SERRANO WATER DISTRICT

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2023

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SERRANO WATER DISTRICT
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SERRANO WATER DISTRICT
BOARD OF DIRECTORS AND ADMINISTRATION
JUNE 30, 2023

BOARD OF DIRECTORS

Title	Member	Term Expiration
President	Brad Reese	December 2026
Vice-President	Frank Bryant	December 2026
Director	Greg Mills	December 2024
Director	Mike Pelly	December 2024
Director	Jerry Haight	December 2024

ADMINISTRATION

General Manager/Secretary	Jerry Vilander
Deputy Secretary/Treasurer	Vittorio Roggero
Deputy Secretary	Laura Helfin
Deputy Secretary	Jeremy Jungreis

ATTORNEY

Representing Rutan & Tucker, Attorneys	Jeremy Jungreis

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Serrano Water District
Villa Park, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Serrano Water District (the District) as of and for the year ended June 30, 2023, 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 District, as of June 30, 2023, and the changes in financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability (asset) and the schedule of contributions – CalPERS pension plans – miscellaneous, and the schedule of changes in the total OPEB liability and related ratios, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Report on Summarized Comparative Information

We have previously audited the District's 2022 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated September 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Directors
Serrano Water District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
September 20, 2023

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the Serrano Water District's annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2023. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2023

The District's net position from operating activities decreased by $831,560 during the fiscal year, and the overall net position increased by $5,606,315 or 33.05 percent.

Total revenues increased by $565,231 or 9.35 percent from $6,046,909 to $6,612,140.

Total expenses increased by $3,914,736 or 121.29 percent from $3,227,476 to $7,142212.

The District purchased import water of 819.2 acre-feet, in the amount of $831,999 from the Municipal Water District of Orange County (MWDOC), to meet the needs of its customers; as of June 30, 2023, 0.00 acre-feet of water is being held in storage for the next fiscal period.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following three parts: Management's Discussion and Analysis, Basic Financial Statements and Required Supplementary Information. The Financial Statements include notes which explain in detail some of the information included in the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The Statements of Net Position include information on the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statements of Revenues, Expenses and Changes in Net Position identify the District's revenues and expenses for the fiscal years ended June 30, 2023. These statements provide information on the District's operations over the fiscal year and can be used to determine whether the District has recovered all its actual and projected costs through user fees and other charges. The third financial statement is the Statements of Cash Flows. These statements provide information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments, and financing activities. From the Statements of Cash Flows, the reader can obtain comparative information on the source and use of cash and the change in the cash and cash equivalents balance for fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position provide an indication of the District's financial condition and indicate that the financial condition of the District improved during the last fiscal year. The District's net position reflects the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. An increase in net position over time typically indicates an improvement in financial condition.

STATEMENTS OF NET POSITION

A summary of the District's Statements of Net Position are presented in Table 1.

TABLE 1
Condensed Statements of Net Position

	Fiscal Year 2023	Fiscal Year 2022	Dollar Change	Percent Change
Assets:				
Current and other assets	$ 7,955,689	$ 10,599,209	$ (2,643,520)	
Capital assets	17,858,074	11,013,733	6,844,341	
Noncurrent assets	-	413,209	(413,209)	
Total Assets	25,813,763	22,026,151	3,787,612	17.20%
Deferred Outflows of Resources	853,432	525,757	327,675	62.32%
Liabilities:				
Current liabilities	1,088,529	1,981,048	(892,519)	
Long-term liabilities	2,620,519	3,271,087	(650,568)	
Total Liabilities	3,709,048	5,252,135	(1,543,087)	-29.38%
Deferred Inflows of Resources	391,220	339,161	52,059	15.35%
Net Position:				
Net investment in capital assets	17,858,074	9,500,628	8,357,446	
Restricted for Pension Benefits	200,000	505,765	(305,765)	
Unrestricted	4,508,853	6,954,219	(2,445,366)	
Total Net Position	$ 22,566,927	$ 16,960,612	$ 5,606,315	33.05%

As the above tables indicate, total assets and deferred outflows of resources increased by $4,115,287 during the fiscal year ended June 30, 2023. This was attributed to the District's increase in the overall capital asset position and an increase in deferred outflow activity for GASB 68&75.

