirement mortality rates were based on the CalPERS 2017 Mortality Table.

Changes in the Total OPEB Liability

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 1,517,577	2,128,882
Changes during the year:		
Service cost	65,451	132,185
Interest cost	57,164	48,387
Difference between expected and actual experience	-	(375,384)
Contributions - employer	(38,246)	(42,118)
Change in assumptions	(68,368)	(374,375)
Net change	16,001	(611,305)
Balance at end of year	\$ 1,533,578	1,517,577

No changes of benefit terms were noted for the years ended June 30, 2023 and 2022.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 7 Other Post-Employment Benefits, continued

Changes in the Total OPEB Liability, continued

In fiscal year 2023, change in assumptions include the change in discount rate from 3.69% as of June 30, 2022, to 3.86% as of June 30, 2023. There are no changes in the salary increase rate, which is 3% as of June 30, 2023, and 2022. Also, the healthcare cost trend rates remained consisted at an ultimate rate of 4.00% for years 2069 and later as of June 30, 2023, and 2022. There have been no other assumption changes since the last measurement date.

In fiscal year 2022, change in assumptions include the change in the salary increase rate from 3.25% as of June 30, 2021 to 3.00% as of June 30, 2022; discount rate from 2.16% as of June 30, 2021 to 3.69% as of June 30, 2022; and the healthcare cost trend rates from an ultimate rate of 4.50% for years 2032 and later as of June 30, 2021 to 4.00% for years 2069 and later as of June 30, 2022. There have been no other assumption changes since the last measurement date.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB 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 as of June 30, 2023:

	Discount Rate - 1% 2.86%	Current Discount Rate 3.86%	Discount Rate + 1% 4.86%
Total OPEB liability	\$ 1,780,612	1,533,578	1,334,688

The following presents the total OPEB liability of the District, as well as what the District's total OPEB 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 as of June 30, 2022:

	Discount Rate - 1% 2.69%	Current Discount Rate 3.69%	Discount Rate + 1% 4.69%
Total OPEB liability	\$ 1,763,406	1,517,577	1,320,092

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate as of June 30, 2023:

	1% Decrease from Base Rate	Base Rate	1% Increase from Base Rate
Net OPEB Liability	\$ 1,291,194	1,533,578	1,848,803

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 7 Other Post-Employment Benefits, continued

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates, continued

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate as of June 30, 2022:

	<u>1% Decrease from Base Rate</u>	<u>Base Rate</u>	<u>1% Increase from Base Rate</u>
Net OPEB Liability	\$ 1,289,554	1,517,577	1,813,746

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2023 and 2022, the District recognized OPEB expense of \$166,094 and \$234,060, respectively. As of June 30, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<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>
Difference between expected and actual experience	\$ 29,699	299,356	33,252	(338,789)
Changes in assumptions	520,244	340,202	585,396	(349,775)
Total	\$ 549,943	639,558	618,648	(688,564)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Deferred Outflows(Inflows) of Resources</u>
2024	\$ (18,547)
2025	(18,547)
2026	(14,342)
2027	(18,720)
2028	(18,722)
Thereafter	(737)

Note 8 Defined Benefit Pension Plan

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans, respectively. Benefit provisions under the Plan are established by State statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS' website or may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 8 Defined Benefit Pension Plan, continued

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 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect on January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 60 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. All employees hired after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The District participates in the Plan's miscellaneous risk pool. The provisions and benefits for the Plan's miscellaneous pool in effect at June 30, are summarized as follows:

	2023		2022	
	Classic	PEPRA	Classic	PEPRA
Hire date	Prior to January 1, 2011	On or after January 1, 2013	Prior to January 1, 2011	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 62	2.5% @ 55	2.0% @ 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 - 62	50 - 55	52 - 62
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	6.92%	6.75%	6.91%	6.75%
Required employer contribution rates	10.32%	7.47%	10.34%	7.59%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that employer contribution rates for all public employers be determined on an annual basis by an actuary and shall be effective on July 1, following notice of a change in rates. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30, by CalPERS. 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.

Net Pension Liability

As of June 30, 2023 and 2022, the District reported net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	2023	2022
Proportionate share of net pension liability	\$ <u>5,404,925</u>	<u>2,236,443</u>

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 8 Defined Benefit Pension Plan, continued

Net Pension Liability, continued

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of June 30, 2023 and 2022, the net pension liability of the Plan is measured as of June 30, 2022 and 2021 (the measurement dates), respectively. The total pension liability for the Plan's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 and 2020 (the valuation dates), rolled forward to June 30, 2022 and 2021, respectively, 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 plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of the measurement dates June 30, 2022 and 2021, was as follows:

	<u>Miscellaneous</u>
Proportion – June 30, 2020	0.04164 %
Change in proportion	<u>(0.00028)</u>
Proportion – June 30, 2021	0.04135
Change in proportion	<u>0.00544</u>
Proportion – June 30, 2022	<u><u>0.04679 %</u></u>

Deferred Pension Outflows (Inflows) of Resources

For the years ended June 30, 2023 and 2022, the District recognized pension (credit) expense of \$59,861 and \$391,010, respectively. As of June 30, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

<u>Description</u>	<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 the measurement date	\$ 737,763	-	694,757	-
Differences between actual and expected experience	35,845	-	250,793	-
Changes in assumptions	553,848	-	-	-
Net difference between projected and actual earnings on plan investments	990,039	-	-	(1,952,297)
Differences between actual contribution and proportionate share of contribution		(247,300)		
Net adjustment due to differences in proportions of net pension liability	<u>182,076</u>	<u>-</u>	<u>-</u>	<u>(8,815)</u>
Total	\$ <u><u>2,499,571</u></u>	<u><u>(247,300)</u></u>	<u><u>945,550</u></u>	<u><u>(1,961,112)</u></u>

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 8 Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources, continued

As of June 30, 2023 and 2022, the District reported \$737,763 and \$694,757, respectively, as deferred outflows of resources related to contributions subsequent to the measurement date. Pension contributions subsequent to the measurement date for the year ended June 30, 2023, will be recognized as a reduction of the net pension liability for the year ended June 30, 2024. Pension contributions subsequent to the measurement date for the year ended June 30, 2022, was be recognized as a reduction of the net pension liability for the year ended June 30, 2023.

As of June 30, 2023, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2024	\$ 385,610
2025	338,960
2026	184,397
2027	605,541

Actuarial Assumptions

The total pension liabilities in the June 30, 2021 and 2020, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation dates	June 30, 2021 and 2020
Measurement dates	June 30, 2022 and 2021
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions	
Discount rate	2023: 6.90% and 2022: 7.15%
Inflation	2023: 2.30% and 2022: 2.50%
Salary increase	Varies by entry age and service
Mortality Table*	Derived using CalPERS membership data
Period upon which actuarial Experience survey assumptions were based	1997 – 2015
Post-retirement benefit increase	Contract COLA up to 2.50% (2022) and 2.30% (2021) until Purchasing Power Protection Allowance Floor on Purchasing Power applies

* The mortality table was developed based on CalPERS specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study that can be found on the CalPERS website

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 8 Defined Benefit Pension Plan, continued

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2022 and 2021 measurement dates, for the PERF C were 6.90% and 7.15%, respectively.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. This discount rate is not adjusted for administrative expenses.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

The table below reflects the expected real rates of return by asset class.

Asset Class	New Strategic Allocation	Real Return 1-10^{1,2}
Global Equity - Cap-weighted	30.00%	4.54%
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%

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021-22 Asset Liability Management Study.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 8 Defined Benefit Pension Plan, continued

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it was calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate as of June 30, 2023:

	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
District's net pension liability \$	<u>8,578,059</u>	<u>5,404,925</u>	<u>2,794,224</u>

The following table presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it was calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate as of June 30, 2022:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
District's net pension liability \$	<u>3,921,040</u>	<u>2,236,443</u>	<u>(87,564)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 48 through 50 for the Required Supplementary Information.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 9 Net Position

Calculation of net position as of June 30, was as follows:

	<u>2023</u>	<u>2022</u>
Net investment in capital assets:		
Capital assets, net	\$ 51,121,727	45,297,765
Loans payable	(17,540,018)	(18,497,385)
Certificate of participation	(14,063,970)	(14,353,548)
Funds from bank loan	12,286,373	12,858,941
Funds from certificate of participation	<u>6,189,604</u>	<u>9,392,192</u>
Total net investment in capital assets	<u>37,993,716</u>	<u>34,697,965</u>
Restricted net position:		
Restricted for debt service	19,621,202	23,360,364
Funds from bank loan	(12,286,373)	(12,858,941)
Funds from certificate of participation	<u>(6,189,604)</u>	<u>(9,392,192)</u>
Total restricted net position	<u>1,145,225</u>	<u>1,109,231</u>
Unrestricted net position:		
Non-spendable net position		
Materials and supplies inventory	<u>352,874</u>	<u>289,758</u>
Total non-spendable net position	<u>352,874</u>	<u>289,758</u>
Spendable net position designated for the following purpose:		
Assessment reserve fund	<u>187,983</u>	<u>241,066</u>
Spendable net position are designated as follows:		
Unrestricted	<u>3,632,167</u>	<u>4,137,144</u>
Total unrestricted net position	<u>4,173,024</u>	<u>4,667,968</u>
Total net position	<u>\$ 43,311,965</u>	<u>40,475,164</u>

Note 10 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; injuries to employees; and natural disasters. The District, a member of the Special District Risk Management Authority (SDRMA), has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources. SDRMA's purpose is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 10 Risk Management, continued

At June 30, 2023, the District participated in the liability and property programs of the SDRMA as follows:

- General and automotive liability: \$5,000,000 per occurrence with \$500-\$1,000 per occurrence for third party general liability property damage.
- Public officials and employees' errors and omissions: \$5,000,000 per occurrence with 50% co-insurance of cost expended by SDRMA, in excess of \$10,000 up to \$50,000 per occurrence for employment related claims. However, 100% of the obligation will be waived if certain criteria are met.
- Public officials' personal liability: \$500,000 per occurrence with \$500,000 annual aggregate limit per each elected/appointed official and a deductible of \$500 per claim.
- Employment practices and benefits liability: \$5,000,000 per occurrence with 50% co-insurance of cost expended by SDRMA, in excess of \$10,000 up to \$50,000 per occurrence for employment related claims. However, 100% of the obligation will be waived if certain criteria are met.
- Employee dishonesty coverage: \$1,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage.
- Property loss: \$1,000,000,000 per occurrence with a \$2,000 deductible per occurrence.
- Boiler and machinery: \$100,000,000 per occurrence with a \$1,000 deductible.
- Workers compensation: \$5,000,000 each accident or each employee by disease.

