



Coastside County Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2023 and 2022





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, 2023**

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

Coastside County Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2023 and 2022

**Coastside County Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2023 and 2022**

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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, 2023 and 2022, 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, 2023 and 2022, 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.

Independent Auditor's Report, continued

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, 2023, the District adopted the provisions of *Governmental Accounting Standards Board (GASB) Statement No. 96 – Subscription-Based Information Technology Arrangements*.

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 9, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 9, 2024

Coastside County Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2023 and 2022

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

Financial Highlights

- In fiscal year 2023, the District's net position increased 5.10% or \$2,624,816 to \$54,081,737 as a result from ongoing operations. In fiscal year 2022, the District's net position increased 4.75% or \$2,331,249 to \$51,456,921 as a result from ongoing operations.
- In fiscal year 2023, the District's operating revenues decreased 9.78% or \$1,239,963 to \$11,442,912. In fiscal year 2022, the District's operating revenues decreased 5.47% or \$733,796 to \$12,682,875.
- In fiscal year 2023, the District's non-operating revenues increased 9.18% or \$186,176 to \$2,215,165. In fiscal year 2022, the District's non-operating revenues increased 15.44% or \$271,373 to \$2,028,989.
- In fiscal year 2023, the District's operating expenses decreased 17.61% or \$1,675,606 to \$7,840,882. In fiscal year 2022, the District's operating expenses increased 1.00% or \$94,516 to \$9,516,488.
- In fiscal year 2023, the District's non-operating expenses increased 19.42% or \$100,796 to \$619,807. In fiscal year 2022, the District's non-operating expenses increased 3.69% or \$18,475 to \$519,011.
- In fiscal year 2023, there were no reportable capital contributions. In fiscal year 2022, the District's capital contributions increased 100.00% or \$202,431.

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.

Coastside County Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Financial Analysis of the District

One of the most important 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

	<u>2023</u>	<u>As Restated 2022</u>	<u>Change</u>	<u>As Restated 2021</u>	<u>Change</u>
Assets:					
Current assets	\$ 15,745,146	18,741,000	(2,995,854)	13,642,622	5,098,378
Non-current assets	148,912	267,287	(118,375)	290,667	(23,380)
Capital assets, net	<u>65,656,956</u>	<u>62,182,935</u>	<u>3,474,021</u>	<u>57,771,315</u>	<u>4,411,620</u>
Total assets	<u>81,551,014</u>	<u>81,191,222</u>	<u>359,792</u>	<u>71,704,604</u>	<u>9,486,618</u>
Deferred outflows of resources:	<u>1,999,894</u>	<u>934,315</u>	<u>1,065,579</u>	<u>1,128,426</u>	<u>(194,111)</u>
Liabilities:					
Current liabilities	2,199,722	2,311,096	(111,374)	1,874,739	436,357
Non-current liabilities	<u>26,070,285</u>	<u>25,708,581</u>	<u>361,704</u>	<u>21,090,338</u>	<u>4,618,243</u>
Total liabilities	<u>28,270,007</u>	<u>28,019,677</u>	<u>250,330</u>	<u>22,965,077</u>	<u>5,054,600</u>
Deferred inflows of resources:	<u>1,199,164</u>	<u>2,648,939</u>	<u>(1,449,775)</u>	<u>742,281</u>	<u>1,906,658</u>
Net position:					
Net investment in capital assets	45,255,084	40,732,904	4,522,180	42,712,158	(1,979,254)
Restricted	314,093	450,382	(136,289)	370,599	79,783
Unrestricted	<u>8,512,560</u>	<u>10,273,635</u>	<u>(1,761,075)</u>	<u>6,042,915</u>	<u>4,230,720</u>
Total net position	<u>\$ 54,081,737</u>	<u>51,456,921</u>	<u>2,624,816</u>	<u>49,125,672</u>	<u>2,331,249</u>

Coastside County Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2023 and 2022

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 \$54,081,737 and \$51,456,921 as of June 30, 2023 and 2022, respectively.

By far, the largest portion of the District's net position (84% and 79% as of June 30, 2023 and 2022, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2023 and 2022, the District showed a positive balance in its unrestricted net position of \$8,512,560 and \$10,273,635, 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

	<u>2023</u>	<u>As Restated 2022</u>	<u>Change</u>	<u>As Restated 2021</u>	<u>Change</u>
Revenue:					
Operating revenue	\$ 11,442,912	12,682,875	(1,239,963)	13,416,671	(733,796)
Non-operating revenue	2,215,165	2,028,989	186,176	1,757,616	271,373
Total revenue	<u>13,658,077</u>	<u>14,711,864</u>	<u>(1,053,787)</u>	<u>15,174,287</u>	<u>(462,423)</u>
Expense:					
Operating expense	7,840,882	9,516,488	(1,675,606)	9,421,972	94,516
Depreciation	2,572,572	2,547,547	25,025	2,439,220	108,327
Non-operating expense	619,807	519,011	100,796	500,536	18,475
Total expense	<u>11,033,261</u>	<u>12,583,046</u>	<u>(1,549,785)</u>	<u>12,361,728</u>	<u>221,318</u>
Net income before capital contributions	2,624,816	2,128,818	495,998	2,812,559	(683,741)
Capital contributions:	<u>-</u>	<u>202,431</u>	<u>(202,431)</u>	<u>-</u>	<u>202,431</u>
Change in net position	2,624,816	2,331,249	293,567	2,812,559	(481,310)
Net position, beginning of year, as restated	<u>51,456,921</u>	<u>49,125,672</u>	<u>2,331,249</u>	<u>46,313,113</u>	<u>2,812,559</u>
Net position, end of year	<u>\$ 54,081,737</u>	<u>51,456,921</u>	<u>2,624,816</u>	<u>49,125,672</u>	<u>2,331,249</u>

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 5.10% or \$2,624,816, in fiscal year 2023 to \$54,081,737 as a result from ongoing operations. In fiscal year 2022, the District's net position increased 4.75% or \$2,331,249, to \$51,456,921 as a result of ongoing operations.