Total liabilities and deferred inflows of resources decreased by $1,491,028 during the fiscal year ended June 30, 2023. This decrease was attributed to the payoff of the Holman Capital installment agreement, and the impact of GASB 68&75 valuation adjustments.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

TABLE 2
Condensed Statements of Revenues,
Expenses and Changes in Net Position

	Fiscal Year 2023	Fiscal Year 2022	Dollar Change	Percent Change
Revenues:				
Operating revenues	$ 6,243,185	$ 5,981,982	$ 261,203	
Nonoperating revenues	368,955	64,927	304,028	
Total Revenues	6,612,140	6,046,909	565,231	9.35%
Expenses:				
Depreciation	571,557	527,514	44,043	
Other operating expenses	6,503,188	2,632,153	3,871,035	
Nonoperating expenses	67,467	67,809	(342)	
SWD Recreation, Inc. activity	-	-	-	
Total Expenses	7,142,212	3,227,476	3,914,736	121.29%
Change in Net Position before Capital Contribution	(530,072)	2,819,433	(3,349,505)	
Capita Capital Contribution				
Contributed Utility Plant	6,136,387	-	6,136,387	
Beginning Net Position	16,960,612	14,141,179	2,819,433	
Ending Net Position	$ 22,566,927	$ 16,960,612	$ 5,606,315	33.05%

The Statements of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which affect the change in net position. As the information in Table 2 indicates, for the fiscal year ended June 30, 2023, total revenues increased by $565,231. Total expenses increased by $3,914,736. The increase in revenue was attributed to higher operating and non-operating activity. The increase in expenses was attributed to the impact of GASB 68&75 valuation adjustments and higher operating costs.

CAPITAL ASSETS

As of June 30, 2023, the District's investment in capital assets totaled $17,858,074. Additional information on the District's capital assets is provided in Note 4 of the notes to the financial statements.

LONG-TERM DEBT

As of June 30, 2023, the District had $2,620,519 in outstanding long-term debt, a decrease of $650,568 from June 30, 2022. The decrease was attributed to the payoff of the Holman Capital installment agreement, and the impact of GAB 68&75 valuation adjustments. Additional information on the District's long-term debt is provided in Notes 5, 9, and 11 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Directors adopted the District's budget for the fiscal year ending June 30, 2024. Operating revenues are projected to be $7,756,891 and expenses are projected at $6,121,991 with net income budgeted at $2,028,055. Effective July 1, 2023, the District's approved water rates increased to $5.03 per billing unit and the fixed meter rate for meters of 1" inch and smaller is $41.69.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, debt holders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding information included in this report or wish to request additional financial information, please contact the Serrano Water District's General Manager at 18021 E. Lincoln Street, Villa Park, CA 92861 www.serranowater.org.

BASIC FINANCIAL STATEMENTS

SERRANO WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)

	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 6,718,553	$ 8,963,498
Certificates of Deposit	-	508,884
Restricted Investments Held by Pension Trust	200,000	92,556
Accounts Receivable - Water Users	617,671	666,491
Accounts Receivable - General	250,551	118,234
Accounts Receivable - Water Districts	72,316	20,811
Interest Receivable	48,967	10,238
Prepaid Expenses	47,631	41,039
Inventory of Purchased Water	-	177,458
Total Current Assets	7,955,689	10,599,209
CAPITAL ASSETS		
Not Depreciable	1,748,410	915,166
Depreciable, Net of Accumulated Depreciation	16,109,664	10,098,567
Total Capital Assets	17,858,074	11,013,733
NONCURRENT ASSETS		
Net Pension Asset	-	413,209
Total Assets	25,813,763	22,026,151
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts from OPEB Plan	907	20,024
Deferred Amounts from Pension Plans	852,525	505,733
Total Deferred Outflows of Resources	853,432	525,757

See accompanying Notes to Basic Financial Statements.

SERRANO WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2023	2022
CURRENT LIABILITIES		
Accounts Payable	$ 588,407	$ 1,178,626
Construction Deposits	12,000	10,000
Accrued Wages	24,604	22,188
Accrued Compensated Absences	141,917	124,670
Holman Capital - Installment Sale Agreement - Current Portion	-	356,921
Total OPEB Liability - Current Portion	77,476	85,044
Customer Deposits	244,125	203,599
Total Current Liabilities	1,088,529	1,981,048
LONG-TERM LIABILITIES (LESS CURRENT PORTION)		
Holman Capital - Installment Sale Agreement	-	1,156,184
Net Pension Liability	955,126	-
Total OPEB Liability	1,665,393	2,114,903
Total Long-Term Liabilities (Less Current Portion)	2,620,519	3,271,087
Total Liabilities	3,709,048	5,252,135
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts from OPEB Plans	350,259	229,566
Deferred Amounts from Pension Plans	40,961	109,595
Total Deferred Inflows of Resources	391,220	339,161
NET POSITION		
Net Investment in Capital Assets	17,858,074	9,500,628
Restricted for Pension Benefits	200,000	505,765
Unrestricted	4,508,853	6,954,219
Total Net Position	$ 22,566,927	$ 16,960,612

See accompanying Notes to Basic Financial Statements.