Note 11 Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the report date, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 99

In April 2022, the 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.

The requirements of this Statement that are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Note 11 Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 100

In June 2022, the 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.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Note 12 Commitments and Contingencies

Grant Awards

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

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Note 13 Subsequent Event

Events occurring after June 30, 2023, have been evaluated for possible adjustment to the financial statements or disclosure as of January 4, 2024, which is the date the financial statements were available to be issued.

Required Supplementary Information

San Lorenzo Valley Water District
Schedules of Changes in Total OPEB Liability and Related Ratios
For the Years Ended June 30, 2023
Last Ten Years*

Defined Benefit OPEB Plan

	Fiscal Years Ended					
	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 65,451	132,185	124,074	87,353	66,682	69,318
Interest	57,164	48,387	46,201	37,710	36,676	30,730
Difference between expected and actual experience	-	(375,384)	(3,087)	43,911		
Assumption changes	(38,246)	(374,375)	19,499	725,854	38,770	(37,834)
Benefit payments	(68,368)	(42,118)	(48,310)	(43,216)	(32,501)	(29,229)
Net change in total OPEB liability	16,001	(611,305)	138,377	851,612	109,627	32,985
Total OPEB liability – beginning of year	1,517,577	2,128,882	1,990,505	1,138,893	1,029,266	996,281
Total OPEB liability – end of year	\$ 1,533,578	1,517,577	2,128,882	1,990,505	1,138,893	1,029,266
Covered payroll	\$ 3,183,571	3,429,618	3,295,242	3,094,876	2,901,753	2,701,505
Total OPEB liability as a percentage of covered payroll	48.17%	44.25%	64.60%	64.32%	39.25%	38.10%

Notes to Schedule

Change in Benefit Terms

There was no change in benefit terms.

Change of Assumptions and Methods

In fiscal year 2023, change in assumptions include the change in the discount rate from 3.69% as of June 30, 2022 to 3.86% as of June 30, 2023

In fiscal year 2022, change in assumptions include the change in the salary increase rate from 3.25% as of June 30, 2021 to 3.00% as of June 30, 2022; discount rate from 2.16% as of June 30, 2021 to 3.69% as of June 30, 2022; and the healthcare cost trend rates from an ultimate rate of 4.50% for years 2032 and later as of June 30, 2021 to 4.00% for years 2069 and later as of June 30, 2022.

In fiscal year 2021, change in assumptions include the change in discount rate from 2.21% as of June 30, 2020 to 2.16%.

* The District has presented information for those years for which information is available until a full 10- year trend is compiled.

San Lorenzo Valley Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2023
Last Ten Years*

Defined Benefit Pension Plan

Description	Measurement Dates								
	06/30/22	06/30/21	06/30/20	06/30/19	06/30/18	06/30/17	06/30/16	06/30/15	06/30/14
District's proportion of the net pension liability	0.04679%	0.04135%	0.04164%	0.04058%	0.03949%	0.04003%	0.04058%	0.03675%	0.03803%
District's proportionate share of the net pension liability	\$ 5,404,925	2,236,443	4,530,116	4,158,344	3,805,659	3,969,598	3,511,169	2,522,518	2,307,630
District's covered payroll	\$ 3,429,618	3,295,242	3,094,876	2,901,753	2,701,505	2,396,005	2,322,469	2,158,611	1,995,604
District's proportionate share of the net pension liability as a percentage of its covered payroll	157.60%	67.87%	146.37%	143.30%	140.87%	165.68%	151.18%	116.86%	115.64%
Plan's proportionate share of fiduciary net position as a percentage of total pension liability	76.68%	88.29%	75.10%	75.26%	75.26%	76.96%	78.58%	83.20%	83.03%

Notes to the Schedules of the District's Proportionate Share of Net Pension Liability

Changes in Benefit Terms

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

Change of Assumptions and Methods

In fiscal year 2022, the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

In fiscal year 2021, there were no changes to actuarial assumptions or methods.

The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses.

San Lorenzo Valley Water District
Schedules of the District's Proportionate Share of the Net Pension Liability, continued
As of June 30, 2023
Last Ten Years*

Notes to the Schedules of the District's Proportionate Share of Net Pension Liability

Change of Assumptions and Methods, continued

These changes will apply only to new UAL bases established on or after June 30, 2019. In fiscal year 2020, no changes have occurred to the actuarial assumptions in relation to financial reporting. In fiscal year 2020, CalPERS implemented a new actuarial valuation software system for the June 30, 2018 valuation. This new system has refined and improved calculation methodology. In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%.

The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. These changes will be implemented in two steps commencing in the June 30, 2017 funding valuation. However, for financial reporting purposes, these assumption changes are fully reflected in the results for fiscal year

2018.

In fiscal year 2017, the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF C from 7.50% to 7.00%, which is to be phased in over a three-year period (7.50% to 7.375%, 7.375% to 7.25%, and 7.25% to 7.00%) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In fiscal year 2015, the financial reporting discount rate was increased from 7.50% to 7.65% resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50% during this period, and remained adjusted for administrative expenses.

* The District has presented information for those years for which information is available until a full 10- year trend is compiled.

San Lorenzo Valley Water District
Schedules of Pension Plan Contributions
As of June 30, 2023
Last Ten Years*

Defined Benefit Pension Plan

Description	Fiscal Years Ended								
	06/30/23	06/30/22	06/30/21	06/30/20	06/30/19	06/30/18	06/30/17	06/30/16	06/30/15
Actuarially determined contribution	\$ 737,763	694,757	651,671	544,811	486,796	433,466	324,612	282,083	284,005
Contributions in relation to the actuarially determined contribution	(737,763)	(694,757)	(651,671)	(544,811)	(486,796)	(427,195)	(522,774)	(172,110)	(232,831)
Contribution deficiency (excess)	\$ -	-	-	-	-	6,271	(198,162)	109,973	51,174
District's covered payroll	\$ 3,183,571	3,429,618	3,295,242	3,094,876	2,901,753	2,701,505	2,396,005	2,322,469	2,158,611
Contributions as a percentage of covered payroll	23.17%	20.26%	19.78%	17.60%	16.78%	15.81%	21.82%	7.41%	10.79%

Notes to the Schedule of Pension Plan Contributions

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Supplemental Information

San Lorenzo Valley Water District
Combining Schedules of Net Position
June 30, 2023 and 2022

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>2023</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>2022</u>
Current assets:						
Cash & cash equivalents	\$ 305,997	-	305,997	405,280	-	405,280
Cash & cash equivalents – restricted	1,145,225	-	1,145,225	23,360,364	-	23,360,364
Investments	7,240,620	-	7,240,620	5,719,782	-	5,719,782
Investments - restricted	18,127,969	-	18,127,969	-	-	-
Accrued interest receivable	672	-	672	158	-	158
Accounts receivable – water sales and services, net	1,876,552	-	1,876,552	1,880,582	-	1,880,582
Accounts receivable – property taxes	33,414	-	33,414	18,840	-	18,840
Accounts receivable – grant funding	2,802,932	-	2,802,932	3,003,894	-	3,003,894
Accounts receivable – other	253,413	-	253,413	15,378	-	15,378
Internal balances	33,372	(33,354)	18	32,561	(32,561)	-
Prepaid expenses	44,312	385	44,697	20,716	-	20,716
Materials and supplies inventory	352,874	-	352,874	289,758	-	289,758
Total current assets	<u>32,217,352</u>	<u>(32,969)</u>	<u>32,184,383</u>	<u>34,747,313</u>	<u>(32,561)</u>	<u>34,714,752</u>
Non-current assets:						
Investments - restricted	348,008	-	348,008	-	-	-
Investments in joint-powers authorities	115,860	-	115,860	76,962	-	76,962
Capital assets – not being depreciated	13,894,812	148,374	14,043,186	10,455,895	116,222	10,572,117
Capital assets – being depreciated	36,905,145	173,396	37,078,541	34,508,694	216,954	34,725,648
Total non-current assets	<u>51,263,825</u>	<u>321,770</u>	<u>51,585,595</u>	<u>45,041,551</u>	<u>333,176</u>	<u>45,374,727</u>
Total assets	<u>83,481,177</u>	<u>288,801</u>	<u>83,769,978</u>	<u>79,788,864</u>	<u>300,615</u>	<u>80,089,479</u>
Deferred outflows of resources						
Deferred OPEB outflows	549,943	-	549,943	618,648	-	618,648
Deferred pension outflows	2,499,571	-	2,499,571	945,550	-	945,550
Total deferred outflows of resources	<u>\$ 3,049,514</u>	<u>-</u>	<u>3,049,514</u>	<u>1,564,198</u>	<u>-</u>	<u>1,564,198</u>

Continued on next page

San Lorenzo Valley Water District
Combining Schedules of Net Position, continued
June 30, 2023 and 2022