Coastside County Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2023 and 2022

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 2023, total revenues decreased 7.16% or \$1,053,786 to \$13,658,078. Operating revenues decreased 9.78% or \$1,239,963, due to a decrease in water consumption sales. Non-operating revenues increased 9.18% or \$186,176, primarily due to increases of \$303,001 in investment returns and \$25,245 in property taxes, offset by a decrease of \$136,255 in transmission and storage fees. In fiscal year 2022, total revenues decreased 3.05% or \$462,423 to \$14,711,864. Operating revenues decreased 5.47% or \$733,796, 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, offset by a decrease of \$107,906 in investment returns.

In fiscal year 2023, total expenses (including depreciation) decreased 12.32% or \$1,549,785 to \$11,033,261. Operating expenses decreased 17.61% or \$1,675,606, due to decreases of \$799,293 in pumping expense which includes \$121,980 in pension related actuarial adjustments, \$791,263 in general and administrative expense which includes \$592,222 in pension related actuarial adjustments, \$108,691 in source of supply due to a decrease in consumption, which were offset by an increase of \$23,641 in transmission and distribution which includes \$345,615 in pension related actuarial adjustments as compared to prior year. Non-operating expenses increased 19.42% or \$100,796, due primarily to an increase of \$95,800 in interest related to long-term debt as compared to the prior year. In fiscal year 2022, total expenses (including depreciation) increased 1.79% or \$221,318 to \$12,583,046. Operating expenses increased 1.00% or \$94,516, due to increases of \$526,680 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 3.69% or \$18,475, due primarily to an increase of \$45,397 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 2023, there were no reportable capital contributions. 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.

Capital Asset Administration

Changes in capital asset amounts for 2023 were as follows:

	<u>As Restated</u> <u>2022</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>2023</u>
Capital assets:				
Non-depreciable assets	\$ 9,657,257	5,814,108	(2,919,654)	12,551,711
Depreciable and amortizable assets	92,794,948	3,152,139	(17,165)	95,929,922
Accumulated depreciation and amortization	<u>(40,269,270)</u>	<u>(2,572,572)</u>	<u>17,165</u>	<u>(42,824,677)</u>
Total capital assets, net	<u>\$ 62,182,935</u>	<u>6,393,675</u>	<u>(2,919,654)</u>	<u>65,656,956</u>

Coastside County Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Capital Asset Administration, continued

Changes in capital asset amounts for 2022 were as follows:

	<u>As Restated 2021</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>As Restated 2022</u>
Capital assets:				
Non-depreciable assets	\$ 4,228,967	6,974,666	(1,546,376)	9,657,257
Depreciable and amortizable assets	91,318,681	1,538,532	(62,265)	92,794,948
Accumulated depreciation and amortization	<u>(37,776,333)</u>	<u>(2,547,547)</u>	<u>54,610</u>	<u>(40,269,270)</u>
Total capital assets, net	<u>\$ 57,771,315</u>	<u>5,965,651</u>	<u>(1,554,031)</u>	<u>62,182,935</u>

At the end of fiscal years 2023 and 2022, the District's investment in capital assets amounted to \$65,656,956 and \$62,182,935 (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, leased software, 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 2023 were as follows:

	<u>As Restated 2022</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2023</u>
Long-term debt:				
Lease payable	\$ 177,807	-	(47,480)	130,327
Loans payable	<u>21,272,224</u>	<u>-</u>	<u>(1,000,679)</u>	<u>20,271,545</u>
Total long-term debt	<u>\$ 21,450,031</u>	<u>-</u>	<u>(1,048,159)</u>	<u>20,401,872</u>

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

	<u>As Restated 2021</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>As Restated 2022</u>
Long-term debt:				
Lease payable	\$ 223,967	-	(46,160)	177,807
Loans payable	<u>14,835,190</u>	<u>7,071,903</u>	<u>(634,869)</u>	<u>21,272,224</u>
Total long-term debt	<u>\$ 15,059,157</u>	<u>7,071,903</u>	<u>(681,029)</u>	<u>21,450,031</u>

In 2023, long-term debt decreased by \$1,048,159 due to current year scheduled principal payments. In 2022, long-term debt increased by \$7,071,903 and decreased by \$681,029 due to current year scheduled principal payments. The long-term debt position of the District is more fully analyzed in Note 6 to the basic financial statements.

Coastside County Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2023 and 2022

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 Assistant General Manager – Finance and Administration at 766 Main Street, Half Moon Bay, California 94019 – (650) 726-4405.

Basic Financial Statements

Coastside County Water District
Statements of Net Position
June 30, 2023 and 2022

	<u>2023</u>	<u>As Restated 2022</u>
Current assets:		
Cash and cash equivalents (note 2)	\$ 13,349,964	16,113,342
Restricted – cash and cash equivalents (note 2)	64,093	200,382
Accrued interest receivable	101,779	18,632
Accounts receivable – water sales and services	1,531,293	1,666,569
Accounts receivable – other	22,647	26,547
Accounts receivable – property taxes	21,554	16,423
Materials and supplies inventory	274,166	228,322
Water-in-storage inventory	33,088	35,130
Prepaid expenses and other deposits	228,187	249,253
Leases receivable (note 3)	118,375	186,400
Total current assets	<u>15,745,146</u>	<u>18,741,000</u>
Non-current assets:		
Leases receivable (note 3)	148,912	267,287
Capital assets – not being depreciated (note 4)	12,551,711	9,657,257
Capital assets, net – being depreciated and amortized (note 4)	53,105,245	52,525,678
Total non-current assets	<u>65,805,868</u>	<u>62,450,222</u>
Total assets	<u>81,551,014</u>	<u>81,191,222</u>
Deferred outflows of resources:		
Deferred other post-employment benefits outflows (note 7)	43,202	123,441
Deferred pension outflows (note 8)	1,956,692	810,874
Total deferred outflows of resources	<u>\$ 1,999,894</u>	<u>934,315</u>

