Coastside County Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2022 and 2021

Mission Statement

The mission of Coastside County Water District is to provide our customers with high quality water and service at the lowest possible price, in accordance with the following values:

- ***Reliability and sustainability of system facilities***
- ***Timeliness of District policies, procedures, actions, and decisions***
- ***50-year outlook when replacing infrastructure***
- ***Legality of all District actions and behaviors***
- ***Culture of openness, fairness, and inclusiveness***

Coastside County Water District

Board of Directors as of June 30, 2022

Name	Title	Elected/ Appointed	Current Term
Robert Feldman	President	Appointed	11/22-11/26
John Muller	Vice-President	Appointed	12/20-11/24
Ken Coverdell	Director	Appointed	12/20-11/24
Chris Mickelsen	Director	Appointed	11/22-11/26
Glenn Reynolds	Director	Appointed	12/20-11/24

Coastside County Water District
Mary Rogren, General Manager
766 Main Street
Half Moon Bay, California 94019
(650) 726-4405 – www.coastsidewater.org

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Table of Contents

Financial Section

C.J. Brown & Company CPAs
An Accountancy Corporation

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Independent Auditor's Report

Board of Directors
Coastside County Water District
Half Moon Bay, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Coastside County Water District (District), which comprises the statements of net position as of June 30, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position for the fiscal years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Coastside County Water District as of June 30, 2022 and 2021, and the changes in net position and cash flows 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; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls 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.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, in June 30, 2022, the District adopted the provisions of *Governmental Accounting Standards Board (GASB) Statement No. 87– Leases*.

As a result, the District has restated its net position to reflect the effects of the change in its accounting policy. Our opinion is not modified with respect to this matter.

Independent Auditor's Report, continued

Other Matters

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 9 and the required supplementary information on pages 52 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 55 and 56.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
January 10, 2023

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Coastside County Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2022 and 2021. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In fiscal year 2022, the District's net position increased 4.75% or $2,334,035 to $51,426,505 as a result from ongoing operations. In fiscal year 2021, the District's net position increased 6.00% or $2,779,357 to $49,092,470 as a result from ongoing operations.
- In fiscal year 2022, the District's operating revenues decreased 5.47% or $733,796 to $12,682,875. In fiscal year 2021, the District's operating revenues increased 4.16% or $535,551 to $13,416,671.
- In fiscal year 2022, the District's non-operating revenues increased 15.44% or $271,373 to $2,028,989. In fiscal year 2021, the District's non-operating revenues decreased 6.30% or $118,210 to $1,757,616.
- In fiscal year 2022, the District's operating expenses increased 0.98% or $93,097 to $9,559,793. In fiscal year 2021, the District's operating expenses increased 9.16% or $794,484 to $9,466,696.
- In fiscal year 2022, the District's non-operating expenses increased 2.85% or $14,217 to $513,334. In fiscal year 2021, the District's non-operating expenses decreased 6.32% or $33,671 to $499,117.
- In fiscal year 2022, the District's capital contributions increased 100.00% or $202,431. There were no capital contributions reported in fiscal year 2021.

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 Statement of Net Position include 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 revenue and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. These statements measure 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 report cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important question 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 of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting method 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, deferred outflows of resources, liabilities, and 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 are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation, such as changes 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 15 through 51.

Statements of Net Position

Condensed Statements of Net Position

	2022	As Restated 2021	Change	As Restated 2020	Change
Assets:					
Current assets	$ 18,741,000	13,642,622	5,098,378	11,753,966	1,888,656
Capital assets, net	61,990,971	57,538,937	4,452,034	56,950,166	588,771
Total assets	80,731,971	71,181,559	9,550,412	68,704,132	2,477,427
Deferred outflows of resources:	934,315	1,128,426	(194,111)	1,099,412	29,014
Liabilities:					
Current liabilities	2,272,395	1,837,111	435,284	1,778,308	58,803
Non-current liabilities	25,585,734	20,928,790	4,656,944	21,179,540	(250,750)
Total liabilities	27,858,129	22,765,901	5,092,228	22,957,848	(191,947)
Deferred inflows of resources:	2,648,939	742,281	1,906,658	990,159	(247,878)
Net position:					
Net investment in capital assets	40,702,488	42,678,956	(1,976,468)	41,466,948	1,212,008
Restricted	450,382	282,081	168,301	370,599	(88,518)
Unrestricted	10,273,635	6,131,433	4,142,202	4,475,566	1,655,867
Total net position	$ 51,426,505	49,092,470	2,334,035	46,313,113	2,779,357

Statements 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 exceeded liabilities and deferred inflows by $51,426,505 and $49,092,470 as of June 30, 2022 and 2021, respectively.

By far, the largest portion of the District's net position (79% and 87% as of June 30, 2022 and 2021, 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.

At the end of fiscal years 2022 and 2021, the District showed a positive balance in its unrestricted net position of $10,273,635 and $6,131,433, respectively, which may be utilized in future years. See Note 11 for further information.

Statements of Revenues, Expenses, and Changes in Net Position

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

	2022	As Restated 2021	Change	As Restated 2020	Change
Revenue:					
Operating revenue	$ 12,682,875	13,416,671	(733,796)	12,881,120	535,551
Non-operating revenue	2,028,989	1,757,616	271,373	1,875,826	(118,210)
Total revenue	14,711,864	15,174,287	(462,423)	14,756,946	417,341
Expense:					
Operating expense	9,559,793	9,466,696	93,097	8,672,212	794,484
Depreciation	2,507,133	2,429,117	78,016	2,266,638	162,479
Non-operating expense	513,334	499,117	14,217	532,788	(33,671)
Total expense	12,580,260	12,394,930	185,330	11,471,638	923,292
Net income before capital contributions	2,131,604	2,779,357	(647,753)	3,285,308	(505,951)
Capital contributions:	202,431	-	202,431	-	-
Change in net position	2,334,035	2,779,357	(445,322)	3,285,308	(505,951)
Net position, beginning of year, as previously stated	49,092,470	46,313,113	2,779,357	43,027,900	3,285,213
Prior period adjustment	-	-	-	(95)	95
Net position, beginning of year, as restated	49,092,470	46,313,113	2,779,357	43,027,805	3,285,308
Net position, end of year	$ 51,426,505	49,092,470	2,334,035	46,313,113	2,779,357

The Statements of Revenues, Expenses, and Changes of Net Position show how the District's net position changed during the fiscal years. In the case of the District, net position increased 4.75% or $2,334,035, in fiscal year 2022 to $51,426,505 as a result from ongoing operations. In fiscal year 2021, the District's net position increased 6.00% or $2,779,357 to $49,092,470 as a result from ongoing operations.

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

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

In fiscal year 2022, total revenues decreased 3.05% or $462,423 to $14,711,864. Operating revenues decreased 5.47% or $733,796, primarily due to a decrease in water consumption sales. Non-operating revenues increased 15.44% or $271,373, primarily due to increases of $204,000 in property tax revenue, $168,315 in transmission and storage fees, which were offset by a decrease of $107,906 in investment returns. In fiscal year 2021, total revenues increased 2.83% or $417,341 to $15,174,287. Operating revenues increased 4.16% or $535,551, primarily due to an increase in water consumption sales. Non-operating revenues decreased 6.30% or $118,210, primarily due to decreases of $119,075 in investment returns, $24,045 in transmission and storage fees, and $23,464 in other revenue, which were offset by an increase of $53,118 in property tax revenue.