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>2023</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>2022</u>
Current liabilities:						
Accounts payable and accrued expense	\$ 2,927,935	2,754	2,930,689	816,431	3,401	819,832
Accrued wages and related payables	190,349	-	190,349	155,164	-	155,164
Unearned revenues – customer deposits	108,205	-	108,205	90,861	-	90,861
Unearned revenues – construction deposits	21,985	-	21,985	13,978	-	13,978
Accrued interest payable	295,918	-	295,918	306,141	-	306,141
Long-term liabilities – due in one year:						
Compensated absences	191,172	-	191,172	193,647	-	193,647
Loans payable	982,551	-	982,551	957,469	-	957,469
Certificate of participation	299,579	-	299,579	289,579	-	289,579
Total current liabilities	<u>5,017,694</u>	<u>2,754</u>	<u>5,020,448</u>	<u>2,823,270</u>	<u>3,401</u>	<u>2,826,671</u>
Non-current liabilities:						
Long-term liabilities – due in more than one year:						
Compensated absences	339,860	-	339,860	344,261	-	344,261
Loans payable	16,557,467	-	16,557,467	17,539,916	-	17,539,916
Certificate of participation	13,764,391	-	13,764,391	14,063,969	-	14,063,969
Net OPEB liability	1,533,578	-	1,533,578	1,517,577	-	1,517,577
Net pension liability	5,404,925	-	5,404,925	2,236,443	-	2,236,443
Total non-current liabilities	<u>37,600,221</u>	<u>-</u>	<u>37,600,221</u>	<u>35,702,166</u>	<u>-</u>	<u>35,702,166</u>
Total liabilities	<u>42,617,915</u>	<u>2,754</u>	<u>42,620,669</u>	<u>38,525,436</u>	<u>3,401</u>	<u>38,528,837</u>
Deferred inflows of resources						
Deferred OPEB inflows	639,558	-	639,558	688,564	-	688,564
Deferred pension inflows	247,300	-	247,300	1,961,112	-	1,961,112
Total deferred inflows of resources	<u>886,858</u>	<u>-</u>	<u>886,858</u>	<u>2,649,676</u>	<u>-</u>	<u>2,649,676</u>
Net position						
Net investment in capital assets	37,671,946	321,770	37,993,716	34,364,789	333,176	34,697,965
Restricted for debt service	1,145,225	-	1,145,225	1,109,231	-	1,109,231
Unrestricted (deficit)	4,208,747	(35,723)	4,173,024	4,703,930	(35,962)	4,667,968
Total net position	<u>\$ 43,025,918</u>	<u>286,047</u>	<u>43,311,965</u>	<u>40,177,950</u>	<u>297,214</u>	<u>40,475,164</u>

San Lorenzo Valley Water District
Combining Schedules of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2023 and 2022

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>2023</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>2022</u>
Operating revenues:						
Water consumption sales	\$ 11,778,792	-	11,778,792	11,902,044	-	11,902,044
Wastewater service	-	173,020	173,020	-	173,034	173,034
Meter sales, charges, and penalties	177,785	-	177,785	156,402	-	156,402
Other charges and services	9,964	-	9,964	591	-	591
Total operating revenues	<u>11,966,541</u>	<u>173,020</u>	<u>12,139,561</u>	<u>12,059,037</u>	<u>173,034</u>	<u>12,232,071</u>
Operating expenses:						
Salaries and benefits	5,799,215	49,985	5,849,200	5,259,415	48,591	5,308,006
Professional services	972,112	60,233	1,032,345	1,538,973	43,079	1,582,052
Operational	537,057	26,589	563,646	463,555	15,213	478,768
Maintenance	224,123	1,477	225,600	202,231	1,392	203,623
Facilities	628,189	8,940	637,129	633,587	8,745	642,332
General and administrative	477,462	1,736	479,198	434,997	1,650	436,647
Total operating expenses	<u>8,638,158</u>	<u>148,960</u>	<u>8,787,118</u>	<u>8,532,758</u>	<u>118,670</u>	<u>8,651,428</u>
Operating income before overhead absorption	3,328,383	24,060	3,352,443	3,526,279	54,364	3,580,643
Overhead absorption	202,283	8,331	210,614	180,218	-	180,218
Operating income before depreciation expense	3,530,666	32,391	3,563,057	3,706,497	54,364	3,760,861
Depreciation expense	(1,803,661)	(43,558)	(1,847,219)	(1,794,759)	(43,483)	(1,838,242)
Operating income	<u>1,727,005</u>	<u>(11,167)</u>	<u>1,715,838</u>	<u>1,911,738</u>	<u>10,881</u>	<u>1,922,619</u>
Non-operating revenues(expenses):						
Property taxes	965,059	-	965,059	896,170	-	896,170
Assessment revenues	340,764	-	340,764	343,333	-	343,333
Investment earnings	703,020	-	703,020	126,229	-	126,229
Change in investment in Santa Margarita Groundwater Agency	(112,145)	-	(112,145)	(17,227)	-	(17,227)
Operating grant	213,593	-	213,593	151,076	-	151,076
Rental revenues	54,367	-	54,367	54,840	-	54,840
Interest expense	(929,718)	-	(929,718)	(952,956)	-	(952,956)
Gain(Loss) on disposition of capital assets	(355,965)	-	(355,965)	(101,873)	-	(101,873)
Other non-operating revenues	11,297	-	11,297	9,428	-	9,428
Total non-operating revenues, net	<u>890,272</u>	<u>-</u>	<u>890,272</u>	<u>509,020</u>	<u>-</u>	<u>509,020</u>
Net income before capital contributions	<u>2,617,277</u>	<u>(11,167)</u>	<u>2,606,110</u>	<u>2,420,758</u>	<u>10,881</u>	<u>2,431,639</u>
Capital contributions:						
Capital grants - other governments	230,691	-	230,691	397,207	-	397,207
Total capital contributions	<u>230,691</u>	<u>-</u>	<u>230,691</u>	<u>397,207</u>	<u>-</u>	<u>397,207</u>
Changes in net position	<u>2,847,968</u>	<u>(11,167)</u>	<u>2,836,801</u>	<u>2,817,965</u>	<u>10,881</u>	<u>2,828,846</u>
Net position, beginning of year	<u>40,177,950</u>	<u>297,214</u>	<u>40,475,164</u>	<u>37,359,985</u>	<u>286,333</u>	<u>37,646,318</u>
Net position, end of year	<u>\$ 43,025,918</u>	<u>286,047</u>	<u>43,311,965</u>	<u>40,177,950</u>	<u>297,214</u>	<u>40,475,164</u>

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Statistical Information Section

**San Lorenzo Valley Water District
Statistical Section**

This part of the District's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the District's overall financial health.

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Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	63-64
Employee Related Liabilities This schedule presents information to help the reader assess the District's unfunded employee liabilities for pension and other post-employment benefits.	65
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	66
Operating Information This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides.	67-68

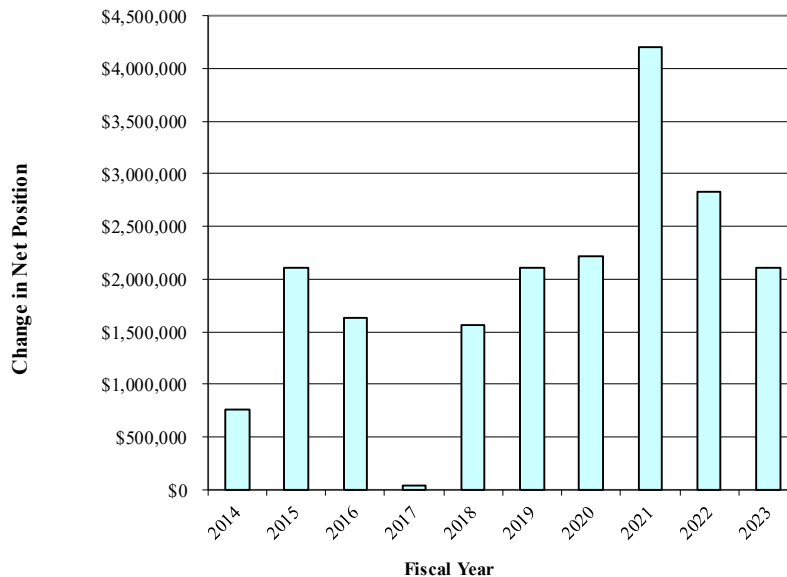
San Lorenzo Valley Water District

Changes in Net Position

Last Ten Fiscal Years

Schedule 1

	Fiscal Year		
	2014	2015	2016
Changes in net position:			
Operating revenues (see Schedule 2)	\$ 5,838,488	5,478,890	6,456,181
Operating expenses (see Schedule 3)	(5,173,764)	(5,552,334)	(5,560,839)
Overhead absorption	132,347	24,644	19,637
Depreciation and amortization	(1,172,504)	(1,139,110)	(1,326,056)
Operating income(loss)	(375,433)	(1,187,910)	(411,076)
Non-operating revenues(expenses)			
Property taxes	478,632	527,308	577,023
Rental income	30,378	29,713	43,921
Assessment Revenue	-	235,444	33,611
Investment income/(loss)	159,023	(1,909)	11,502
Change in investemnt in SMGWA	-	-	-
Operating grant	-	-	-
Gain/(Loss) on sale/disposition of assets	2,000	34,499	-
Interest expense	(295,513)	(127,850)	(185,411)
Settlement and purchase agreements	-	-	-
Other revenue/(expense), net	3,352	145,257	-
Total non-operating revenues(expenses), net	377,872	842,462	480,647
Net income(loss) before capital contributions	2,439	(180,867)	69,570
Capital contributions	753,600	2,287,233	1,557,589
Changes in net position	\$ 756,039	2,106,366	1,627,159
Net position by component:			
Net investment in capital assets	\$ 18,981,706	23,227,784	28,535,901
Restricted	168,185	229,790	403,624
Unrestricted	7,169,180	2,120,592	(725,008)
Total net position	\$ 26,319,071	25,578,166	28,214,517