Continued on next page

See accompanying notes to the basic financial statements

Coastside County Water District
Statements of Net Position, continued
June 30, 2023 and 2022

	<u>2023</u>	<u>As Restated 2022</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 740,219	817,378
Accrued wages and related payables	107,246	100,001
Customer deposits and deferred revenue	65,749	59,485
Accrued interest payable	198,529	202,641
Long-term liabilities – due within one year:		
Compensated absences (note 5)	94,820	83,431
Leases payable (note 6)	47,284	47,480
Loans payable (note 6)	945,875	1,000,680
Total current liabilities	<u>2,199,722</u>	<u>2,311,096</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 5)	284,461	250,294
Leases payable (note 6)	83,043	130,327
Loans payable (note 6)	19,325,670	20,271,544
Net other post-employment benefit liability (note 7)	1,749,650	2,643,416
Net pension liability (note 8)	4,627,461	2,413,000
Total non-current liabilities	<u>26,070,285</u>	<u>25,708,581</u>
Total liabilities	<u>28,270,007</u>	<u>28,019,677</u>
Deferred inflows of resources:		
Deferred other post-employment benefits inflows (note 7)	658,144	35,556
Deferred pension inflows (note 8)	291,094	2,185,310
Deferred lease inflows (note 3)	249,926	428,073
Total deferred inflows	<u>1,199,164</u>	<u>2,648,939</u>
Net position:		
Net investment in capital assets (note 9)	45,255,084	40,732,904
Restricted (note 10)	314,093	450,382
Unrestricted (note 11)	8,512,560	10,273,635
Total net position	<u>\$ 54,081,737</u>	<u>51,456,921</u>

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, 2023 and 2022

	<u>2023</u>	<u>As Restated 2022</u>
Operating revenues:		
Water consumption sales	\$ 11,442,912	12,682,875
Total operating revenues	<u>11,442,912</u>	<u>12,682,875</u>
Operating expenses:		
Source of supply	1,865,181	1,973,872
Pumping	865,188	1,664,481
Transmission and distribution	2,351,239	2,327,598
General and administrative	2,759,274	3,550,537
Total operating expenses	<u>7,840,882</u>	<u>9,516,488</u>
Operating income before depreciation and amortization expense	3,602,030	3,166,387
Depreciation and amortization expense	<u>(2,572,572)</u>	<u>(2,547,547)</u>
Operating income	<u>1,029,458</u>	<u>618,840</u>
Non-operating revenue(expense):		
Property taxes	1,745,578	1,720,333
Investment returns	199,455	(103,546)
Transmission and storage fees	64,120	200,375
Lease revenue	179,366	176,342
Lease interest earnings	10,522	12,386
Interest expense	(601,521)	(505,721)
Collection fees – County	(18,286)	(13,290)
Gain on disposition of assets	3,500	2,500
Other revenue	12,624	20,599
Total non-operating, net	<u>1,595,358</u>	<u>1,509,978</u>
Net income before capital contributions	2,624,816	2,128,818
Capital contributions:		
Capital contributions – state	<u>-</u>	<u>202,431</u>
Total capital contributions	<u>-</u>	<u>202,431</u>
Change in net position	2,624,816	2,331,249
Net position, beginning of year, as restated (note 12)	<u>51,456,921</u>	<u>49,125,672</u>
Net position, end of year	<u>\$ 54,081,737</u>	<u>51,456,921</u>

See accompanying notes to the basic financial statements

**Coastside County Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>As Restated 2022</u>
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 11,588,352	12,714,387
Cash paid to employees for salaries and wages	(1,732,468)	(3,438,546)
Cash paid to vendors and suppliers for materials and services	<u>(5,306,525)</u>	<u>(5,003,363)</u>
Net cash provided by operating activities	<u>4,549,359</u>	<u>4,272,478</u>
Cash flows from non-capital financing activities:		
Cash receipts from property taxes	1,740,447	1,718,883
Cash paid for collection fees	<u>(18,286)</u>	<u>(13,290)</u>
Net cash provided by non-capital financing activities	<u>1,722,161</u>	<u>1,705,593</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(8,030,767)	(6,942,350)
Proceeds from capital contributions	-	202,431
Proceeds from sale of capital assets	3,500	2,500
Proceeds from issuance of debt	-	7,071,903
Principal paid on long-term debt	(1,048,159)	(681,029)
Interest paid on long-term debt	<u>(605,633)</u>	<u>(464,072)</u>
Net cash used in capital and related financing activities	<u>(9,681,059)</u>	<u>(810,617)</u>
Cash flows from investing activities:		
Investment returns	312,949	14,483
Principal received on leases receivable	186,400	3,889
Interest received on leases receivable	<u>10,522</u>	<u>12,386</u>
Net cash provided by investing activities	<u>509,871</u>	<u>30,758</u>
Net (decrease) increase in cash and cash equivalents	(2,899,668)	5,198,212
Cash and cash equivalents, beginning of year	<u>16,313,724</u>	<u>11,115,512</u>
Cash and cash equivalents, end of year	<u>\$ 13,414,056</u>	<u>16,313,724</u>
Reconciliation of cash and cash equivalents to the statement of financial position:		
Cash and cash equivalents	\$ 13,349,964	16,113,342
Restricted assets – cash and cash equivalents	<u>64,093</u>	<u>200,382</u>
Total cash and cash equivalents	<u>\$ 13,414,057</u>	<u>16,313,724</u>