In fiscal year 2022, total expenses (including depreciation) increased 1.50% or $185,330 to $12,580,260. Operating expenses increased 0.98% or $93,097, due primarily to increases of $525,261 in general and administrative expense which includes $289,430 in pension related actuarial adjustments, $340,432 in transmission and distribution which includes $153,228 in pension related actuarial adjustments, $177,898 in pumping expense which includes $124,853 in pension related actuarial adjustments, which were offset by a decrease of $950,494 in source of supply as compared to prior year. Non-operating expenses increased 2.85% or $14,217, due primarily to an increase of $41,139 in interest related to long-term debt, offset by decreases of $15,741 in County collection fees and $13,681 in loss on disposition of capital assets as compared to the prior year. In fiscal year 2021, total expenses (including depreciation) increased 8.05% or $923,292 to $12,394,930. Operating expenses increased 9.16% or $794,484, due primarily to increases of $989,681 in source of supply, $77,444 in pumping expense, and $30,731 in general and administrative expense; which were offset by a decrease of $303,372 in transmission and distribution as compared to prior year. Non-operating expenses decreased 6.32% or $33,671, due primarily to decreases of $31,761 in interest related to long-term debt and $13,592 in loss on disposal of capital assets, which were offset by a decrease of $11,682 in County collection fees as compared to the prior year.

In fiscal year 2022, the District's capital contributions increased 100.00% or $202,431 due primarily to an increase in capital contributions sourcing from the State. There were no capital contributions reported in fiscal year 2021.

Capital Asset Administration

Changes in capital asset amounts for 2022 were as follows:

	As Restated 2021	Additions	Transfers/ Deletions	Balance 2022
Capital assets:				
Non-depreciable assets	$ 4,228,967	6,974,666	(1,546,376)	9,657,257
Depreciable and amortizable assets	91,076,200	1,538,532	(62,265)	92,552,467
Accumulated depreciation and amortization	(37,766,230)	(2,507,133)	54,610	(40,218,753)
Total capital assets, net	$ 57,538,937	6,006,065	(1,554,031)	61,990,971

Capital Asset Administration, continued

Changes in capital asset amounts for 2021 were as follows:

		As Restated 2020	Additions	Transfers/ Deletions	As Restated 2021
Capital assets:					
Non-depreciable assets	$	2,712,254	3,044,940	(1,528,227)	4,228,967
Depreciable and amortizable assets		89,609,480	1,514,856	(48,136)	91,076,200
Accumulated depreciation and amortization		(35,371,568)	(2,429,117)	34,455	(37,766,230)
Total capital assets, net	$	56,950,166	2,130,679	(1,541,908)	57,538,937

At the end of fiscal years 2022 and 2021, the District's investment in capital assets amounted to $61,990,971 and $57,538,937 (net of accumulated depreciation and amortization), respectively. This investment in capital assets includes land, source of supply infrastructure, transmission and distribution systems, the Crystal Springs pump station, treatment plants, well fields and tanks, pipelines and meters, buildings and structures, vehicles, furniture and equipment, leased equipment, and construction-in-process. See Note 3 to the basic financial statements for further detailed information on the District's capital assets.

Debt Administration

Changes in long-term debt amounts for 2022 were as follows:

		As Restated 2021	Additions	Transfers/ Deletions	Balance 2022
Long-term debt:					
Lease payable	$	24,791	-	(8,532)	16,259
Loans payable		14,835,190	7,071,903	(634,869)	21,272,224
Total long-term debt	$	14,859,981	7,071,903	(643,401)	21,288,483

Changes in long-term debt amounts for 2021 were as follows:

		As Restated 2020	Additions	Transfers/ Deletions	As Restated 2021
Long-term debt:					
Lease payable	$	33,084	-	(8,293)	24,791
Loans payable		15,450,134	-	(614,944)	14,835,190
Total long-term debt	$	15,483,218	-	(623,237)	14,859,981

In 2022 and 2021, long-term debt decreased by $643,401 and $623,237 due to current year scheduled principal payments, respectively. The long-term debt position of the District is more fully analyzed in Note 6 to the basic financial statements.

Conditions Affecting Current Financial Position

Management is unaware of any 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 periods.

Requests for Information

This financial report is designed to provide the District's present users, including funding sources, customers, stakeholders, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability with respect to 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's General Manager at 766 Main Street, Half Moon Bay, California 94019 – (650) 726-5245.

Basic Financial Statements

Coastside County Water District
Statements of Net Position
June 30, 2022 and 2021

		2022	As Restated 2021
Current assets:			
Cash and cash equivalents (note 2)	$	16,113,342	11,083,431
Restricted – cash and cash equivalents (note 2)		200,382	32,081
Accrued interest receivable		18,632	4,300
Accounts receivable – water sales and services		1,666,569	1,932,177
Accounts receivable – other		26,547	7,883
Accounts receivable – property taxes		16,423	14,973
Materials and supplies inventory		228,322	177,096
Water-in-storage inventory		35,130	44,774
Prepaid expenses and other deposits		249,253	178,998
Leases receivable (note 3)		186,400	166,909
Total current assets		18,741,000	13,642,622
Non-current assets:			
Leases receivable (note 3)		267,287	290,667
Capital assets – not being depreciated (note 4)		9,657,257	4,228,967
Capital assets, net – being depreciated and amortized (note 4)		52,333,714	53,309,970
Total non-current assets		62,258,258	57,829,604
Total assets		80,999,258	71,472,226
Deferred outflows of resources:			
Deferred other post-employment benefits outflows (note 7)		123,441	213,774
Deferred pension outflows (note 8)		810,874	914,652
Total deferred outflows of resources	$	934,315	1,128,426

Continued on next page

See accompanying notes to the basic financial statements

Coastside County Water District
Statements of Net Position, continued
June 30, 2022 and 2021

	2022	As Restated 2021
Current liabilities:		
Accounts payable and accrued expenses	$ 817,378	608,283
Accrued wages and related payables	100,001	86,864
Customer deposits and deferred revenue	59,485	274,917
Accrued interest payable	202,641	160,992
Long-term liabilities – due within one year:		
Compensated absences (note 5)	83,431	62,654
Leases payable (note 6)	8,779	8,532
Loans payable (note 6)	1,000,680	634,869
Total current liabilities	2,272,395	1,837,111
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 5)	250,294	187,961
Leases payable (note 6)	7,480	16,259
Loans payable (note 6)	20,271,544	14,200,321
Net other post-employment benefit liability (note 7)	2,643,416	2,568,827
Net pension liability (note 8)	2,413,000	3,955,422
Total non-current liabilities	25,585,734	20,928,790
Total liabilities	27,858,129	22,765,901
Deferred inflows of resources:		
Deferred other post-employment benefits inflows (note 7)	35,556	131,612
Deferred pension inflows (note 8)	2,185,310	179,155
Deferred lease inflows (note 3)	428,073	431,514
Total deferred inflows	2,648,939	742,281
Net position:		
Net investment in capital assets (note 9)	40,702,488	42,678,956
Restricted (note 10)	450,382	282,081
Unrestricted (note 11)	10,273,635	6,131,433
Total net position	$ 51,426,505	49,092,470

See accompanying notes to the basic financial statements

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

	2022	As Restated 2021
Operating revenues:		
Water consumption sales	$ 12,682,875	13,416,671
Total operating revenues	12,682,875	13,416,671
Operating expenses:		
Source of supply	1,973,872	2,924,366
Pumping	1,664,481	1,486,583
Transmission and distribution	2,327,598	1,987,166
General and administrative	3,593,842	3,068,581
Total operating expenses	9,559,793	9,466,696
Operating income before depreciation and amortization expense	3,123,082	3,949,975
Depreciation and amortization expense	(2,507,133)	(2,429,117)
Operating income	615,949	1,520,858
Non-operating revenue(expense):		
Property taxes	1,720,333	1,516,333
Investment returns	(103,546)	4,360
Transmission and storage fees	200,375	32,060
Lease revenue	176,342	176,299
Lease interest earnings	12,386	15,660
Interest expense	(500,044)	(458,905)
Collection fees – County	(13,290)	(29,031)
Gain (loss) on disposition of assets	2,500	(11,181)
Other revenue	20,599	12,904
Total non-operating, net	1,515,655	1,258,499
Net income before capital contributions	2,131,604	2,779,357
Capital contributions:		
Capital contributions – state	202,431	-
Total capital contributions	202,431	-
Change in net position	2,334,035	2,779,357
Net position, beginning of year, as restated (note 12)	49,092,470	46,313,113
Net position, end of year	$ 51,426,505	49,092,470