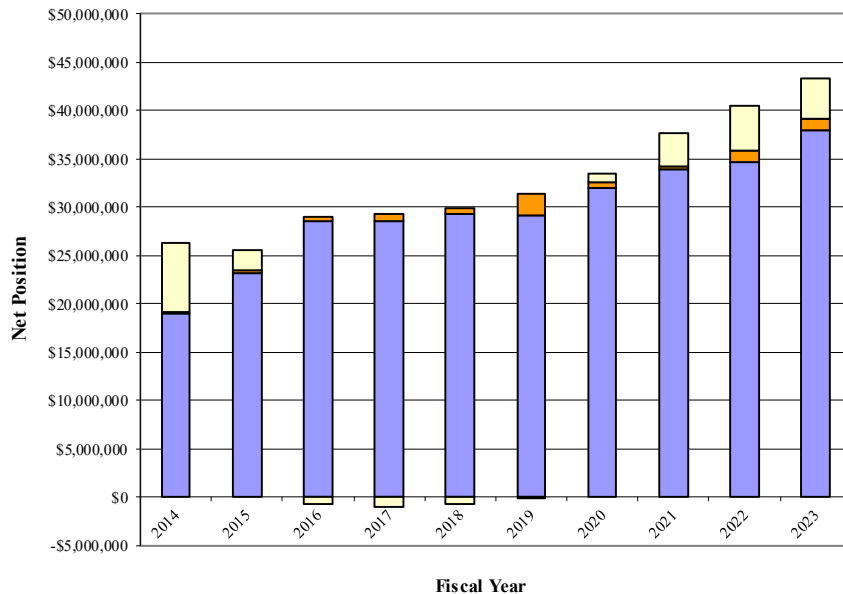


Source: SLVWD Finance Department

**San Lorenzo Valley Water District
Changes in Net Position, continued
Last Ten Fiscal Years**

Schedule 1

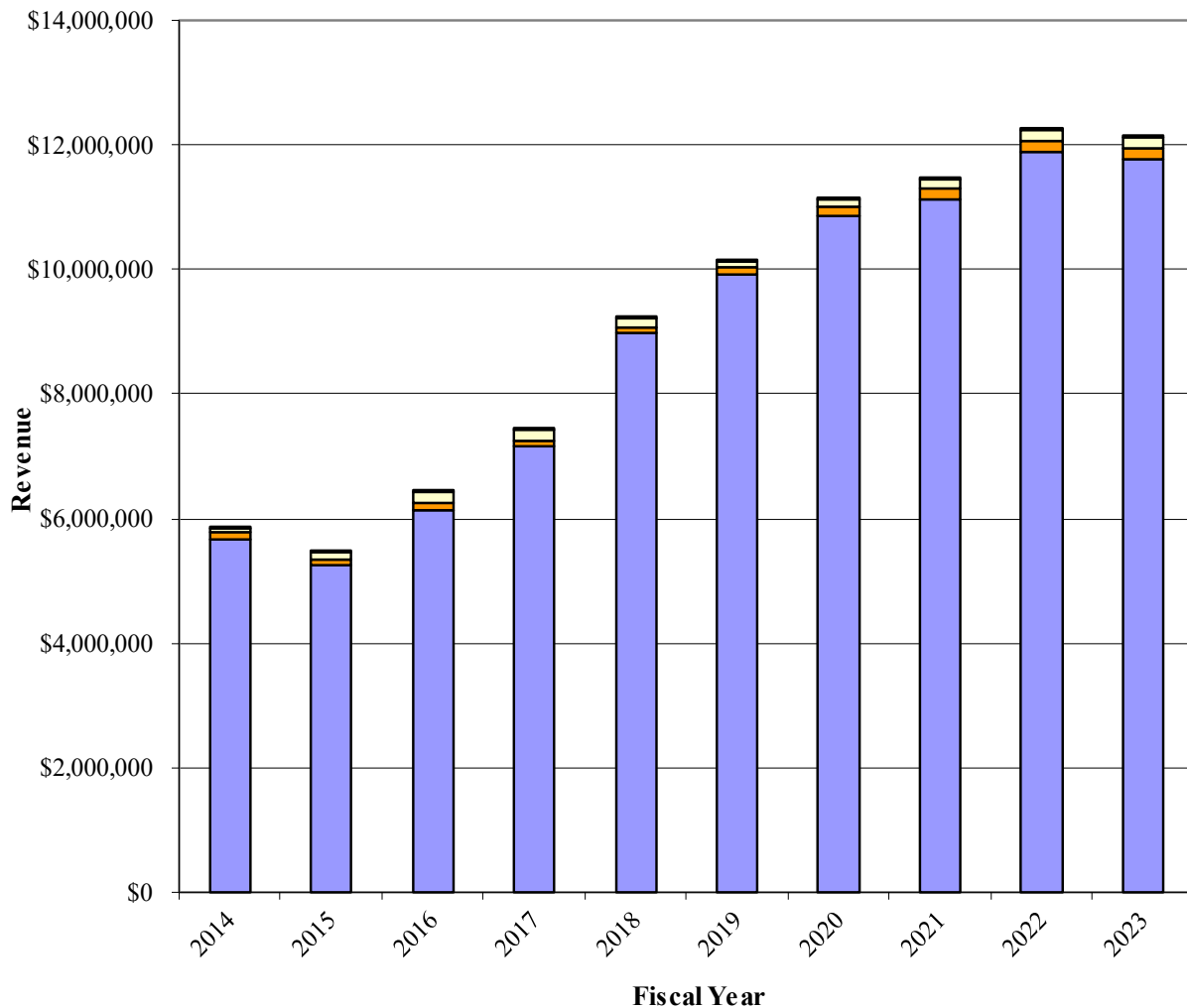
Fiscal Year						
2017	2018	2019	2020	2021	2022	2023
7,446,130	9,215,364	10,130,799	11,135,904	11,462,629	12,232,071	12,139,561
(7,109,458)	(7,591,791)	(7,341,031)	(7,924,554)	(9,694,417)	(8,651,428)	(8,787,118)
74,683	163,697	146,321	231,862	379,539	180,218	210,614
(1,417,477)	(1,640,273)	(1,563,805)	(1,582,370)	(1,728,054)	(1,838,242)	(1,847,219)
(1,006,122)	146,997	1,372,284	1,860,842	419,697	1,922,619	1,715,838
707,262	731,146	780,466	813,051	847,676	896,170	965,059
61,851	56,647	44,042	44,047	50,558	54,840	54,367
358,469	349,130	350,694	349,254	343,086	343,333	340,764
13,858	23,040	86,733	333,478	131,657	126,229	703,020
-	(39,970)	(123,148)	(178,740)	(153,963)	(17,227)	(112,145)
-	-	-	-	334,681	151,076	213,593
-	-	(320,408)	1,786	13,706	(101,873)	(355,965)
(166,204)	(150,507)	(153,662)	(638,604)	(772,887)	(952,956)	(929,718)
-	-	-	4,426	6,942	9,428	11,297
71,804	16,258	(89)	(412,354)	(55,000)	-	-
1,047,040	985,744	664,629	316,344	746,456	509,020	890,272
40,918	1,132,741	2,036,913	2,177,186	1,166,153	2,431,639	2,606,110
-	434,908	71,625	44,240	3,031,227	397,207	230,691
40,918	1,567,649	2,108,538	2,221,426	4,197,380	2,828,846	2,836,801
28,551,697	29,278,749	29,092,752	31,913,552	33,871,628	34,697,965	37,993,716
686,020	637,205	2,231,220	667,387	302,122	1,109,231	1,145,225
(982,282)	(796,980)	(96,460)	867,999	3,472,568	4,667,968	4,173,024
28,255,435	29,118,974	31,227,512	33,448,938	37,646,318	40,475,164	43,311,965



**San Lorenzo Valley Water District
Operating Revenue by Source
Last Ten Fiscal Years**

Schedule 2

Fiscal Year	Water Services	Wastewater Services	Meter Sales, Charges and Penalties	Other Charges and Services	Total Operating Revenue
2014	5,669,459	101,637	54,111	13,281	5,838,488
2015	5,237,534	100,088	124,896	16,372	5,478,890
2016	6,145,076	98,262	194,444	18,399	6,456,181
2017	7,157,650	102,107	178,632	7,741	7,446,130
2018	8,983,340	100,138	128,305	3,581	9,215,364
2019	9,917,657	111,820	99,464	1,858	10,130,799
2020	10,865,193	134,148	135,129	1,434	11,135,904
2021	11,139,017	161,007	157,486	5,119	11,462,629
2022	11,902,044	173,034	156,402	591	12,232,071
2023	11,778,792	173,020	177,785	9,964	12,139,561