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, 2023 and 2022**

	<u>2023</u>	<u>As Restated 2022</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ <u>1,029,458</u>	<u>618,840</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,572,572	2,547,547
Other revenues	256,110	397,316
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase)Decrease in assets:		
Accounts receivable – water sales and services	135,276	265,608
Accounts receivable – other	3,900	(18,664)
Materials and supplies inventory	(45,844)	(51,226)
Water-in-storage inventory	2,042	9,644
Prepaid expenses and other deposits	21,066	(70,255)
(Increase)Decrease in deferred outflows of resources		
Deferred other post-employment benefits outflows	80,239	90,333
Deferred pension outflows	(1,145,818)	103,778
Increase(Decrease) in liabilities and deferred inflows:		
Accounts payable and accrued expenses	(77,159)	209,095
Accrued wages and related payables	7,245	13,137
Customer deposits and deferred revenue	6,264	(215,432)
Compensated absences	45,556	83,110
Other post-employment benefit obligation	893,766	(74,589)
Net pension liability	2,214,461	(1,542,422)
Decrease in deferred inflows of resources		
Deferred other post-employment benefits inflows	622,588	(96,056)
Deferred pension inflows	(1,894,216)	2,006,155
Deferred lease inflows	<u>(178,147)</u>	<u>(3,441)</u>
Total adjustments	<u>3,519,901</u>	<u>3,653,638</u>
Net cash provided by operating activities	\$ <u><u>4,549,359</u></u>	<u><u>4,272,478</u></u>
Non cash investing, capital and related financing activities:		
Change in fair value of funds deposited with LAIF	\$ <u><u>196,641</u></u>	<u><u>132,361</u></u>

See accompanying notes to the basic financial statements

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(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.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

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

Financial Reporting

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

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. 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.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

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

Financial Reporting, continued

Governmental Accounting Standards Board Statement No. 93, continued

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.

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.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

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

Financial Reporting, continued

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.

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.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

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

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.

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.

Prepays

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.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(1) Reporting Entity and Summary of Significant Accounting Policies, continued
Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

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.

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 change 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 pensions through the Plan.
- Deferred outflow 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.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(1) Reporting Entity and Summary of Significant Accounting Policies, continued
Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

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, 2022 and June 30, 2020
- Measurement Dates: June 30, 2022 and June 30, 2021
- Measurement Periods: July 1, 2021 to June 30, 2022 and July 1, 2020 to June 30, 2021

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, 2021 and June 30, 2020
- Measurement Dates: June 30, 2022 and June 30, 2021
- Measurement Periods: July 1, 2021 to June 30, 2022 and July 1, 2020 to June 30, 2021

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(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.
- Deferred inflow 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.

Pensions

- Deferred inflow 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.
- 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.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(1) Reporting Entity and Summary of Significant Accounting Policies, continued
Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

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

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:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 13,349,964	16,113,342
Cash and cash equivalents – restricted	<u>64,093</u>	<u>200,382</u>
Total cash and investments	<u>\$ 13,414,057</u>	<u>16,313,724</u>

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

	<u>2023</u>	<u>2022</u>
Cash on hand	\$ 800	800
Deposits with financial institutions	628,903	4,144,848
Investments	<u>12,784,354</u>	<u>12,168,076</u>
Total cash and cash equivalents	<u>\$ 13,414,057</u>	<u>16,313,724</u>

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

	<u>2023</u>	<u>2022</u>
Deposits in Local Agency Investment Fund	260 days	311 days

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(2) Cash and Investments, continued

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.

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.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(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, 2023 and 2022, 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, 2023 consisted of the following:

<u>Investment Types</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>	
			<u>AAA</u>	<u>Not Rated</u>
Local Agency Investment Fund (LAIF)	\$ 12,764,547	N/A	\$ -	12,764,547
Money Market Funds	19,807	AAA	19,807	-
Total	\$ <u>12,784,354</u>		\$ <u>19,807</u>	<u>12,764,547</u>

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

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

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(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, 2023 and 2022, respectively.

Fair Value Measurements

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

<u>Investment Type</u>	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money market funds	\$ 19,807	19,807	-	-
Total investments measured at fair value	19,807	<u>19,807</u>	<u>-</u>	<u>-</u>
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	<u>12,764,547</u>			
Total	\$ <u>12,784,354</u>			

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

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

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(3) Leases Receivable

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

	<u>Balance</u> <u>2022</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>2023</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>	<u>Deferred</u> <u>Inflows</u>
Leases receivable:							
T Mobile SF1842	\$ 56,268	-	(48,074)	8,194	8,194	-	\$ (7,275)
T Mobile SF1943	46,988	-	(40,146)	6,842	6,842	-	(6,079)
Crown 147386	113,168	-	(33,844)	79,324	35,563	43,761	(71,312)
Crown 150104b	163,020	-	(32,404)	130,616	34,082	96,534	(127,262)
Verizon	74,243	-	(31,932)	42,311	33,694	8,617	(37,998)
Total leases receivable \$	<u>453,687</u>	<u>-</u>	<u>(186,400)</u>	<u>267,287</u>	<u>118,375</u>	<u>148,912</u>	<u>\$ (249,926)</u>

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

	<u>As Restated</u> <u>2021</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>2022</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>	<u>Deferred</u> <u>Inflows</u>
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 receivable \$	<u>457,576</u>	<u>173,539</u>	<u>(177,428)</u>	<u>453,687</u>	<u>186,400</u>	<u>267,287</u>	<u>\$ (428,073)</u>

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, 2023 and 2022, deferred inflows were reported at \$7,275 and \$50,928, respectively.

Future payments to be received and deferred inflows as of June 30, 2023, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred</u> <u>Inflows</u>
2024	\$ 8,194	29	8,223	\$ (7,275)
Total	8,194	29	8,223	\$ (7,275)
Current	(8,194)			
Non-current	\$ -			

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(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, 2023 and 2022, deferred inflows were reported at \$6,079 and \$42,555, respectively.

Future payments to be received and deferred inflows as of June 30, 2023, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
2024	\$ 6,842	24	6,866	\$ (6,079)
Total	6,842	24	6,866	\$ (6,079)
Current	(6,842)			
Non-current	\$ -			

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, 2023 and 2022, deferred inflows were reported at \$71,312 and \$104,224, respectively.

Future payments to be received and deferred inflows as of June 30, 2023, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
2024	\$ 35,563	1,801	37,364	\$ (32,913)
2025	37,348	764	38,112	(32,913)
2026	6,413	23	6,436	(5,486)
Total	79,324	2,588	81,912	\$ (71,312)
Current	(35,563)			
Non-current	\$ 43,761			

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(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, 2023 and 2022, deferred inflows were reported at \$127,262 and \$161,970, respectively. In fiscal year 2022, the “a” segment of the agreement ended and was replaced with the “b” segment.