See accompanying notes to the basic financial statements

Coastside County Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2022 and 2021

		2022	As Restated 2021
Cash flows from operating activities:			
Cash receipts from customers for water sales and services	$	12,714,387	13,601,897
Cash paid to employees for salaries and wages		(3,481,851)	(3,426,163)
Cash paid to vendors and suppliers for materials and services		(5,003,363)	(6,478,556)
Net cash provided by operating activities		4,229,173	3,697,178
Cash flows from non-capital financing activities:			
Cash receipts from property taxes		1,718,883	1,545,372
Cash paid for collection fees		(13,290)	(29,031)
Net cash provided by operating activities		1,705,593	1,516,341
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(6,942,350)	(2,528,306)
Proceeds from capital contributions		202,431	-
Proceeds from sale of capital assets		2,500	-
Proceeds from issuance of debt		7,071,903	-
Principal paid on long-term debt		(643,401)	(623,237)
Interest paid on long-term debt		(458,395)	(464,846)
Net cash used in capital and related financing activities		(767,312)	(3,616,389)
Cash flows from investing activities:			
Investment returns		14,483	19,551
Principal received on leases receivable		3,889	168,301
Interest received on leases receivable		12,386	15,660
Net cash provided by investing activities		30,758	203,512
Net increase in cash and cash equivalents		5,198,212	1,800,642
Cash and cash equivalents, beginning of year		11,115,512	9,314,870
Cash and cash equivalents, end of year	$	16,313,724	11,115,512
Reconciliation of cash and cash equivalents to the statement of financial position:			
Cash and cash equivalents	$	16,113,342	11,083,431
Restricted assets – cash and cash equivalents		200,382	32,081
Total cash and cash equivalents	$	16,313,724	11,115,512

Continued on next page

See accompanying notes to the basic financial statements

Coastside County Water District
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2022 and 2021

		2022	As Restated 2021
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	615,949	1,520,858
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		2,507,133	2,429,117
Other revenues		397,316	221,263
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
(Increase)Decrease in assets:			
Accounts receivable – water sales and services		265,608	(58,570)
Accounts receivable – other		(18,664)	25,700
Materials and supplies inventory		(51,226)	(13,377)
Water-in-storage inventory		9,644	(22,119)
Prepaid expenses and other deposits		(70,255)	(64,833)
(Increase)Decrease in deferred outflows of resources			
Deferred other post-employement benefits outflows		90,333	(158,496)
Deferred pension outflows		103,778	129,482
Increase(Decrease) in liabilities and deferred inflows:			
Accounts payable and accrued expenses		209,095	(200,259)
Accrued wages and related payables		13,137	18,486
Customer deposits and deferred revenue		(215,432)	218,096
Compensated absences		83,110	33,028
Other post-employment benefit obligation		(74,589)	(250,600)
Net pension liability		(1,542,422)	117,280
Decrease in deferred inflows of resources			
Deferred other post-employement benefits inflows		(96,056)	(37,881)
Deferred pension inflows		2,006,155	(33,604)
Deferred lease inflows		(3,441)	(176,393)
Total adjustments		3,613,224	2,176,320
Net cash provided by operating activities	$	4,229,173	3,697,178
Non cash investing, capital and related financing activities:			
Change in fair value of funds deposited with LAIF	$	132,361	437

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

The Coastside County Water District (District) was formed in July 1947 for the purposes of furnishing potable water within the District's service area. The District operates under the authority of the provisions found in Division 12 of the State of California Water Code. The District is located in San Mateo County and includes the City of Half Moon Bay and the unincorporated communities of El Granada, Miramar, and Princeton-By-The-Sea. The District provides water to approximately 19,000 customers. The District is governed by a five-member Board of Directors who serve overlapping four-year terms.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

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 to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants and similar funding. 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 and expenses, such as water sales and water purchases, 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. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

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.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

Financial Reporting

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

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In October 2021, the GASB issued Statement No. 98 – *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of Annual Comprehensive Financial Report and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for Annual Comprehensive Financial Report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

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

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 and liabilities and the disclosures of contingent assets and liabilities 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.

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.

Investments

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.

Fair Value Measurements

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 the asset, as follows:

- *Level 1* – This valuation level is based on quoted prices in active markets for identical assets.
- *Level 2* – This valuation level 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* – This valuation level is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

Accounts Receivable

The District extends credit to customers in the normal course of operations. Management has evaluated the accounts and believes all accounts are collectible at June 30. When management deems customer accounts uncollectible, the District uses the direct write off method for the write-off those accounts to bad debt expense.

Restricted Assets

Certain assets of the District are restricted for use by ordinance or debt covenant and, accordingly, are shown as restricted assets on the accompanying statements of net assets. The District uses restricted resources, prior to using unrestricted resources, to pay expenditures meeting the criteria imposed on the use of restricted resources by a third party.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

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

Inventory and Water-in-Storage

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

Prepaids

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

Lease Receivable / Payable

Leases receivable / payable are measured at the present value of payments expected to be received (paid) during the lease term.

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 estimated 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:

- Source of supply infrastructure – 10 to 50 years
- Transmission and distribution system – 50 years
- Pump station – Crystal Springs – 50 years
- Treatment Plants – 30 years
- Well field and tanks – 10 to 50 years
- Buildings and structures – 5 to 50 years
- Vehicles – 5 to 10 years
- Furniture and equipment – 5 to 10 years

Leased equipment is amortized on a straight-line basis over the life of the lease.

Deferred Outflows of Resources

The statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of resources applicable to future periods and therefore will *not* be recognized as an outflow of resources (expenditure) until that time. The District has the following pension related items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred outflow which is equal to the employer contributions made after the measurement date of the total OPEB liability. This amount will be amortized-in-full against the total OPEB liability in the next fiscal year.
- Deferred outflow for the net changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

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

Deferred Outflows of Resources, continued

Pensions

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net difference in actual and proportionate share of employer contribution which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

Compensated Absences

The District's personnel policies provide for accumulation of vacation and sick leave. Liabilities for vacation and portions of sick leave are recorded when benefits are earned. Cash payment of unused vacation is available to those qualified employees when retired or terminated. Cash payment of unused sick leave is payable at 50% to those employees eligible for retirement and meet vesting requirements.

Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District’s OPEB plan (Plan) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2020
- Measurement Dates: June 30, 2021 and June 30, 2020
- Measurement Periods: July 1, 2020 to June 30, 2021 and July 1, 2019 to June 30, 2020

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District’s California Public Employees’ Retirement System (CalPERS) plans (Plans) and 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 this report, the following timeframes are used:

- Valuation Dates: June 30, 2020 and June 30, 2019
- Measurement Dates: June 30, 2021 and June 30, 2020
- Measurement Periods: July 1, 2020 to June 30, 2021 and July 1, 2019 to June 30, 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

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

Deferred Inflows of Resources

The statements of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources,* represents an acquisition of resources applicable to future periods and therefore will *not* be recognized as an inflow of resources (revenue) until that time. The District has the following pension related item that qualifies for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred inflow for the Plans' experience (gains)/losses which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan.

Pensions

- Deferred inflow for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over a 5 year period.
- Deferred inflow for the net adjustment due to differences in the changes in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

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 debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position

- *Restricted* – Consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.

- *Unrestricted* – The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

Property Taxes

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

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

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

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

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.

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.

(2) Cash and Investments

Cash and investments as of June 30 are classified in the accompanying financial statements as follows:

		2022	2021
Cash and cash equivalents	$	16,113,342	11,083,431
Cash and cash equivalents – restricted		200,382	32,081
Total cash and investments	$	16,313,724	11,115,512

Cash and cash equivalents as of June 30 consist of the following:

		2022	2021
Cash on hand	$	800	800
Deposits with financial institutions		4,144,848	5,828,720
Investments		12,168,076	5,285,992
Total cash and cash equivalents	$	16,313,724	11,115,512

As of June 30, the District's authorized deposits had the following maturities:

	2022	2021
Deposits in Local Agency Investment Fund	311 days	291 days

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

The table on the following page 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.