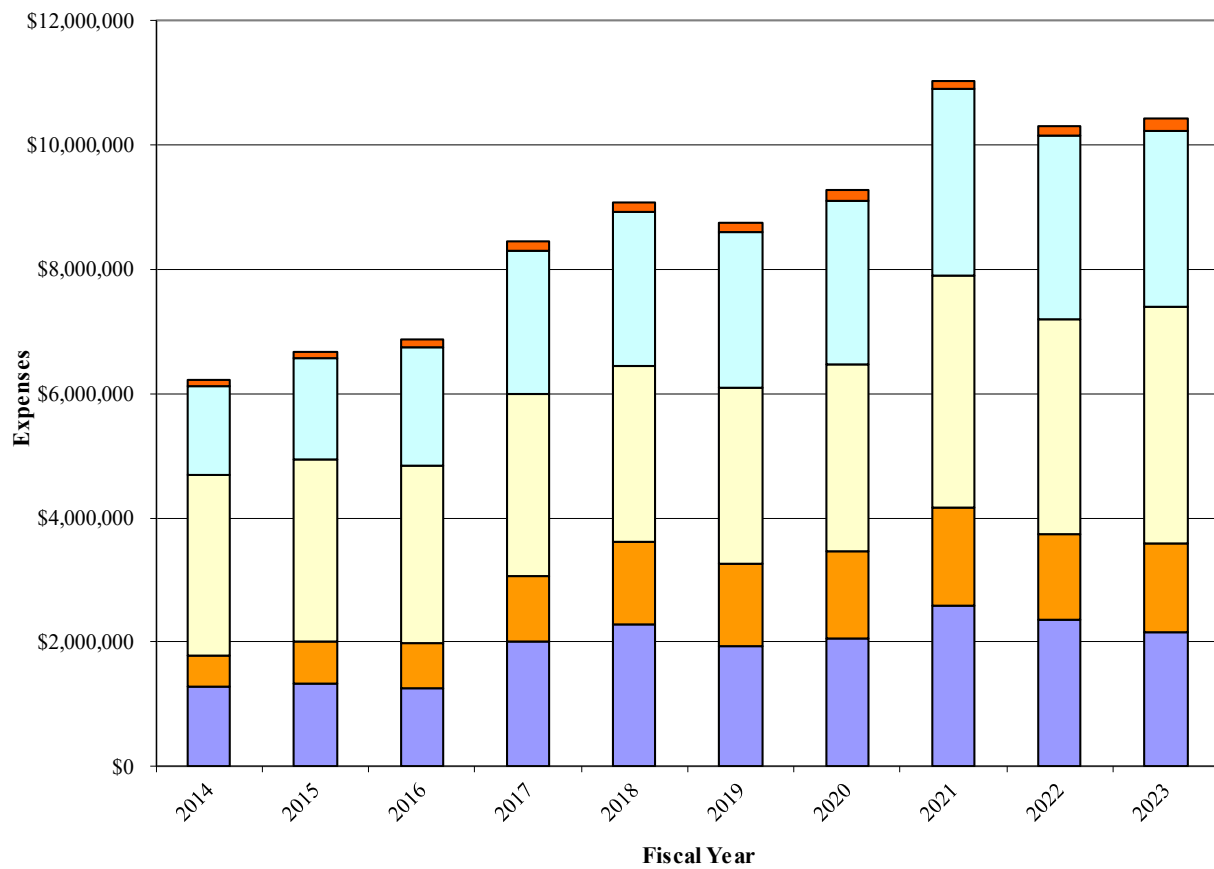


Source: SLVWD Finance Department

**San Lorenzo Valley Water District
Operating Expenses by Source
Last Ten Fiscal Years**

Schedule 3

Fiscal Year	General and Administrative	Finance Customer Service	Transmission and Distribution	Water Treatment	Wastewater Fund	Total Operating Expenses
2014	1,281,334	504,981	2,901,718	1,430,749	95,139	5,982,018
2015	1,334,189	681,895	2,925,734	1,622,687	102,296	6,213,921
2016	1,265,030	719,525	2,850,569	1,908,139	123,998	6,666,800
2017	2,002,222	1,060,345	2,937,280	2,289,576	162,829	6,867,261
2018	2,274,942	1,347,160	2,817,296	2,483,050	145,919	9,068,367
2019	1,930,348	1,343,423	2,827,059	2,511,399	146,286	8,758,515
2020	2,068,644	1,403,739	3,009,754	2,618,387	174,538	9,275,062
2021	2,583,602	1,590,555	3,724,751	3,004,901	139,123	11,042,932
2022	2,356,670	1,392,242	3,438,276	2,960,111	162,153	10,309,452
2023	2,147,857	1,435,749	3,805,064	2,850,864	184,188	10,423,723

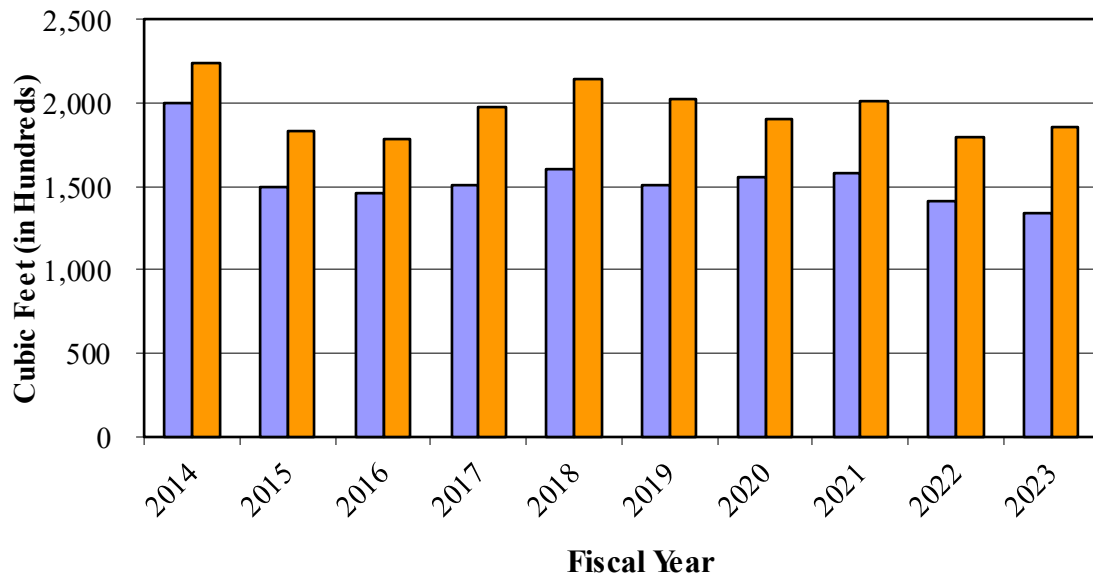


Source: SLVWD Finance Department

**San Lorenzo Valley Water District
Revenue Base
Last Ten Fiscal Years**

Schedule 4

<u>Fiscal Year</u>	<u>Water Sales (Acre Feet)</u>	<u>Water Produced (Acre Feet)</u>	<u>% Loss</u>
2014	1,995	2,239	12%
2015	1,500	1,828	22%
2016	1,461	1,787	22%
2017	1,503	1,976	31%
2018	1,601	2,142	34%
2019	1,506	2,029	35%
2020	1,557	1,907	22%
2021	1,576	2,008	22%
2022	1,415	1,796	27%
2023	1,345	1,855	38%



Notes: See Schedule 2 "Operating Revenue by Source" for information regarding water revenues.

Source: SLVWD Finance Department

**San Lorenzo Valley Water District
Revenue Rates⁽¹⁾
Last Ten Fiscal Years**

Schedule 5

Water Consumption Rates										
Fiscal Year										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Residential - Tier 1 (per HCF)	\$ 3.090	3.430	3.810	3.810	n/a	n/a	n/a	n/a	n/a	n/a
Residential - Tier 2 (per HCF)	4.040	4.480	4.970	4.970	n/a	n/a	n/a	n/a	n/a	n/a
Residential - Tier 3 (per HCF)	4.840	5.370	5.960	5.960	n/a	n/a	n/a	n/a	n/a	n/a
Residential - Tier 4 (per HCF)	5.360	5.950	6.610	6.610	n/a	n/a	n/a	n/a	n/a	n/a
Residential - Tier 5 (per HCF)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Commercial/Flat (per HCF)	3.770	4.18	4.64	4.64	10.12	10.83	11.48	12.06	12.66	12.66
Wholesale - Boulder Creek (per HCF)	*	10.00	10.00	10.00	14.39	15.40	16.32	17.14	17.99	17.99
* based on residential tiers above										
Ready-to-serve Fees per Month										
Fiscal Year										
Meter Size	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
3/4" or smaller	\$ 55.20	30.64	34.00	34.00	28.27	30.24	32.06	33.66	35.34	35.34
1"	92.02	51.00	56.50	56.50	42.36	45.33	48.05	50.45	52.97	52.97
1 1/2"	185.00	102.50	114.00	114.00	77.61	83.04	88.03	92.43	97.05	97.05
2"	295.00	163.50	181.50	181.50	119.91	128.30	136.00	142.80	149.94	149.94
3"	553.00	307.00	341.00	341.00	232.70	248.98	263.92	277.12	290.97	290.97
4"	921.00	511.00	567.00	567.00	359.58	384.75	407.84	428.23	449.64	449.64
6"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
8"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fire service per inch diameter	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Notes :