Future payments to be received and deferred inflows as of June 30, 2023, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
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	130,616	<u>7,097</u>	<u>137,713</u>	<u>\$ (127,262)</u>
Current	<u>(34,082)</u>			
Non-current	<u>\$ 96,534</u>			

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, 2023 and 2022, deferred inflows were reported at \$37,998 and \$68,936, respectively.

Future payments to be received and deferred inflows as of June 30, 2023, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
2024	\$ 33,694	770	34,464	\$ (30,398)
2025	8,617	41	8,658	(7,600)
Total	42,311	<u>811</u>	<u>43,122</u>	<u>\$ (37,998)</u>
Current	<u>(33,694)</u>			
Non-current	<u>\$ 8,617</u>			

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(4) Capital Assets

Changes in capital assets for the year ended June 30, 2023 were as follows:

	<u>As Restated 2022</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2023</u>
Non-depreciable assets:				
Land	\$ 574,372	-	-	574,372
Construction-in-process	9,082,885	5,814,108	(2,919,654)	11,977,339
Total non-depreciable assets	<u>9,657,257</u>	<u>5,814,108</u>	<u>(2,919,654)</u>	<u>12,551,711</u>
Depreciable and amortizable assets:				
Source of supply	401,040	-	-	401,040
Transmission and distribution	19,765,574	44,023	-	19,809,597
Pump station – Crystal Springs	26,172,476	292,779	-	26,465,255
Treatment plants	12,896,233	-	-	12,896,233
Well field and tanks	4,459,150	19,872	-	4,479,022
Pipelines and meters	23,248,834	2,626,003	-	25,874,837
Buildings and structures	1,422,314	-	-	1,422,314
Vehicles	1,353,943	104,585	(17,165)	1,441,363
Furniture and equipment	2,790,438	64,877	-	2,855,315
Leased equipment	42,465	-	-	42,465
Leased software	242,481	-	-	242,481
Total depreciable and amortizable assets	<u>92,794,948</u>	<u>3,152,139</u>	<u>(17,165)</u>	<u>95,929,922</u>
Accumulated depreciation and amortization:				
Depreciable assets	(40,191,849)	(2,523,662)	17,165	(42,698,346)
Amortizable assets	(77,421)	(48,910)	-	(126,331)
Total accumulated depreciation and amortization:	<u>(40,269,270)</u>	<u>(2,572,572)</u>	<u>17,165</u>	<u>(42,824,677)</u>
Total depreciable assets, net	<u>52,525,678</u>	<u>579,567</u>	<u>-</u>	<u>53,105,245</u>
Total capital assets, net	\$ <u>62,182,935</u>	<u>6,393,675</u>	<u>(2,919,654)</u>	<u>65,656,956</u>

Major changes to capital assets in 2023 consisted primarily of additions of \$44,023 in upgrades to transmission and distribution assets, \$292,779 in upgrades to pump station – Crystal Springs, \$19,872 in upgrades to well field and tank assets, \$2,626,003 in upgrades to pipelines and meters, \$104,585 in additions to vehicles, and \$64,877 in additions to furniture and equipment. \$242,481 in leased equipment was added during the implementation of GASB 96. Please see Note 13 for further information. Major deletions include \$2,919,654 in transfers from construction in progress to depreciable assets, \$17,165 in disposals of vehicles.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(4) Capital Assets, continued

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

	<u>As Restated 2021</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>As Restated 2022</u>
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	<u>4,228,967</u>	<u>6,974,666</u>	<u>(1,546,376)</u>	<u>9,657,257</u>
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
Leased software	242,481	-	-	242,481
Total depreciable and amortizable assets	<u>91,318,681</u>	<u>1,538,532</u>	<u>(62,265)</u>	<u>92,794,948</u>
Accumulated depreciation and amortization:				
Depreciable assets	(37,747,822)	(2,498,637)	54,610	(40,191,849)
Amortizable assets	(28,511)	(48,910)	-	(77,421)
Total accumulated depreciation and amortization:	<u>(37,776,333)</u>	<u>(2,547,547)</u>	<u>54,610</u>	<u>(40,269,270)</u>
Total depreciable assets, net	<u>53,542,348</u>	<u>(1,009,015)</u>	<u>(7,655)</u>	<u>52,525,678</u>
Total capital assets, net	<u>\$ 57,771,315</u>	<u>5,965,651</u>	<u>(1,554,031)</u>	<u>62,182,935</u>

Major changes to capital assets in 2022 consisted primarily of additions of \$305,283 in upgrades to treatment plant assets, \$265,734 in additions to pipelines and meters, \$161,374 in upgrades to transmission and distribution assets, \$163,432 in upgrades to buildings and structures, \$412,705 in additions to 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.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(5) Compensated Absences

Changes to compensated absences for the year ended June 30, 2023 were as follows:

<u>Balance</u> <u>2022</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>2023</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 333,725	316,175	(270,619)	379,281	94,820	284,461

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

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

(6) Long-term Debt

Changes in long-term debt amounts for the year ended June 30, 2023 were as follows:

Long-term debt:	<u>As Restated</u> <u>2022</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>2023</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
Lease payable:						
Ray Morgan Company	\$ 16,259	-	(8,779)	7,480	7,480	-
Aclara software	161,548	-	(38,701)	122,847	39,804	83,043
Total lease payable	<u>177,807</u>	<u>-</u>	<u>(47,480)</u>	<u>130,327</u>	<u>47,284</u>	<u>83,043</u>
Loans payable:						
CIEDB Installment Loan – 2011	\$ 5,088,492	-	(193,452)	4,895,040	198,849	4,696,191
CIEDB Installment Loan – 2016	5,005,827	-	(137,564)	4,868,263	142,298	4,725,965
JP Morgan Chase Bank NA	4,106,002	-	(323,617)	3,782,385	334,197	3,448,188
First Foundation Public Finance	7,071,903	-	(346,046)	6,725,857	270,531	6,455,326
Total loans payable	<u>21,272,224</u>	<u>-</u>	<u>(1,000,679)</u>	<u>20,271,545</u>	<u>945,875</u>	<u>19,325,670</u>
Long-term debt	<u>\$ 21,450,031</u>	<u>-</u>	<u>(1,048,159)</u>	<u>20,401,872</u>	<u>993,159</u>	<u>19,408,713</u>