(2) Cash and Investments, continued

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

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
State and local bonds, notes and warrants	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits.

The California Government Code requires that a financial institution, secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balances, up to $250,000 held at each institution were federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

(2) Cash and Investments, continued

Custodial Credit Risk, continued

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and the Pool).

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to change with 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.

At June 30, 2022 and 2021, the District's investments held to maturity were categorized as twelve months or less, respectively.

Credit Risk

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 year-end for each investment type.

Credit ratings at June 30, 2022 consisted of the following:

Investment Types	Total	Minimum Legal Rating	Rating as of Year End AAA	Rating as of Year End Not Rated
Local Agency Investment Fund (LAIF)	$ 10,148,448	N/A	$ -	10,148,448
Money Market Funds	2,019,628	AAA	2,019,628	-
Total	$ 12,168,076		$ 2,019,628	10,148,448

Credit ratings at June 30, 2021 consisted of the following:

Investment Types	Total	Minimum Legal Rating	Rating as of Year End AAA	Rating as of Year End Not Rated
Local Agency Investment Fund (LAIF)	$ 5,266,543	N/A	$ -	5,266,543
Money Market Funds	19,449	AAA	19,449	-
Total	$ 5,285,992		$ 19,449	5,266,543

(2) Cash and Investments, continued

Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for external investment pools) that represent 5% or more of total District's investments at June 30, 2022 and 2021, respectively.

Fair Value Measurements

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

		Fair Value Measurements Using		
Investment Type	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Money market funds	$ 2,019,628	2,019,628	-	-
Total investments measured at fair value	2,019,628	2,019,628	-	-
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	10,148,448			
Total	$ 12,168,076			

Investments measured at fair value on a recurring and non-recurring basis at June 30, 2021 are as follows:

		Fair Value Measurements Using		
Investment Type	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Money market funds	$ 19,449	19,449	-	-
Total investments measured at fair value	19,449	19,449	-	-
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	5,266,543			
Total	$ 5,285,992			

(3) Leases Receivable

Changes in leases receivable for the year ended June 30, were as follows:

	Restated 2021	Additions	Principal Payments	Balance 2022	Current Portion	Long-term Portion	Deferred Inflows
Leases receivable:							
T Mobile SF1842	$ 101,135	-	(44,867)	56,268	48,074	8,194	$ (50,928)
T Mobile SF1943	84,455	-	(37,467)	46,988	40,146	6,842	(42,555)
Crown 147386	144,848	-	(31,680)	113,168	33,844	79,324	(104,224)
Crown 150104a	23,025	-	(23,025)	-	-	-	-
Crown 150104b	-	173,539	(10,519)	163,020	32,404	130,616	(161,970)
Verizon	104,113	-	(29,870)	74,243	31,932	42,311	(68,396)
Total leases receivabl	$ 457,576	173,539	(177,428)	453,687	186,400	267,287	$ (428,073)

Changes in leases receivable for the year ended June 30, were as follows:

	Restated 2020	Additions	Principal Payments	Restated 2021	Current Portion	Long-term Portion	Deferred Inflows
Leases receivable:							
T Mobile SF1842	$ 142,956	-	(41,821)	101,135	44,867	56,268	$ (94,581)
T Mobile SF1943	119,474	-	(35,019)	84,455	37,467	46,988	(79,030)
Crown 147386	174,706	-	(29,858)	144,848	31,680	113,168	(137,137)
Crown 150104a	56,302	-	(33,277)	23,025	23,025	-	(21,971)
Crown 150104b	-	-	-	-	-	-	-
Verizon	132,439	-	(28,326)	104,113	29,870	74,243	(98,795)
Total leases receivabl	$ 625,877	-	(168,301)	457,576	166,909	290,667	$ (431,514)

T-Mobile – SF1842

On August 25, 2008, the District entered into a lease agreement with T-Mobile Wireless. T-Mobile has agreed to pay the District for purpose of leasing communication tower space at the Alves Tank site. The terms of the agreement require T-Mobile to pay the District in annual installments through August 2028 and is adjusted annually by a rate of 4.00%.

Following the provisions set forth by *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 4.00%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2022 and 2021, deferred inflows were reported at $50,928 and $94,581, respectively.

Future payments to be received and deferred inflows as of June 30, 2022, are as follows:

Fiscal Year	Principal	Interest	Total	Deferred Inflows
2023	$ 48,074	982	49,056	$ (43,653)
2024	8,194	29	8,223	(7,275)
Total	56,268	1,011	57,279	$ (50,928)
Current	(48,074)			
Non-current	$ 8,194			

(3) Leases Receivable, continued

T-Mobile – SF1943

On August 25, 2008, the District entered into a lease agreement with T-Mobile Wireless. T-Mobile has agreed to pay the District for purpose of leasing communication tower space at the Miramar Tank site. The terms of the agreement require T-Mobile to pay the District in annual installments through August 2028 and is adjusted annually by a rate of 4.00%.

Following the provisions set forth by *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 4.00%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2022 and 2021, deferred inflows were reported at $42,555 and $79,030, respectively.

Future payments to be received and deferred inflows as of June 30, 2022, are as follows:

Fiscal Year	Principal	Interest	Total	Deferred Inflows
2023	$ 40,146	820	40,966	$ (36,476)
2024	6,842	24	6,866	(6,079)
Total	46,988	844	47,832	$ (42,555)
Current	(40,146)			
Non-current	$ 6,842			

Crown – 147386

On September 1, 2000, the District entered into a lease agreement with Sprint Wireless (Crown). Crown has agreed to pay the District for purpose of leasing communication tower space at the Miramar Tank site. The terms of the agreement require Crown to pay the District in annual installments through August 2030 and is adjusted annually by a CPI rate of 3.00%.

Following the provisions set forth by *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 4.00%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2022 and 2021, deferred inflows were reported at $104,224 and $137,137, respectively.

Future payments to be received and deferred inflows as of June 30, 2022, are as follows:

Fiscal Year	Principal	Interest	Total	Deferred Inflows
2023	$ 33,844	2,788	36,632	$ (32,913)
2024	35,563	1,801	37,364	(32,913)
2025	37,348	764	38,112	(32,913)
2026	6,413	23	6,436	(5,485)
Total	113,168	5,376	118,544	$ (104,224)
Current	(33,844)			
Non-current	$ 79,324			

(3) Leases Receivable, continued

Crown – 150104 b & a

On March 1, 1997, the District entered into a lease agreement with Sprint Wireless (Crown). Crown has agreed to pay the District for purpose of leasing communication tower space at the Nunes Waste Treatment Plant site. The terms of the agreement require Crown to pay the District in annual installments through February 2027 and is adjusted annually by a CPI rate of 3.00%.

Following the provisions set forth by *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 4.00%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2022 and 2021, deferred inflows were reported at $161,970 and $21,971, respectively.

Future payments to be received and deferred inflows as of June 30, 2022, are as follows:

Fiscal Year		Principal	Interest	Total		Deferred Inflows
2023	$	32,404	4,227	36,631	$	(34,708)
2024		34,082	3,282	37,364		(34,708)
2025		35,824	2,288	38,112		(34,708)
2026		35,984	1,261	37,245		(34,708)
2027		24,726	266	24,992		(23,138)
Total		163,020	11,324	174,344	$	(161,970)
Current		(32,404)				
Non-current	$	130,616				

Verizon

On October 1, 2009, the District entered into a lease agreement with Verizon Wireless (Verizon). Verizon has agreed to pay the District for purpose of leasing communication tower space at the Nunes Waste Treatment Plant site. The terms of the agreement require Verizon to pay the District in annual installments through February 2027 and is adjusted annually by a CPI rate of 3.00%.

Following the provisions set forth by *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 4.00%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2022 and 2021, deferred inflows were reported at $68,936 and $98,795, respectively.