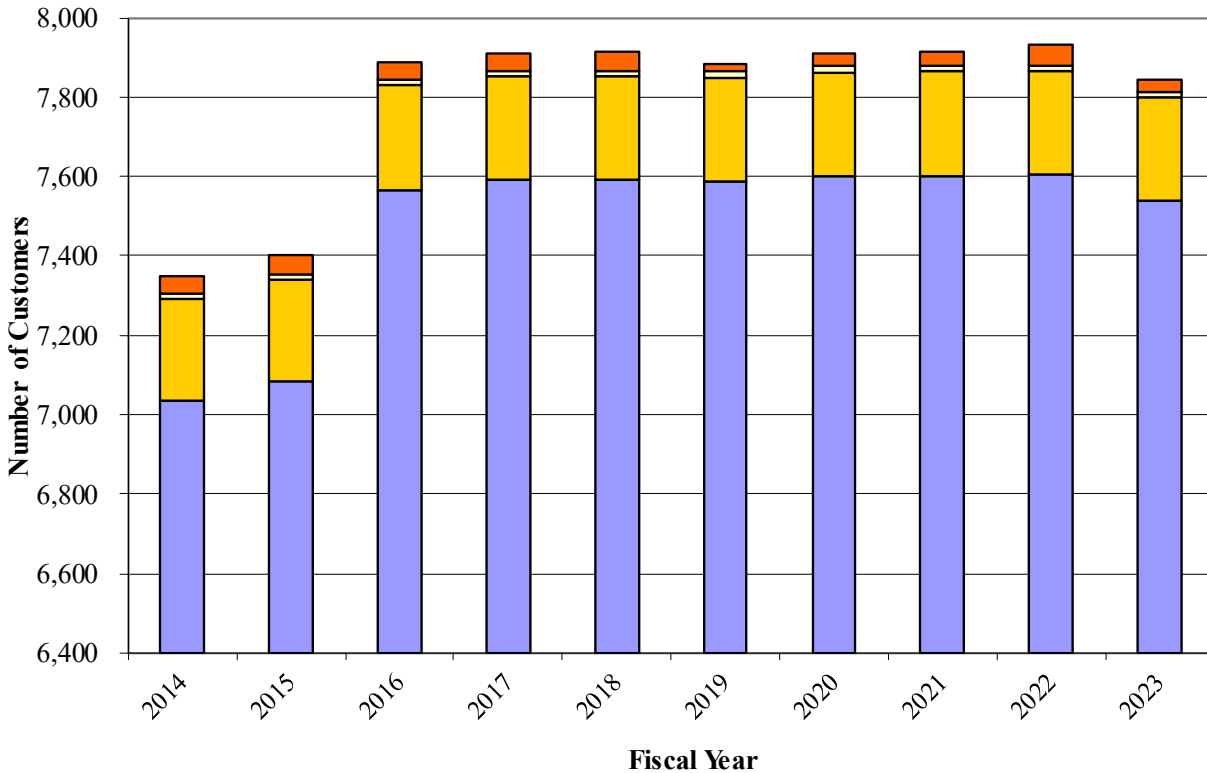
(1) Rates as of June 30 of each fiscal year.

Source: SLVWD Board of Directors approved Rates and Charges

**San Lorenzo Valley Water District
Customers by Type
Last Ten Fiscal Years**

Schedule 6

Fiscal Year	Customer Type				Total
	Residential	Commercial	Landscape	Wholesale	
2014	7,035	258	12	44	7,349
2015	7,083	258	12	50	7,403
2016	7,566 ^{▼(1)}	266	13	42	7,887
2017	7,592	260	14	42	7,908
2018	7,593	260	14	46	7,913
2019	7,588	262	14	21 ^{▼(2)}	7,885
2020	7,599	264	14	31	7,908
2021	7,601	264	13	37	7,915
2022	7,604	264	13	50	7,931
2023	7,537	263	13	31	7,844



Note: Number of customers as of June 30 of fiscal year.

(1) Majority of increase related to Lompico County Water District merger.

(2) Closed out accounts that have not used wholesale in over a year

Source: SLVWD Finance Department

**San Lorenzo Valley Water District
Principal Customers
Current Fiscal Year and Ten Years Ago**

Schedule 7

Customer ID	Customer Type	2023		2014 ⁽¹⁾	
		Water Consumed (AF)	Percentage of Total	Water Consumed (AF)	Percentage of Total
2023-1	Multi Residential	30	1.90%	31	1.55%
2023-2	Multi Residential	21	1.33%	47	2.36%
2023-3	Industrial	11	0.70%	14	0.70%
2023-4	Multi Residential	10	0.63%	14	0.70%
2023-5	Industrial	8	0.51%	24	1.20%
2023-6	Landscape	8	0.51%	12	0.60%
2023-7	Industrial	7	0.44%	9	0.45%
2023-8	Multi Residential	6	0.38%	5	0.25%
2023-9	Industrial	5	0.32%	5	0.25%
2023-10	Industrial	4	0.25%	4	0.20%
Total		110	6.98%	165	8.27%
Total Water Consumed (AF)		1,576	100.00%	1,995	100.00%

AF = Acre Feet

Notes:

(1) Individual records will continue to be maintained to allow for a ten year comparison over time.

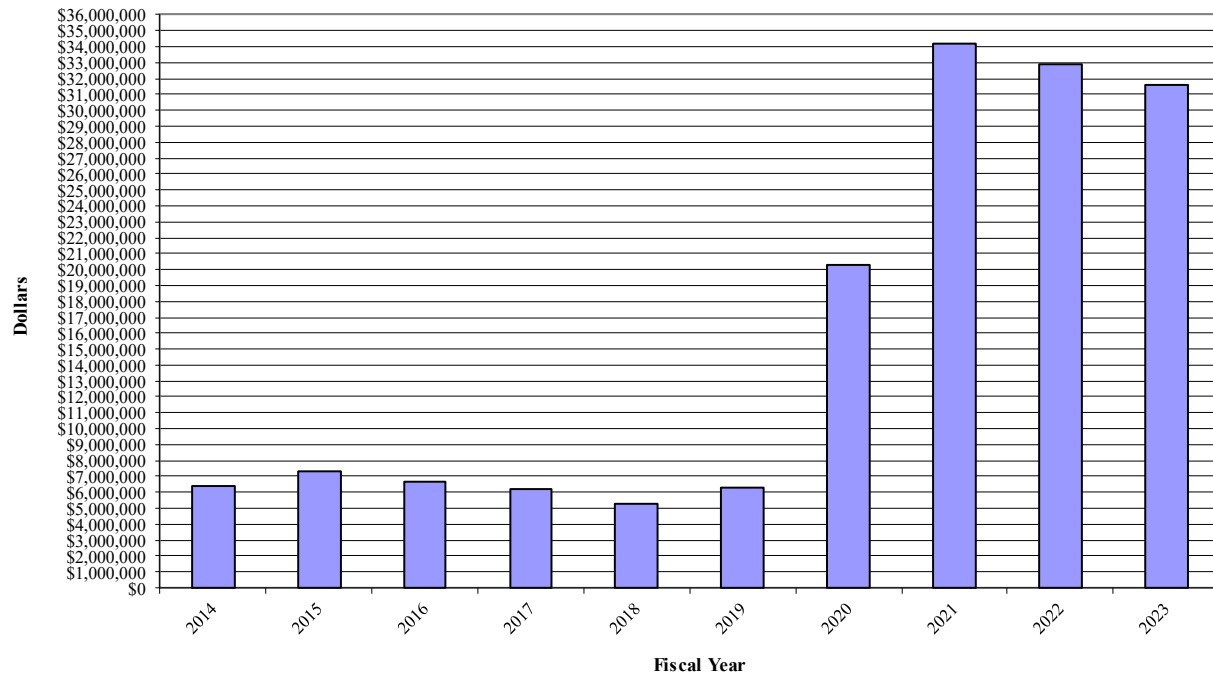
Source: SLVWD Finance Department

**San Lorenzo Valley Water District
Ratio of Outstanding Debt
Last Ten Fiscal Years**

Schedule 8

Fiscal Year	COP (1)	Bonds Payable	Loans Payable	Capital Lease	Total Debt	Per Capita	As a Share of Personal Income
2014		4,344,115	2,073,045		6,417,160	349.28	0.67%
2015		3,743,682	3,554,130		7,297,812	394.32	0.69%
2016		3,253,332	3,416,993		6,670,325	338.29	0.57%
2017		2,555,854	3,551,243	114,302	6,221,399	314.69	0.49%
2018		1,845,823	3,311,635	92,524	5,249,982	265.39	0.38%
2019		1,179,809	5,063,293	70,019	6,313,121	320.26	0.45%
2020	14,887,705	597,778	4,760,158	46,859	20,292,500	1,026.43	1.44%
2021	14,628,127	103,247	19,429,630	22,933	34,183,937	1,727.55	1.94%
2022	14,353,548	-	18,497,385	-	32,850,933	1,656.84	1.99%
2023	14,063,970	-	17,540,018	-	31,603,988	1,611.63	*

* Current data not available yet



Notes:

(1) Certificate of Participation (COP)

Source: SLVWD Finance Department

**San Lorenzo Valley Water District
Debt Coverage
Last Ten Fiscal Years**

Schedule 9

Fiscal Year	Net Revenues	Operating Expenses⁽¹⁾	Net Available Revenues	Debt Service		Total	Coverage Ratio
				Principal	Interest		
2014	6,037,975	(4,736,829)	1,091,787	(720,144)	(295,513)	(1,015,657)	1.07
2015	6,509,873	(5,173,764)	1,042,596	(737,932)	(127,850)	(865,782)	1.20
2016	6,579,284	(5,552,334)	933,599	(757,130)	(185,411)	(942,541)	0.99
2017	7,122,239	(5,560,839)	1,375,989	(873,247)	(166,204)	(1,039,451)	1.32
2018	8,659,374	(7,109,458)	1,549,916	(971,417)	(150,507)	(1,121,924)	1.38
2019	10,351,615	(7,661,791)	2,689,824	(936,861)	(153,662)	(1,090,523)	2.47
2020	11,269,498	(7,341,031)	3,928,467	(932,975)	(638,604)	(1,571,579)	2.50
2021	12,681,643	(9,694,417)	2,987,226	(1,108,563)	(772,887)	(1,881,450)	1.59
2022	13,635,416	(8,651,428)	4,983,988	(1,333,004)	(952,956)	(2,285,960)	2.18
2023	14,427,661	(9,974,332)	4,453,329	(1,246,945)	(929,718)	(2,176,663)	2.05

Notes:

(1) Operating expenses exclude depreciation expense.