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

Long-term debt:	<u>As Restated</u> <u>2021</u>	<u>Additions</u>	<u>Payments</u>	<u>As Restated</u> <u>2022</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
Lease payable:						
Ray Morgan Company	\$ 24,791	-	(8,532)	16,259	8,779	7,480
Aclara software	199,176	-	(37,628)	161,548	38,701	122,847
Total lease payable	<u>223,967</u>	<u>-</u>	<u>(46,160)</u>	<u>177,807</u>	<u>47,480</u>	<u>130,327</u>
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	<u>14,835,190</u>	<u>7,071,903</u>	<u>(634,869)</u>	<u>21,272,224</u>	<u>1,000,680</u>	<u>20,271,544</u>
Long-term debt	<u>\$ 15,059,157</u>	<u>7,071,903</u>	<u>(681,029)</u>	<u>21,450,031</u>	<u>1,048,160</u>	<u>20,401,871</u>

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 7,480	98	7,578
Total	7,480	<u>98</u>	<u>7,578</u>
Current	<u>(7,480)</u>		
Long-term	<u>\$ -</u>		

Aclara Software – Software Lease

On April 1, 2017, the District entered into an agreement with Aclara Software, to lease AMI meter monitoring software for managing the District’s meter infrastructure. Terms of the agreement commenced on April 1, 2017, for a period of 9 years, with payments due annually at \$43,305 per year for the entire lease term.

Following the provisions set forth by *GASB Statement No. 96*, 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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 39,804	3,501	43,305
2025	40,938	2,367	43,305
2026	<u>42,105</u>	<u>1,200</u>	<u>43,305</u>
Total	122,847	<u>7,068</u>	<u>129,915</u>
Current	<u>(39,804)</u>		
Long-term	<u>\$ 83,043</u>		

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.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(6) Long-term Debt, continued

CEIDB Installment Loan – 2011, continued

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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 198,849	136,494	335,343
2025	204,397	116,687	321,084
2026	210,099	111,423	321,522
2027	215,961	106,012	321,973
2028	221,987	100,450	322,437
2029-2033	1,206,363	413,238	1,619,601
2034-2038	1,384,307	248,979	1,633,286
2039-2042	<u>1,253,077</u>	<u>64,751</u>	<u>1,317,828</u>
Total	4,895,040	<u>1,298,035</u>	<u>6,193,075</u>
Current	<u>(198,849)</u>		
Long-term	\$ <u>4,696,191</u>		

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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	162,912	144,052	306,964
2029-2033	902,577	630,729	1,533,306
2034-2038	1,068,874	461,570	1,530,444
2039-2043	1,265,812	261,245	1,527,057
2044-2046	<u>868,847</u>	<u>45,506</u>	<u>914,353</u>
Total	4,868,263	<u>2,172,618</u>	<u>7,040,881</u>
Current	<u>(142,298)</u>		
Long-term	\$ <u>4,725,965</u>		

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(6) Long-term Debt, continued

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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	372,663	62,971	435,634
2029-2033	<u>2,023,169</u>	<u>147,474</u>	<u>2,170,643</u>
Total	3,782,385	<u>564,006</u>	<u>4,346,391</u>
Current	<u>(334,197)</u>		
Long-term	<u>\$ 3,448,188</u>		

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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	295,482	121,741	417,223
2029-2033	1,579,234	464,130	2,043,364
2034-2038	1,763,349	297,622	2,060,971
2039-2043	<u>1,968,930</u>	<u>111,704</u>	<u>2,080,634</u>
Total	6,725,857	<u>1,545,930</u>	<u>8,271,787</u>
Current	<u>(270,531)</u>		
Long-term	<u>\$ 6,455,326</u>		

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(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.

Employees Covered by Benefit Terms

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

	2023	2022
Active plan members	8	8
Retirees and beneficiaries receiving benefits	8	8
Total Plan membership	16	16

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:

	2023	2022
Contributions – employer	\$ 43,202	56,080

As of June 30, 2023 and 2022, employer OPEB contributions of \$43,202 and \$56,080 will be and were recognized as a reduction of total OPEB liability in the fiscal years ended June 30, 2024 and 2023, respectively.

Total OPEB Liability

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

	2023	2022
Total OPEB liability	\$ 1,749,650	2,643,416

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

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

Total OPEB Liability, continued

The District's total OPEB liability was measured as of June 30, 2023 and 2022, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2022 and 2020, respectively. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Changes in the Total OPEB Liability

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

	June 30, 2023	June 30, 2022
Balance at beginning of year	\$ 2,643,416	2,568,827
Changes for the year:		
Service cost	78,246	75,384
Interest	57,080	56,548
Employer contributions	(71,050)	(59,118)
Expected minus actual payments	(8,848)	(13,149)
Experience (gains)/losses	(624,852)	-
Assumption changes	(324,342)	14,924
Net changes	(893,766)	74,589
Balance at end of year	\$ 1,749,650	2,643,416

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

For the fiscal years ended June 30, 2023 and 2022, the District recognized OPEB (income) and expense of \$147,737 and \$124,926, respectively.

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

Description	June 30, 2023		June 30, 2022	
	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	\$ 43,202	-	56,080	-
Net change in assumptions	-	(218,721)	67,361	-
Experience (gains)/losses	-	(439,423)	-	(35,556)
Total	\$ 43,202	(658,144)	123,441	(35,556)

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(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, 2023, 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
2024	\$ (298,880)
2025	(299,389)
2026	(59,875)

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	2023 and 2022 – 2.50 percent
Salary increases	2.75 percent
Discount rate	2023 – 3.54 percent 2022 – 2.16 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 service 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 service who were hired after November 14, 2006 and before November 1, 2008.