Future payments to be received and deferred inflows as of June 30, 2022, are as follows:

Fiscal Year		Principal	Interest	Total		Deferred Inflows
2023	$	31,932	1,704	33,636	$	(30,398)
2024		33,694	770	34,464		(30,398)
2025		8,617	41	8,658		(7,600)
Total		74,243	2,515	76,758	$	(68,396)
Current		(31,932)				
Non-current	$	42,311				

(4) Capital Assets

Changes in capital assets for the year ended June 30, 2022 were as follows:

	As Restated 2021	Additions/ Transfers	Deletions/ Transfers	Balance 2022
Non-depreciable assets:				
Land	$ 574,372	-	-	574,372
Construction-in-process	3,654,595	6,974,666	(1,546,376)	9,082,885
Total non-depreciable assets	4,228,967	6,974,666	(1,546,376)	9,657,257
Depreciable and amortizable assets:				
Source of supply	401,040	-	-	401,040
Transmission and distribution	19,604,200	161,374	-	19,765,574
Pump station – Crystal Springs	26,172,476	-	-	26,172,476
Treatment plants	12,590,950	305,283	-	12,896,233
Well field and tanks	4,459,150	-	-	4,459,150
Pipelines and meters	22,983,100	265,734	-	23,248,834
Buildings and structures	1,258,882	163,432	-	1,422,314
Vehicles	984,745	412,705	(43,507)	1,353,943
Furniture and equipment	2,579,192	230,004	(18,758)	2,790,438
Leased equipment	42,465	-	-	42,465
Total depreciable and amortizable assets	91,076,200	1,538,532	(62,265)	92,552,467
Accumulated depreciation and amortization:				
Depreciable assets	(37,747,822)	(2,498,637)	54,610	(40,191,849)
Amortizable assets	(18,408)	(8,496)	-	(26,904)
Total accumulated depreciation and amortization:	(37,766,230)	(2,507,133)	54,610	(40,218,753)
Total depreciable assets, net	53,309,970	(968,601)	(7,655)	52,333,714
Total capital assets, net	$ 57,538,937	6,006,065	(1,554,031)	61,990,971

Major changes to capital assets in 2022 consisted primarily of additions of $305,283 in upgrades to treatment plants, $265,734 in additions to pipelines and meters, $161,374 in upgrades to transmission and distribution, $163,432 in upgrades to buildings and structures, $412,705 in vehicles, and $230,004 in additions to furniture and equipment. $42,465 in leased equipment was added during the implementation of GASB 87. Please see Note 13 for further information. Major deletions include $1,546,376 in transfers from construction in progress to depreciable assets, $43,507 in disposals of vehicles, and $18,758 in disposals of furniture and equipment.

(4) Capital Assets, continued

Changes in capital assets for the year ended June 30, 2021 were as follows:

	As Restated 2020	Additions/ Transfers	Deletions/ Transfers	As Restated 2021
Non-depreciable assets:				
Land	$ 160,612	413,760	-	574,372
Construction-in-process	2,551,642	2,631,180	(1,528,227)	3,654,595
Total non-depreciable assets	2,712,254	3,044,940	(1,528,227)	4,228,967
Depreciable and amortizable assets:				
Source of supply	401,040	-	-	401,040
Transmission and distribution	19,531,529	72,671	-	19,604,200
Pump station – Crystal Springs	26,172,476	-	-	26,172,476
Treatment plants	11,519,523	1,071,427	-	12,590,950
Well field and tanks	4,374,574	84,576	-	4,459,150
Pipelines and meters	22,821,216	210,020	(48,136)	22,983,100
Buildings and structures	1,217,129	41,753	-	1,258,882
Vehicles	984,745	-	-	984,745
Furniture and equipment	2,544,783	34,409	-	2,579,192
Leased equipment	42,465	-	-	42,465
Total depreciable and amortizable assets	89,609,480	1,514,856	(48,136)	91,076,200
Accumulated depreciation and amortization:				
Depreciable assets	(35,361,656)	(2,420,621)	34,455	(37,747,822)
Amortizable assets	(9,912)	(8,496)	-	(18,408)
Total accumulated depreciation and amortization:	(35,371,568)	(2,429,117)	34,455	(37,766,230)
Total depreciable assets, net	54,237,912	(914,261)	(13,681)	53,309,970
Total capital assets, net	$ 56,950,166	2,130,679	(1,541,908)	57,538,937

Major changes to capital assets in 2021 consisted primarily of additions of $1,071,427 in upgrades to treatment plants, $210,020 in additions to pipelines and meters, $84,576 in upgrades to well field and tanks, $72,671 in upgrades to transmission and distribution, $41,753 in upgrades to buildings and structures, and $34,409 in additions to furniture and equipment. Major deletions include $1,528,227 in transfers from construction in progress to depreciable assets and $48,136 in disposals of pipelines and meters.

(5) Compensated Absences

Changes to compensated absences for the year ended June 30, 2022 were as follows:

Balance 2021	Earned	Taken	Balance 2022	Current Portion	Long-term Portion
$ 250,615	295,860	(212,750)	333,725	83,431	250,294

Changes to compensated absences for the year ended June 30, 2021 were as follows:

Balance 2020	Earned	Taken	Balance 2021	Current Portion	Long-term Portion
$ 217,587	201,571	(168,543)	250,615	62,654	187,961

(6) Long-term Debt

Changes in long-term debt amounts for the year ended June 30, 2022 were as follows:

Long-term debt:	As Restated 2021	Additions	Payments	As Restated 2022	Current Portion	Long-term Portion
Lease payable:						
Ray Morgan Company	$ 24,791	-	(8,532)	16,259	8,779	7,480
Total lease payable	24,791	-	(8,532)	16,259	8,779	7,480
Loans payable:						
CIEDB Installment Loan – 2011	$ 5,276,693	-	(188,201)	5,088,492	193,452	4,895,040
CIEDB Installment Loan – 2016	5,138,818	-	(132,991)	5,005,827	137,565	4,868,262
JP Morgan Chase Bank NA	4,419,679	-	(313,677)	4,106,002	323,617	3,782,385
First Foundation Public Finance	-	7,071,903	-	7,071,903	346,046	6,725,857
Total loans payable	14,835,190	7,071,903	(634,869)	21,272,224	1,000,680	20,271,544
Long-term debt	$ 14,859,981	7,071,903	(643,401)	21,288,483	1,009,459	20,279,024

Changes in long-term debt amounts for the year ended June 30, 2021 were as follows:

Long-term debt:	As Restated 2020	Additions	Payments	As Restated 2021	Current Portion	Long-term Portion
Lease payable:						
Ray Morgan Company	$ 33,084	-	(8,293)	24,791	8,532	16,259
Total lease payable	33,084	-	(8,293)	24,791	8,532	16,259
Loans payable:						
CIEDB Installment Loan – 2011	$ 5,459,785	-	(183,092)	5,276,693	188,201	5,088,492
CIEDB Installment Loan – 2016	5,267,386	-	(128,568)	5,138,818	132,991	5,005,827
First Foundation Public Finance	4,722,963	-	(303,284)	4,419,679	313,677	4,106,002
Total loans payable	15,450,134	-	(614,944)	14,835,190	634,869	14,200,321
Long-term debt	$ 15,483,218	-	(623,237)	14,859,981	643,401	14,216,580

(6) Long-term Debt, continued

Ray Morgan Company – Equipment Lease

On March 4, 2019, the District entered into an agreement with Ray Morgan Company, to lease copier equipment for use in the District's administrative office. Terms of the agreement commenced on April 15, 2019, for a period of 60 months, with rent due monthly at $761 per month for the entire lease term.