Source: SLVWD Finance Department

**San Lorenzo Valley Water District
Unfunded Employee Liabilities
Last Ten Fiscal Years***

Schedule 10

Fiscal Year	Pension (1)			OPEB		
	Employer Contributions	Total Liability	Discount Rate	Employer Contributions	Total Liability	Discount Rate
2015	232,831	2,307,630	7.50%	30,960	214,707	4.00% (2)
2016	172,110	2,522,518	7.65%	37,909	238,911	4.00%
2017	522,774	3,511,169	7.50%	37,478	262,939	4.00%
2018	427,195	3,969,598	7.15%	29,229	1,029,266	3.62% (3)
2019	486,796	3,805,659	7.15%	32,501	1,138,893	3.13%
2020	544,811	4,158,344	7.15%	43,216	1,990,505	2.21%
2021	651,671	4,530,116	7.15%	48,310	2,128,882	2.16%
2022	694,757	2,236,443	7.15%	42,118	1,517,577	3.69%
2023	737,763	5,404,925	6.90%	68,368	1,533,578	3.86%

Notes:

(1) For the fiscal year ended June 30, 2015 and on, the District implemented GASB 68. This improves accounting and financial reporting by state and local governments for pensions. It required the District to bring the pension liability, or surplus, onto its books.

(2) Implemented in accordance with GASB 45.

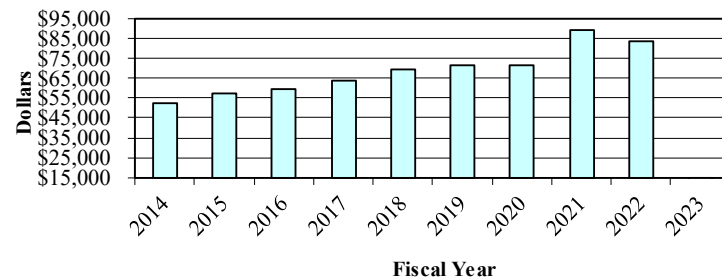
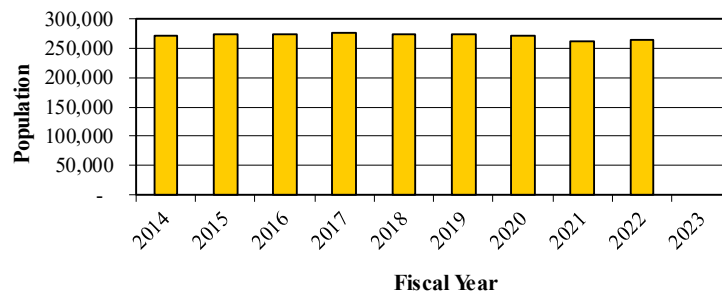
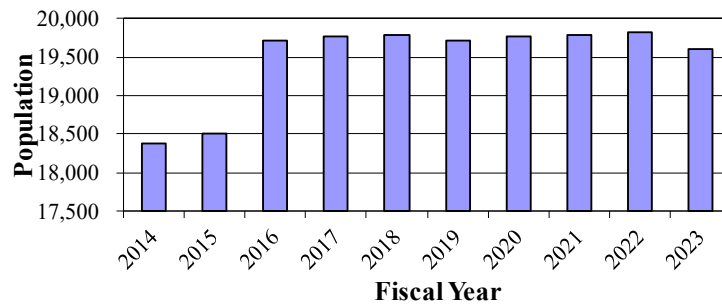
(3) For the fiscal year ended June 30, 2018 and on, the District implemented GASB 75, this replaced GASB 45. This improves accounting and financial reporting by state and local governments for other post employment benefits, similar to GASB 68 with pensions.

San Lorenzo Valley Water District Demographics and Economics Statistics Last Ten Fiscal Years

Schedule 11

Year	District Population ⁽²⁾	Unemployment Rate	County of Santa Cruz ⁽¹⁾		
			Population	Personal Income (thousands of dollars)	Personal Income per Capita
2014	18,373	8.7%	271,804	14,209,814	52,280
2015	18,508	7.5%	274,146	15,696,689	57,257
2016	19,718	6.9%	274,673	16,330,704	59,455
2017	19,770	5.7%	275,897	17,665,129	64,028
2018	19,783	4.9%	273,841	19,021,010	69,355
2019	19,713	4.7%	273,213	19,559,977	71,592
2020	19,770	11.4%	270,861	20,502,635	71,480
2021	19,788	6.9%	260,495	23,183,258	88,997
2022	19,828	4.8%	264,370	22,832,350	83,365
2023	19,610	*	*	*	*

* Current data not available yet



Notes:

(1) Only County data is updated annually. Therefore, the District has chosen to use its data since the District believes that the County data is representative of the conditions and experience of the District.

(2) Population data is assumed at 2.5 persons per connection.

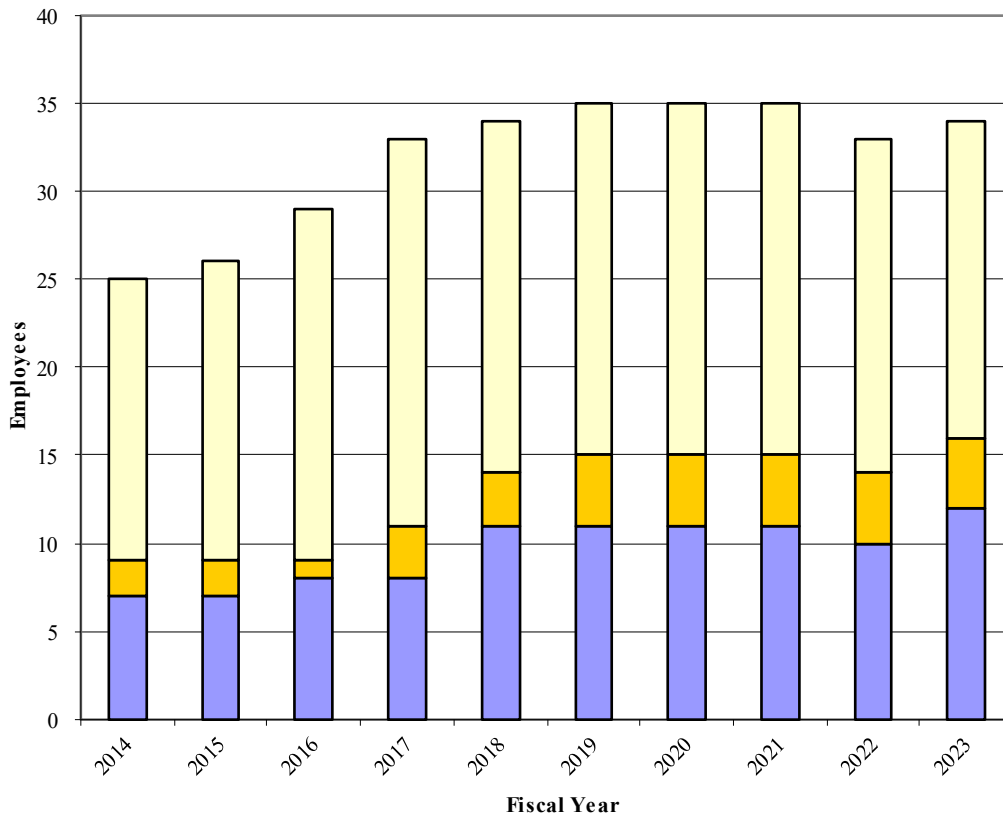
Sources: California Department of Finance, Bureau of Economic Analysis (BEA)
Bureau of Labor Statistics

**San Lorenzo Valley Water District
Full-Time Equivalent Employees
Last Ten Fiscal Years**

Schedule 12

Full-time Equivalent District Employees by Department

Fiscal Year	District Administration	Watershed & Engineering	Treatment & Operations	Total
2014	7	2	16	25
2015	7	2	17	26
2016	8	1	20	29
2017	8	3	22	33
2018	11	3	20	34
2019	11	4	20	35
2020	11	4	20	35
2021	11	4	20	35
2022	10	4	19	33
2023	12	4	18	34



Source: SLVWD Finance Department

**San Lorenzo Valley Water District
Operating and Capacity Indicators
Last Ten Fiscal Years**

Schedule 13

Other Operating and Capacity Indicators					
Fiscal Year	District Area (Square Miles)	Miles of Pipeline	Storage Capacity (MG)	Production Capacity TP ⁽¹⁾ (MGD)	Production Capacity Wells ⁽¹⁾ (MGD)
2014	58	140	8,472,000	2,300,000	1,800,000
2015	58	140	8,472,000	2,300,000	1,800,000
2016	60	169	9,297,000	2,700,000	1,800,000
2017	60	169	9,297,000	2,700,000	1,800,000
2018	60	169	9,297,000	2,700,000	1,800,000
2019	60	169	9,297,000	2,700,000	1,800,000
2020	60	169	9,697,000	2,700,000	1,800,000
2021	62	190	9,272,500	2,440,000	2,844,000
2022	(2) 62	190	9,396,620	2,440,000	2,844,000
2023	62	190	9,396,620	2,440,000	2,844,000

MG - Millions of Gallons

MGD - Millions of Gallons per Day

TP - Treatment Plant

Notes:

(1) Production capacity varies based on water levels during the year.

(2) From completed Master Plan

Sources: SLVWD Operations Department and Urban Water Management Plan

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Report on Internal Controls and Compliance



Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
Jeffrey Palmer

C.J. Brown & Company CPAs

An Accountancy Corporation

Cypress Office:
10805 Holder Street, Suite 150
Cypress, California 90630
(657) 214-2307

Riverside Office:
5051 Canyon Crest Drive, Suite 203
Riverside, California 92507
(657) 214-2307

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audits of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
San Lorenzo Valley Water District
Boulder Creek, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Lorenzo Valley Water District (District), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated January 4, 2024.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on Audits of Financial Statements
Performed in Accordance with *Government Auditing Standards*, continued**

Purpose of this Report

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

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
January 4, 2024

San Lorenzo Valley Water District

Acronyms and Glossary of Terms

The following is a listing of acronyms and glossary of terms that can commonly be found in past, current or potential future reports.