Discount Rate

As of the measurement dates June 30, 2022 and 2021, the discount rate used to measure the total OPEB liability was 3.54 percent and 2.16 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.

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

The table on the following page 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:

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

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

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

At June 30, 2023, the discount rate comparison was the following:

	Discount Rate - 1% (2.54%)	Discount Rate (3.54%)	Discount Rate + 1% (4.54%)
District's total OPEB liability	\$ 1,523,393	1,749,650	2,026,750

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

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

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, 2023 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	\$ 1,523,393	1,749,650	2,026,750

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

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

See page 52 for the Required Supplementary Information.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(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%
2023:			
Required employee contribution rates	8.00%	7.00%	7.25%
Required employer contribution rates	13.02%	9.30%	7.76%
2022:			
Required employee contribution rates	7.96%	6.92%	7.25%
Required employer contribution rates	12.99%	9.30%	7.73%

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(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	
		2023	2022
	Contributions – employer	\$ 604,192	527,859

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	
		2023	2022
	Miscellaneous Plan	\$ 4,627,461	2,413,000

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, 2022 and 2021, 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, 2021 and 2020, rolled forward to June 30, 2022 and 2021, respectively, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's 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	
		2023	2022
	Proportion – beginning of year	0.04462%	0.03635%
	Proportion – end of year	0.04006%	0.04462%
	Change – Increase (Decrease)	-0.00456%	0.00827%

Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2023 and 2022, the District recognized pension (income) and expense of \$221,381 and \$1,095,370, respectively.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(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:

<u>Description</u>	<u>June 30, 2023</u>		<u>June 30, 2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 604,192	-	527,859	-
Net difference between actual and expected experience	30,689	-	270,592	-
Net change in assumptions	474,181	-	-	-
Net difference between projected and actual earnings on plan investments	847,630	-	-	(2,106,420)
Net difference between actual contribution and proportionate share of contribution	-	(78,795)	12,423	-
Net adjustment due to differences in proportions of net pension liability	<u>-</u>	<u>(212,299)</u>	<u>-</u>	<u>(78,890)</u>
Total	<u>\$ 1,956,692</u>	<u>(291,094)</u>	<u>810,874</u>	<u>(2,185,310)</u>

As of June 30 2023 and 2022, employer pension contributions of \$604,192 and \$527,859, 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, 2024 and 2023, respectively.

As of June 30, 2023, 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.

<u>Fiscal Year Ending June 30,</u>	<u>Deferred Net Outflows / (Inflows) of Resources</u>
2024	\$ 206,365
2023	181,748
2024	64,948
2027	608,345

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(8) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liability in the June 30, 2022 and 2021, actuarial valuation report was determined using the following actuarial assumptions:

Valuation Date	June 30, 2021 and 2020
Measurement Date	June 30, 2022 and 2021
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	2023 - 6.90%
	2022 - 7.15%
Inflation	2023 - 2.30%
	2022 - 2.50%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	6.90 % Net of pension plan investment and administrative expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Full
Period upon which actuarial Experience Survey assumptions were based	2023 and 2022 – 1997–2015
Post Retirement Benefit	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing

* 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 6.90% 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.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(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, 2022 the target allocation and the long-term expected real rate of return by asset class were as follows:

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10</u>
Global Equity - Cap-weighted	30.0%	4.45%
Global Equity Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	27.00%
Mortgage-backed Securities	5.0%	50.00%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	<u>100%</u>	

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

The table on the following page 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:

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(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, 2023 the discount rate comparison was the following:

	Discount Rate – 1% (5.90%)	Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
District's Net pension liability	\$ 6,872,514	4,627,461	2,780,339

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

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, 2023 and 2022, 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:

	2023	As Restated 2022
Capital assets:		
Capital assets – not being depreciated	\$ 12,551,711	9,657,257
Capital assets, net – being depreciated and amortized	53,105,245	52,525,678
Current:		
Leases payable	(47,284)	(47,480)
Loans payable	(945,875)	(1,000,680)
Non-current:		
Leases payable	(83,043)	(130,327)
Loans payable	(19,325,670)	(20,271,544)
Total net investment in capital assets	\$ 45,255,084	40,732,904

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(10) Restricted Net Position

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

	2023	As Restated 2022
Restricted – cash and cash equivalents \$	64,093	200,382
Restricted – rate stabilization	250,000	250,000
Total restricted net position	\$ 314,093	450,382

(11) Unrestricted Net Position

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

	2023	As Restated 2022
Non-spendable net position:		
Materials and supplies inventory \$	274,166	228,322
Water-in-storage inventory	33,088	35,130
Prepaid expenses and other deposits	228,187	249,253
Total non-spendable net position	535,441	512,705
Spendable net position are designated as follows:		
Unrestricted	7,977,119	9,760,930
Total spendable net position	7,977,119	9,760,930
Total unrestricted net position	\$ 8,512,560	10,273,635

(12) Adjustments to Net Position

In fiscal year 2023, the District implemented GASB Statement No. 96 to recognize its subscription based internet technology 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 software agreement, the District recorded a right to use asset included as part of capital assets, a lease payable, reclassified a portion of its software lease expense to interest expense, and has recorded prior period adjustments to restate net position as of June 30, 2021 and 2022. Please see Notes 4 and 6 for further information.

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.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(12) Adjustments to Net Position, continued

As a result of the implementation for the District's 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.