Following the provisions set forth by *GASB Statement No. 87*, the District has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 2.85%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease payments are as follows:

Year		Principal	Interest	Total
2023	$	8,779	349	9,128
2024		7,480	98	7,578
Total		16,259	447	16,706
Current		(8,779)		
Long-term	$	7,480		

CEIDB Installment Loan – 2011

On October 10, 2011, the District entered into an installment loan in the amount $6,765,500 from the California Infrastructure and Economic Development Bank (CIEDB) for the purpose of financing the construction of the Denniston Creek Water Treatment Plant improvement project. Terms of the loan included a 30-year term with semi-annual interest of 2.79% (plus an annual fee of 0.3%) which is payable on August 1 and February 1. Principal payments commenced on February 1, 2013, maturing in fiscal year 2042.

On March 1, 2015, the District and CEIDB into a replacement installment loan agreement for the outstanding balance of $6,143,789 for the purpose of reducing the semi-annual interest to 2.54%.

Future remaining debt service payments are as follows:

Year		Principal	Interest	Total
2023	$	193,452	142,056	335,508
2024		198,849	136,494	335,343
2025		204,397	116,687	321,084
2026		210,099	111,423	321,523
2027		215,961	106,012	321,974
2028-2032		1,173,619	443,463	1,617,083
2033-2037		1,346,733	283,663	1,630,396
2038-2042		1,545,382	100,291	1,645,673
Total		5,088,492	1,440,091	6,528,583
Current		(193,452)		
Long-term	$	4,895,040		

(6) Long-term Debt, continued

CEIDB Installment Loan – 2016

On May 1, 2016, the District entered into an installment loan in the amount $5,628,000 from the California Infrastructure and Economic Development Bank (CIEDB) for the purpose of financing the District's Facilities Improvements project. Terms of the loan included a 30-year term with semi-annual interest of 3.44% (plus an annual fee of 0.3%) which is payable on August 1 and February 1. Principal payments commenced on August 1, 2017, maturing in fiscal year 2046.

Future remaining debt service payments are as follows:

Year		Principal	Interest	Total
2023	$	137,565	169,834	307,399
2024		142,298	165,021	307,319
2025		147,193	160,041	307,234
2026		152,256	154,891	307,147
2027		157,494	149,563	307,057
2028-2032		872,561	661,261	1,533,822
2033-2037		1,033,327	497,728	1,531,055
2038-2042		1,223,716	304,065	1,527,781
2043-2046		1,139,417	80,048	1,219,465
Total		5,005,827	2,342,452	7,348,279
Current		(137,565)		
Long-term	$	4,868,262		

JP Morgan Chase Loan – 2018

On July 23, 2018, the District entered into an installment loan agreement with JP Morgan Chase Bank in the amount of $5,311,319 for purpose of refinancing the District's 2006 Series B Water Revenue Bonds (through the California Statewide Communities Development Authority) originally used to finance certain capital improvements to the District's water system. Terms of the loan include semi-annual interest of 2.85% which is payable on October 1 and April 1. Principal payments commenced on October 1, 2018, maturing in fiscal year 2033.

Future remaining debt service payments are as follows:

Year		Principal	Interest	Total
2023	$	323,617	112,410	436,027
2024		334,197	103,036	437,233
2025		339,384	93,437	432,821
2026		349,256	83,624	432,880
2027		363,716	73,464	437,180
2028-2032		1,968,492	204,355	2,172,847
2033		427,340	6,090	433,430
Total		4,106,002	676,416	4,782,418
Current		(323,617)		
Long-term	$	3,782,385		

(6) Long-term Debt, continued

First Foundation Public Finance– 2022

On March 11, 2022, the District entered into an installment loan agreement with First Foundation Public Finance in the amount of $7,071,903 for purpose of financing capital improvements to the District's water system. Terms of the loan include semi-annual interest of 2.23% which is payable on September 1 and March 1. Principal payments commence on September 1, 2022, maturing in fiscal year 2043.

Future remaining debt service payments are as follows:

Year	Principal	Interest	Total
2023	$ 346,046	149,464	495,510
2024	270,531	146,970	417,501
2025	276,564	140,870	417,434
2026	282,731	134,634	417,365
2027	289,036	128,259	417,295
2028-2032	1,544,786	540,577	2,085,363
2033-2037	1,724,884	358,470	2,083,354
2038-2042	1,925,980	155,132	2,081,112
2043	411,345	4,586	415,931
Total	7,071,903	1,758,962	8,830,865
Current	(346,046)		
Long-term	$ 6,725,857		

(7) Other Post-employment Benefits (OPEB) Plan

General Information about the OPEB Plan

Plan Description

The District's defined benefit Other Post-Employment Benefit (OPEB) Plan (Plan) provides OPEB for all vested full-time employees who satisfy the eligibility rules. The Plan is a single-employer defined benefit OPEB plan administered by the District. The District's Board has the authority to establish and amend the benefit terms and financing requirements of the Plan.

Benefits Provided

To be eligible for retiree health benefits, an employee must retire from the District on or after age 55 with at least 15 years of continuous service. Dependents are also eligible to receive benefits. Retirees may enroll in any plan available through the District's ACWA-JPIA (Association of California Water Agencies Joint Powers Insurance Authority) Medical Program. The District provides coverage of single-party medical and vision premiums for life and dental benefits until age 65. Employees hired after November 14, 2006 and before November 1, 2008, will receive 50% of the benefits coverage offered. Employees hired after November 1, 2008, are not eligible for post-employment health benefits.

(7) Other Post-employment Benefits (OPEB) Plan, continued

Employees Covered by Benefit Terms

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

	2022	2021
Active plan members	8	8
Retirees and beneficiaries receiving benefits	8	9
Total Plan membership	16	17

Contributions

The Plan and its contribution requirements for eligible retired employees of the District are established and may be amended by the Board of Directors. The District pays 100% of its share of the cost of health and vision insurance for retirees and dental insurance up to age 65 under any group plan offered by ACWA-JPIA, subject to certain restrictions as determined by the District. The annual contribution is based on the actuarially determined contribution.

As of the fiscal years ended June 30, the contributions were as follows:

	2022	2021
Contributions – employer	$ 56,080	59,118

As of June 30 2022 and 2021, employer OPEB contributions of $56,080 and $59,118 will be and were recognized as a reduction of total OPEB liability in the fiscal years ended June 30, 2023 and 2022, respectively.

Total OPEB Liability

As of the fiscal year ended June 30, the District reported its total OPEB liability as follows:

	2022	2021
Total OPEB liability	$ 2,643,416	2,568,827

The District's total OPEB liability was measured as of June 30, 2022 and 2021, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2020, respectively. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

(7) Other Post-employment Benefits (OPEB) Plan, continued

Changes in the Total OPEB Liability

Changes in the total OPEB liability as of June 30, were as follows:

		June 30, 2022	June 30, 2021
Balance at beginning of year	$	2,568,827	2,318,227
Changes for the year:			
Service cost		75,384	42,880
Interest		56,548	80,847
Employer contributions		(59,118)	(53,593)
Expected minus actual payments		(13,149)	(5,915)
Experience (gains)/losses		-	(60,712)
Assumption changes		14,924	247,093
Net changes		74,589	250,600
Balance at end of year	$	2,643,416	2,568,827

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

For the fiscal years ended June 30, 2022 and 2021, the District recognized OPEB expense of $124,926 and $113,341, respectively.

At June 30, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		June 30, 2022		June 30, 2021	
Description		**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
OPEB contributions subsequent to the measurement date at June 30	$	56,080	-	59,118	-
Net change in assumptions		67,361	-	154,656	-
Experience (gains)/losses		-	(35,556)	-	(131,612)
Total	$	123,441	(35,556)	213,774	(131,612)

(7) Other Post-employment Benefits (OPEB) Plan, continued

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

As of June 30, 2022, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the total OPEB liability. OPEB related amounts will be recognized as OPEB expense as follows.

Fiscal Year Ending June 30,		Deferred Net Outflows / (Inflows) of Resources
2023	$	31,296
2024		509

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2022 – 2.50 percent 2021 – 2.75 percent
Salary increases	2.75 percent
Discount rate	2022 – 2.16 percent 2021 – 2.20 percent
Healthcare cost trend rates	4.00 percent per year
Retirees' share of benefit-related costs	100 percent of projected health insurance premiums for retirees at age 55 with a minimum 15 years of servic who were hired prior to November 15, 2006. 50 percent of projected health insurance premiums for retirees at age 55 with a minimum 15 years of servic who were hired after November 14, 2006 and before November 1, 2008.