Acronyms

AF – Acre-Feet/Foot

ACFR – Annual Comprehensive Financial Report

ARC – Annual Required Contribution

CalPERS – California Public Employees Retirement System

CEQA – California Environmental Quality Act

CERBT – California Employers' Retiree Benefit Trust

CIP – Capital Improvement Project or Capital Improvement Program

COLA – Cost of Living Adjustment

COP – Certificates of Participation

CSDA – California Special District Association

CSMFO – California Society of Municipal Finance Officers

DOF – Department of Finance

DWR – Department of Water Resources

EIR – Environmental Impact Review

EPA – Environmental Protection Agency

ERP – Enterprise Resource Planning Software

FASB – Financial Accounting Standards Board

FBS – Finance and Business Services

FDIC – Federal Deposit Insurance Corporation

FMLA – Family Medical Leave Act

FSA – Flexible Spending Accounts

FTE – Full Time Equivalent

GAAP – Generally Accepted Accounting Principles

GASB – Governmental Accounting Standards Board

GFOA – Government Finance Officers Association

GIS – Geographic Information Systems

GPD – Gallons per Day

GPM – Gallons per Minute

GPS – Global Positioning Satellite

GSA – Groundwater Sustainability Agency

GSP – Groundwater Sustainability Plan

HR – Human Resources

San Lorenzo Valley Water District Acronyms and Glossary of Terms, continued

Acronyms, continued

JPA – Joint Powers Authority
LAFCO – Local Agency Formation Commission
LAIF – Local Agency Investment Fund
MG – Million Gallons
MGD – Million Gallons per Day
MOU – Memorandum of Understanding
O & M – Operations and Maintenance
OPEB – Other Post-Employment Benefits
PEPRA – Public Employees’ Pension Reform Act
PRV – Pressure Reducing Valve
RFP – Request for Proposal
RFQ – Request for Qualifications
SCADA – Supervisory Control and Data Acquisition
SDI – State Disability Insurance
SDRMA – Special District Risk Management Authority
SEIU – Service Employees International Union
SGMA – Sustainable Groundwater Management Act
TP – Treatment Plant
UWMP – Urban Water Management Plan

Glossary of Terms

Accrual Basis of Accounting – Method of accounting that recognizes the financial effect of transactions, and activities when they occur, regardless of the timing of related cash flows. Revenues are recorded when earned and expenses are recognized when incurred.

Acre Foot – an acre foot is enough water to cover an acre of land, about the size of a football field, one foot deep. It is the equivalent of about 326,000 gallons.

Asset – Anything of value such as an area of land, or a building, or an item of plant or equipment or infrastructure that provides service potential or future economic benefits over a period greater than three years, and has a cost that is material (at least \$5,000).

Balanced Budget – The District’s current operating expenses will be paid from current revenues and reserves carried forward from the prior year.

Board of Directors – The five public officials elected to represent the population within the District’s service area. Also referred to as “the Board”.

Budget – A financial plan showing authorized planned expenditures and their funding sources.

Budget Process – The schedule of key dates or milestones, which the District follows in the development, preparation, adoption, and administration of the budget.

San Lorenzo Valley Water District Acronyms and Glossary of Terms, continued

Glossary of Terms, continued

California Environmental Quality Act (CEQA) – A California statute passed in 1970, shortly after the United States federal government passed the National Environmental Policy Act (NEPA), to institute a statewide policy of environmental protection. CEQA does not directly regulate land uses, but instead requires state and local agencies within California to follow a protocol of analysis and public disclosure of environmental impacts of proposed projects and adopt all feasible measures to mitigate those impacts.

Capital Improvement Program (CIP) – Authorized expenditures for tangible and long-term physical improvements or additions of a fixed or permanent nature.

Capital Project – Projects budgeted as capital projects fall within the definition of capital expenditures, which means (1) they create or extend the lives of assets, (2) their work products have a useful life of more than three years, and (3) they involve an expenditure of District resources equal to or greater than \$5,000.

Centum Cubic-Feet (CCF) – The standard rate of billing for water service. The District calculates one CCF as one unit of water. One CCF is equal to 100 cubic feet of water, which is 748 gallons.

Consolidated Omnibus Budget Reconciliation Act (COBRA) – COBRA gives employees the right to pay premiums and keep the group health insurance that they would otherwise lose after they quit their jobs, lose their jobs, or reduce their work hours. COBRA benefits are typically available for 18 months.

Debt Service – The current year portion of interest costs and current year principal payments incurred on long-term debt.

Department – A major organizational unit with overall managerial responsibility for functional programs of the District.

Depreciation – The reduction in value of a long lived asset from use or obsolescence. The decline in value is recognized by a periodic allocation of the original cost of the asset to current operations on an income statement.

Enterprise Fund – A fund established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through “user charges.”

Environment Impact Review (EIR) – Written record submitted to a deciding authority that identifies and examines the likely environmental effects of the continuing operations of an existing facility or those of a proposed project, and proposes measures to avoid, mitigate, or offset the identified effects.

Expense – A cost incurred in the operations of the District, most often settled with the payment of cash.

Financial Accounting Standards Board (FASB) - is a private, non-profit organization standard-setting body whose primary purpose is to establish and improve Generally Accepted Accounting Principles within the United States in the public's interest.

Fiscal Year (FY) – A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operations. (SLVWD’s fiscal year is July 1 through June 30).

Flexible Spending Accounts (FSA) – A tax-favored program offered by employers that allows their employees to pay for eligible out-of-pocket health care and dependent care expenses with pre-tax dollars.

Full-Time Equivalent (FTE) – A measure of labor requirement equal to the full time use of one worker (e.g., could be one person full time or two people half time).

San Lorenzo Valley Water District
Acronyms and Glossary of Terms, continued

Glossary of Terms, continued

Generally Accepted Accounting Principles (GAAP) – A collection of commonly-followed accounting rules and standards for financial reporting.

Geographical Information Systems (GIS) – An information system integrating maps with electronic data.

Governmental Accounting Standards Board (GASB) – A private, non-governmental organization that is the source of generally accepted accounting principles (GAAP) used by State and Local governments in the United States.

Intertie – An interconnection permitting passage of water between two or more water utility systems.

Local Agency Formation Commission (LAFCO) – A public agency with county-wide jurisdiction that regulates, approves, or denies boundary changes proposed by other public agencies or individuals.

Management's Discussion and Analysis (MD&A) – Management provided overview, summary, and analysis of the basic financial statements.

Memorandum of Understanding (MOU) – A formal agreement between two or more parties, such as between the District and its labor bargaining groups.

Meter – A device that measures and records the quantity of a substance, such as water or energy that has passed through it during a specified period.

Other Post-Employment Benefits (OPEB) – Benefits, other than pensions, that a state or local government employee receives as part of his or her package of retirement benefits. The District's OPEB is limited to retiree health benefits.

Pay-Go – A capital financing strategy to pay-as-you go by cash funding capital projects with current and accumulated revenues rather than borrowing funds that will be repaid with future revenues.

Pressure Reducing Valve (PRV) – A pressure reducing valve is a relief valve that automatically reduces high incoming water pressure to provide a lower, more functional pressure for residential water use.

Pump – A mechanical device for raising or lifting water, pushing it, and changing flow and pressure.

Pump Station – A structure containing pumps and appurtenant piping, valves, and other mechanical and electrical equipment for pumping raw water.

Regulatory – Something that is required due to a permit requirement, mandated regulation, or legislation.

Reliability – The probability that a system performs a specified function or mission under given conditions for a prescribed time.

Reserves – The portion of cash and investments that are held for a specific future use.

Revenue – Income the District receives from a variety of sources such as rates and charges, fees, and interest earnings.

Statement of Cash Flows – reports cash receipts, cash payments, and net change in cash. Helps identify where did cash come from, what it was used for and what the change was during the reporting period.

Statement of Net Position – includes all of the District's investment in resources, deferred inflow/outflow of resources, and obligations to creditors.

Statement of Revenues, Expenses, and Changes in Net Position – Takes all of the current year's revenues and expenses to help measure the success of the District's operations over the past year.

San Lorenzo Valley Water District
Acronyms and Glossary of Terms, continued

Glossary of Terms, continued

Strategic Plan – The long-term goals, objectives, and performance measurement standards for the District.

Supervisory Control and Data Acquisition (SCADA) – A computer system that monitors and controls real time data from remote locations. The District uses a SCADA system to manage the tanks and pumps throughout the water distribution system.

Sustainability – The use of natural, community, fiscal, or utility resources in a manner that satisfies current needs without compromising future needs or options.

Tank – A vessel or container used to hold water or other liquid.

Transmission Main – A large water main that transports water from the main supply or source, to a distant area where the water is then further distributed. Finished water transmission mains usually have no or few connections.

Transmittal Letter – Letter from the District Manager, highlighting important details pertaining to the District. Is meant to compliment the MD&A and should be read in conjunction with the financials.

Urban Water Management Plan (UWMP) – A plan prepared by California urban water suppliers to support their long-term resource planning and ensure adequate water supplies are available to meet existing and future water demands. The UWMP must be prepared every 5 years. The District is currently starting its 2020 UWMP.

Valve – A device to regulate or isolate the flow of water.

Water Distribution System – A network of pipe, pumps, and storage facilities to transport potable water from the source/treatment facility to the consumer.

Water Quality – Various measures by which materials (contaminants) and appearance (aesthetics) are compared against what are considered appropriate levels for suitably potable water.

Water Quality Monitoring – Instrumentation and activities for measuring the quality of water.

Water Treatment – Any process that intentionally alters and improves the chemical, biological, or physical characteristics of water.

Water Treatment Plant – A facility where water treatment is performed to produce water for a specific end-use.

Well – (1) A subsurface source of water that is generally accessed through a drilled casing and pipe into the aquifer. (2) The entire system of the underground water source, pipe casing, pump, etc. Also called a borehole.