In fiscal year 2023, the adjustments to net position were as follows:

Net position at July 1, 2020, as adjusted	\$ <u>46,313,113</u>
Change in net position at June 30, 2021, as previously stated	2,779,357
Effect of the adjustments for 2021 software lease asset and liability balances as a result of GASB 96	<u>33,202</u>
Subtotal adjustments	<u>33,202</u>
Net position at June 30, 2021, as restated	\$ <u>49,125,672</u>
Change in net position at June 30, 2022, as previously stated	2,334,035
Effect of the adjustments for 2022 software lease asset and liability balances as a result of GASB 96	<u>(2,786)</u>
Subtotal adjustments	<u>(2,786)</u>
Net position at June 30, 2022, as restated	\$ <u><u>51,456,921</u></u>

In fiscal year 2022, the adjustments to net position were as follows:

Net position at July 1, 2019, as previously stated	\$ <u>43,027,900</u>
Effect of the adjustment to establish a right-to-use asset and lease payable as a result of GASB 87	<u>(95)</u>
Net position at July 1, 2019, as adjusted	<u>43,027,805</u>
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	<u>17,970</u>
Subtotal adjustments	<u>17,534</u>
Net position at June 30, 2020, as restated	\$ <u>46,313,113</u>
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	<u>8,092</u>
Subtotal adjustments	<u>7,889</u>
Net position at June 30, 2021, as restated	\$ <u><u>49,092,470</u></u>

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(13) Other District Sponsored Retirement Plans

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. The assets are held with the Variable Annuity Life Insurance Company (VALIC) and Empower 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, 2023 and 2022, were \$2,196,575 and \$1,909,363, 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.

Defined Contribution Retirement Plan

For the benefit of its employees, the District participates in a 401a defined contribution retirement plan (Plan). The purpose of this Plan is to provide a post-retirement medical defined contribution plan for public employees that elect to participate in the Plan.

Federal law requires defined-contribution assets to be held in trust. The assets are held with Mission Square Retirement 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, 2023 and 2022, were \$465,846 and \$354,625, respectively.

(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, 2023, 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.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(14) Risk Management, continued

- 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 \$5,000 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 program aggregate limit, subject to a \$2,000,000 limit maximum per member. 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, 2023, 2022 and 2021. 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, 2023, 2022, and 2021, 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, 2023 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. 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.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

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

Governmental Accounting Standards Board Statement No. 100, continued

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.

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.

Coastside County Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(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, 2023, have been evaluated for possible adjustment to the financial statements or disclosure as of January 9, 2024, 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, 2023
Last Ten Years*

Fiscal year	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB liability						
Service cost	\$ 78,246	75,384	42,880	46,953	45,696	44,473
Interest	57,080	56,548	80,847	90,043	91,126	81,573
Employer contributions	(71,050)	(59,118)	(53,593)	(40,360)	(61,033)	(58,686)
Expected minus actual payments	-	(13,149)	-	(16,052)	-	-
Assumption changes	(324,342)	14,924	247,093	97,523	(107,249)	-
Experience (gains)/losses	<u>(633,700)</u>	<u>-</u>	<u>(66,627)</u>	<u>(234,153)</u>	<u>-</u>	<u>-</u>
Net change in total OPEB liability	(893,766)	74,589	250,600	(56,046)	(31,460)	67,360
Total OPEB liability – beginning	<u>2,643,416</u>	<u>2,568,827</u>	<u>2,318,227</u>	<u>2,374,273</u>	<u>2,405,733</u>	<u>2,338,373</u>
Total OPEB liability – ending	\$ <u>1,749,650</u>	<u>2,643,416</u>	<u>2,568,827</u>	<u>2,318,227</u>	<u>2,374,273</u>	<u>2,405,733</u>
Covered employee payroll	\$ <u>2,353,833</u>	<u>2,224,572</u>	<u>2,177,776</u>	<u>2,330,675</u>	<u>1,990,577</u>	<u>1,939,509</u>
Total OPEB liability as a percentage of covered payroll	<u>134.53%</u>	<u>84.16%</u>	<u>84.78%</u>	<u>100.54%</u>	<u>83.84%</u>	<u>80.62%</u>
Valuation Date	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2017</u>	<u>June 30, 2017</u>
Methods and Assumptions Used to Determine Contribution Rates:						
Single and Agent Employers Amortization Method	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)
Inflation	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%
Salary Increases	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Investment Rate of Return	3.54%	2.16%	2.20%	3.50%	3.80%	3.50%
Mortality, Retirement, Turnover	(2)	(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, 2023
Last Ten Years*

Description	Measurement Dates									
	June 30, 2022	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	0.04006%	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	\$ 4,627,461	2,413,000	3,955,422	3,838,142	3,708,081	3,917,927	2,413,000	3,077,582	2,620,900	
District's covered payroll	\$ 2,353,833	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	196.59%	108.47%	181.63%	164.68%	186.28%	202.01%	127.99%	182.19%	167.73%	
District's fiduciary net position as a percentage of the district's total pension liability	71.90%	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.

From fiscal year June 30, 2022 to June 30, 2023:

The discount rate was reduced from 7.15% to 6.90%

The inflation rate was reduced from 2.50% to 2.30%

* 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, 2023
Last Ten Years***

	Fiscal Years Ended								
	June 30, 2023	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 contribution's in relation to the actuarially determined contribution	\$ 596,014	570,912	498,892	446,799	591,439	537,586	489,709	451,848	389,014
	<u>(596,014)</u>	<u>(570,912)</u>	<u>(498,892)</u>	<u>(446,799)</u>	<u>(591,439)</u>	<u>(537,586)</u>	<u>(489,709)</u>	<u>(451,848)</u>	<u>(389,014)</u>
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-
Covered payroll	\$ 2,353,833	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	<u>25.32%</u>	<u>25.66%</u>	<u>22.91%</u>	<u>19.17%</u>	<u>29.71%</u>	<u>27.72%</u>	<u>25.97%</u>	<u>26.75%</u>	<u>24.90%</u>

Notes To Schedule:

Valuation date	June 30, 2021	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	Entry Age
Amortization method	(1)	(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	Market Value	15 Year Smoothed Market Method
Inflation	2.30%	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)	(2)
Investment rate of return	6.90% (3)	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)	(4)
Mortality	(5)	(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, 2023 and 2022, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated January 9, 2024.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

**Independent Auditor's Report on Internal 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 9, 2024