Discount Rate

As of the measurement dates June 30, 2021 and 2020, the discount rate used to measure the total OPEB liability was 2.16 percent and 2.20 percent, respectively. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates.

(7) Other Post-employment Benefits (OPEB) Plan, continued

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 discount rate:

At June 30, 2022, the discount rate comparison was the following:

	Discount Rate - 1% (1.16%)	Discount Rate (2.16%)	Discount Rate + 1% (3.16%)
District's total OPEB liability	$ 3,039,417	2,643,416	2,319,852

At June 30, 2021, the discount rate comparison was the following:

	Discount Rate - 1% (1.20%)	Discount Rate (2.20%)	Discount Rate + 1% (3.20%)
District's total OPEB liability	$ 2,960,956	2,568,827	2,249,883

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 healthcare cost trend rates that are 1-percentage-point lower (3.00 percent decreasing to 2.00 percent) or 1-percentage-point higher (5.00 percent decreasing to 4.00 percent) than the current healthcare cost trend rates:

At June 30, 2022 the healthcare cost trend rate comparison was the following:

	1% Decrease (3.00% decreasing to 2.00%)	Healthcare Cost Trend Rates (4.00% decreasing to 3.00%)	1% Increase (5.00% decreasing to 4.00%)
District's total OPEB liability	$ 2,251,989	2,643,416	3,134,025

At June 30, 2021 the healthcare cost trend rate comparison was the following:

	1% Decrease (3.00% decreasing to 2.00%)	Healthcare Cost Trend Rates (4.00% decreasing to 3.00%)	1% Increase (5.00% decreasing to 4.00%)
District's total OPEB liability	$ 2,200,735	2,568,827	3,029,048

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

See page 52 for the Required Supplementary Information.

(8) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). 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.

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. The 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 January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 60 (New Classic) Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. Employees hired after January 1, 2013, and have not previously participated in a CalPERS plan are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA. New employees that have previously participated in the Classic Plan are eligible for the District's CalPERS 2.0% at 60 Retirement Plan.

The Plan's provisions and benefits in effect at June 30 are summarized as follows:

	Miscellaneous Plan		
	Classic	**New Classic**	**PEPRA**
Hire date	Prior to August 14, 2010	On or after August 14, 2010, and prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55 - 60	55 - 60	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.5% to 2.4%	1.0% to 2.5%
2022:			
Required employee contribution rates	7.96%	6.92%	7.25%
Required employer contribution rates	12.99%	9.30%	7.73%
2021:			
Required employee contribution rates	7.953%	6.918%	7.250%
Required employer contribution rates	13.146%	9.442%	7.874%

(8) Defined Benefit Pension Plan, continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers to be determined on an annual basis by the actuary and shall be effective on the July 1, following notice of a change in the rate. 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.

As of the fiscal year ended June 30, the contributions for the Plan were as follows:

	Miscellaneous Plan	
	2022	**2021**
Contributions – employer	$ 527,859	480,383

Net Pension Liability

As of the fiscal year ended June 30, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan was as follows:

	Proportionate Share of Net Pension Liability	
	2022	**2021**
Miscellaneous Plan	$ 2,413,000	3,955,422

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021 and 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and 2019, rolled forward to June 30, 2021 and 2020, 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 change in the proportionate share of the pension liability for the District's Plan as of the fiscal year ended June 30, were as follows:

	Miscellaneous Plan	
	2022	**2021**
Proportion – beginning of year	0.03635%	0.03746%
Proportion – end of year	0.04462%	0.03635%
Change – Increase (Decrease)	0.00827%	-0.00111%

Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2022 and 2021, the District recognized pension expense of $1,095,370 and $693,541, respectively.

(8) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources, continued

As of June 30, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		June 30, 2022		June 30, 2021	
Description		**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Pension contributions subsequent to the measurement date	$	527,859	-	480,383	-
Net difference between actual and expected experience		270,592	-	203,834	-
Net change in assumptions		-	-	-	(28,212)
Net difference between projected and actual earnings on plan investments		-	(2,106,420)	117,502	-
Net difference between actual contribution and proportionate share of contribution		12,423	-	112,933	-
Net adjustment due to differences in proportions of net pension liability		-	(78,890)	-	(150,943)
Total	$	810,874	(2,185,310)	914,652	(179,155)

As of June 30 2022 and 2021, employer pension contributions of $527,859 and $480,383, reported as deferred outflows of resources related to contributions subsequent to the measurement date will be and was recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2023 and 2022, respectively.

As of June 30, 2022, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense as follows.

Fiscal Year Ending June 30,		Deferred Net Outflows / (Inflows) of Resources
2023	$	(404,790)
2024		(448,473)
2023		(473,090)
2026		(575,942)

(8) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liability in the June 30, 2021 and 2020, actuarial valuation report was determined using the following actuarial assumptions:

Valuation Date	June 30, 2020 and 2019
Measurement Date	June 30, 2021 and 2020
Actuarial cost method	Entry Age Normal in accordance with the requiremen of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of pension plan investment and administrative expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Fur
Period upon which actuarial Experience Survey assumptions were based	2021 and 2020 – 1997–2015
Post Retirement Benefit	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

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

(8) Defined Benefit Pension Plan, continued

Discount Rate, continued

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The tables below reflect the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

As of June 30, 2021 the target allocation and the long-term expected real rate of return by asset class were as follows:

Asset Class	Strategic Allocation	Real Return Years 1–10*	Real Return Year 11+**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100%		

* An expected inflation of 2.00% used for this period
** An expected inflation of 2.92% used for this period

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

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

At June 30, 2022 the discount rate comparison was the following:

	Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
District's Net pension liability	$ 4,446,104	2,413,000	732,263

(8) Defined Benefit Pension Plan, continued

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

At June 30, 2021 the discount rate comparison was the following:

		Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
District's Net pension liability	$	5,818,882	3,955,422	2,415,704

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See pages 53 and 54 for the Required Supplementary Information.

Payable to the Pension Plan

At June 30, 2022 and 2021, the District reported no payables for the outstanding amount of contribution to the pension plan, respectively.

(9) Net Investment in Capital Assets

Calculation of net investment in capital assets as of June 30 were as follows:

		2022	As Restated 2021
Capital assets:			
Capital assets – not being depreciated	$	9,657,257	4,228,967
Capital assets, net – being depreciated and amortized		52,333,714	53,309,970
Current:			
Leases payable		(8,779)	(8,532)
Loans payable		(1,000,680)	(634,869)
Non-current:			
Leases payable		(7,480)	(16,259)
Loans payable		(20,271,544)	(14,200,321)
Total net investment in capital assets	$	40,702,488	42,678,956

(10) Restricted Net Position

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

		2022	As Restated 2021
Restricted – cash and cash equivalents	$	200,382	32,081
Restricted – rate stabilization		250,000	250,000
Total restricted net position	$	450,382	282,081

(11) Unrestricted Net Position

Unrestricted net position as of June 30 were categorized as follows:

		2022	As Restated 2021
Non-spendable net position:			
Materials and supplies inventory	$	228,322	177,096
Water-in-storage inventory		35,130	44,774
Prepaid expenses and other deposits		249,253	178,998
Total non-spendable net position		512,705	400,868
Spendable net position are designated as follows:			
Unrestricted		9,760,930	5,730,565
Total spendable net position		9,760,930	5,730,565
Total unrestricted net position	$	10,273,635	6,131,433

(12) Adjustments to Net Position

In fiscal year 2022, the District implemented GASB Statement No. 87 to recognize its lessee and lessor agreements. The nature, justification, and an explanation of the change are included in Note 1.C.

As a result of the implementation for the District's lessee agreement, the District recorded a right to use asset included as part of capital assets, a lease payable, reclassified a portion of its equipment lease expense to interest expense, and has recorded prior period adjustments to restate net position as of June 30, 2020 and 2021. Please see Notes 4 and 6 for further information.

As a result of the implementation for the District' lessor agreements, the District recorded leases receivable, deferred lease inflows of resources, reclassified a portion of its rental income to interest income, and has recorded prior period adjustments to restate net position as of June 30, 2020 and 2021. Please see Note 3 for further information.

(12) Adjustments to Net Position, continued

The adjustments to net position were as follows:

Net position at July 1, 2019, as previously stated	$	43,027,900
Effect of the adjustment to establish a right-to-use asset and lease payable as a result of GASB 87		(95)
Net position at July 1, 2019, as adjusted		43,027,805
Change in net position at June 30, 2020, as previously stated		3,267,774
Effect of the adjustments for 2020 equipment lease asset and liability balances as a result of GASB 87		(436)
Effect of the adjustments for 2020 to record lease receivables and deferred inflows as a result of GASB 87		17,970
Subtotal adjustments		17,534
Net position at June 30, 2020, as restated	$	46,313,113
Change in net position at June 30, 2021, as previously stated		2,771,468
Effect of the adjustments for 2021 equipment lease asset and liability balances as a result of GASB 87		(203)
Effect of the adjustments for 2021 to record lease receivables and deferred inflows as a result of GASB 87		8,092
Subtotal adjustments		7,889
Net position at June 30, 2021, as restated	$	49,092,470

(13) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust with The Variable Annuity Life Insurance Company (VALIC) and Mass Mutual for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. The total market value of all plan assets held in trust at June 30, 2022 and 2021, was $1,909,363 and $2,139,945, respectively.

The District has implemented GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statements of net position.

(14) 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 is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2022, the District participates in the ACWA/JPIA pooled programs for liability, property, and workers' compensation programs as follows:

- General and auto liability, public officials and employees' errors and omissions: The ACWA/JPIAs total risk financing self-insurance limits of $5,000,000 per occurrence. The ACWA/JPIA purchased additional excess coverage layers: $50 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition, the District also has the following insurance coverage:

- Crime coverage up to $100,000 per loss includes public employee dishonesty, depositor's forgery or alteration, theft, computer and funds transfer fraud coverage's, subject to $1,000 deductible per loss.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of $500 million per loss, subject to a $2,500 deductible per loss. Mobile equipment and vehicles, on file, are paid on actual cost value basis at time of loss and subject to $1,000 deductible per loss.
- Boiler and machinery coverage for the replacement cost up to $100 million per occurrence, subject to various deductibles depending on the type of equipment, on file.
- Cyber liability: including cyber-security up to $5,000,000 aggregate limit. Cyber liability deductible is $100,000 per incident.
- Workers' compensation coverage up to California statutory limits for all work-related injuries/illnesses covered by California law; a pooled self-insured limit of $2,000,000. The ACWA/JPIA purchased additional excess coverage layer: $2,000,000 employer's liability.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2022, 2021 and 2020. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2022, 2021, and 2020, respectively.

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2022 that have effective dates that may impact future financial presentations.

The following pronouncement implementation dates have been delayed due to the COVID-19 pandemic.

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap;(6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 94

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.

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 96

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.

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

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 will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

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

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 will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

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.

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

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.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

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

(16) Commitments and Contingencies

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and capital contributions.

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.

(17) Subsequent Events

Events occurring after June 30, 2022, have been evaluated for possible adjustment to the financial statements or disclosure as of January 10, 2023, which is the date the financial statements were available to be issued.

Required Supplementary Information

Coastside County Water District
Schedules of Changes in the District's Total OPEB Liability and Related Ratios
As of June 30, 2022
Last Ten Years*

Fiscal year		June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB liability						
Service cost	$	75,384	42,880	46,953	45,696	44,473
Interest		56,548	80,847	90,043	91,126	81,573
Employer contributions		(59,118)	(53,593)	(40,360)	(61,033)	(58,686)
Expected minus actual payments		(13,149)	-	(16,052)	-	-
Assumption changes		14,924	247,093	97,523	(107,249)	-
Experience (gains)/losses		-	(66,627)	(234,153)	-	-
Net change in total OPEB liability		74,589	250,600	(56,046)	(31,460)	67,360
Total OPEB liability – beginning		2,568,827	2,318,227	2,374,273	2,405,733	2,338,373
Total OPEB liability – ending	$	2,643,416	2,568,827	2,318,227	2,374,273	2,405,733
Covered employee payroll	$	2,224,572	2,177,776	2,330,675	1,990,577	1,939,509
Total OPEB liability as a percentage of covered payroll		84.16%	84.78%	100.54%	83.84%	80.62%
Valuation Date		June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2017	June 30, 2017
Methods and Assumptions Used to Determine Contribution Rates:						
Single and Agent Employers		Entry age	Entry age	Entry age	Entry age	Entry age
Amortization Method		(1)	(1)	(1)	(1)	(1)
Inflation		2.50%	2.75%	2.75%	2.75%	2.75%
Salary Increases		2.75%	2.75%	2.75%	2.75%	2.75%
Investment Rate of Return		2.16%	2.20%	3.50%	3.80%	3.50%
Mortality, Retirement, Turnover		(2)	(2)	(2)	(2)	(2)

(1) Level percentage of payroll, closed

(2) 2017 CalPERS OPEB Assumption Model (2021)
2014 CalPERS OPEB Assumption Model (2020 – 2018)

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

Coastside County Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2022
Last Ten Years*

	Measurement Dates							
Description	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.04462%	0.03635%	0.03746%	0.03848%	0.03951%	0.04102%	0.04484%	0.04212%
District's proportionate share of the net pension liability	$ 2,413,000	3,955,422	3,838,142	3,708,081	3,917,927	3,955,422	3,077,582	2,620,900
District's covered payroll	$ 2,224,572	2,177,776	2,330,675	1,990,577	1,939,509	1,885,311	1,689,259	1,562,529
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.47%	181.63%	164.68%	186.28%	202.01%	209.80%	182.19%	167.73%
District's fiduciary net position as a percentage of the district's total pension liability	84.33%	71.75%	72.87%	71.99%	69.62%	69.14%	71.67%	76.34%

Notes To Schedule:

There were no changes in benefits.

Changes in Assumptions:

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

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

The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

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

There were no changes in assumptions.

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

The discount rate was reduced from 7.65% to 7.15%

From fiscal year June 30, 2018 to June 30, 2019:

The inflation rate was reduced from 2.75% to 2.50%

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:

There were no changes in assumptions.

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

Coastside County Water District
Schedules of Pension Plan Contributions
As of June 30, 2022
Last Ten Years*

	Fiscal Years Ended							
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	$ 570,912	498,892	446,799	591,439	537,586	489,709	451,848	389,014
contribution's in relation to the actuarially determined contribution	(570,912)	(498,892)	(446,799)	(591,439)	(537,586)	(489,709)	(451,848)	(389,014)
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-
Covered payroll	$ 2,224,572	2,177,776	2,330,675	1,990,577	1,939,509	1,885,311	1,689,259	1,562,529
Contribution's as a percentage of covered payroll	25.66%	22.91%	19.17%	29.71%	27.72%	25.97%	26.75%	24.90%

Notes To Schedule:

Valuation date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Methods and assumptions used to determine contribution rates:								
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation	2.50%	2.50%	2.63%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.15% (3)	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed.
(2) Depending on age, service, and type of employment.
(3) Net of pension plan investment expenser, including inflation.
(4) 50 for all plans with exception of 52 for Miscellaneous 2% @ 62.
(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

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

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Report on Internal Controls and Compliance

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Independent Auditor's Report on Internal Controls 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
Coastside County Water District
Half Moon Bay, 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 Coastside County Water District (District) as of and for the years ended June 30, 2022 and 2021, 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 10, 2023.

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 Controls 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 10, 2023