SERRANO WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

	2023	2022
OPERATING REVENUES		
Water Sales - Domestic	$ 5,164,802	$ 5,375,589
Water Sales - Bulk	1,077,018	604,086
Water Sales - Irrigation	1,365	2,307
Total Operating Revenues	6,243,185	5,981,982
OPERATING EXPENSES		
Source of Supply:		
Maintenance and Supplies	286,334	95,520
Purchased Water	954,404	1,465,464
Replenishment Assessment	788,998	490,123
Power	609,864	382,921
Water Treatment:		
Maintenance, Supplies, and Analysis	476,138	459,603
Transmission and Distribution:		
Salaries	652,554	573,994
Maintenance and Supplies	252,472	148,371
Vehicle Expenses	28,736	33,531
Uniforms	6,659	6,253
Administrative and General:		
Public Relations	4,338	3,284
Salaries	481,483	432,677
Office Supplies and Expenses	16,212	11,293
Telephone and Utilities	36,255	34,027
Printing	27,481	21,911
Auto Expenses	9,261	9,105
Travel and Meetings	17,378	24,971
Dues and Subscriptions	22,990	16,118
Security	9,796	10,583
Payroll Preparation	5,230	5,610
Legal	84,539	73,371
Audit and Accounting	85,926	42,696
Directors	32,600	36,300
Computer and Miscellaneous	379,801	212,451
Subtotal - Operating Expenses (Carried Forward)	5,269,449	4,590,177

See accompanying Notes to Basic Financial Statements.

SERRANO WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

	2023	2022
OPERATING EXPENSES (CONTINUED)		
Subtotal - Operating Expenses (Brought Forward)	$ 5,269,449	$ 4,590,177
Insurance Expense:		
Property and Liability	69,897	48,108
Workers' Compensation	19,354	16,487
Employee Benefits:		
Group, Medical, Dental, and Life	207,420	(745,425)
Pension Plans	1,099,162	(1,195,599)
Payroll Taxes	82,428	74,842
Less Reimbursed Overhead and Labor	(244,522)	(156,437)
Depreciation	571,557	527,514
Total Operating Expenses	7,074,745	3,159,667
OPERATING INCOME (LOSS)	(831,560)	2,822,315
NONOPERATING REVENUES (EXPENSES)		
Recreation Income	54,000	54,000
Interest Income (Loss)	207,278	(83,856)
Development and Other Nonoperating Revenues	107,677	98,812
Interest Expense	(67,467)	(67,809)
Other Nonoperating Expenses	-	(4,029)
Total Nonoperating Revenues (Expenses)	301,488	(2,882)
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTION	(530,072)	2,819,433
CAPITAL CONTRIBUTION		
Contributed Utility Plant	6,136,387	-
CHANGES IN NET POSITION	5,606,315	2,819,433
Net Position - Beginning of Year	16,960,612	14,141,179
NET POSITION - END OF YEAR	$ 22,566,927	$ 16,960,612

See accompanying Notes to Basic Financial Statements.

SERRANO WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$ 6,306,886	$ 6,062,635
Cash Payments to Suppliers of Goods and Services	(4,603,163)	(1,954,125)
Cash Payments to Employees for Salaries and Wages	(1,660,323)	(2,494,125)
Net Cash Provided by Operating Activities	43,400	1,614,385
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(1,279,511)	(513,281)
Proceeds from Sale of Capital Assets	3,500	3,000
Principal Paid on Long-Term Liabilities	(1,513,105)	(343,566)
Interest Paid on Long-Term Liabilities	(69,218)	(68,206)
Net Cash Used by Capital and Related Financing Activities	(2,858,334)	(922,053)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Certificates of Deposit	508,884	499,587
Purchase of Investments in Restricted Pension Trust	(100,000)	(100,000)
Sale (Purchase) of Investments	34,176	(109,567)
Interest Income	126,929	31,614
Net Cash Provided by Investing Activities	569,989	321,634
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,244,945)	1,013,966
Cash and Cash Equivalents - Beginning of Year	8,963,498	7,949,532
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,718,553	$ 8,963,498

See accompanying Notes to Basic Financial Statements.

SERRANO WATER DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

	2023	2022
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (831,560)	$ 2,822,315
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	571,557	527,514
Recreation Income	54,000	54,000
Development and Other Nonoperating Revenues	104,177	95,812
Other Nonoperating Expenses	-	(4,029)
Changes in Operating Assets, Deferred Outflows of Resources, Operating Liabilities, and Deferred Inflows of Resources:		
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts Receivable	(135,002)	(79,634)
Prepaid Expenses	(6,592)	(13,938)
Inventory of Purchased Water	177,458	108,476
Deferred Outflows of Resources from OPEB Plans	19,117	8,384
Deferred Outflows of Resources from Pension Plans	(346,792)	(337,651)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts Payable	(588,468)	701,605
Construction Deposits	2,000	-
Accrued Wages	2,416	9,326
Accrued Compensated Absences	17,247	11,091
Customer Deposits	40,526	10,475
Total OPEB Liability	(457,078)	(1,537,442)
Net Pension Liability	1,368,335	(985,301)
Deferred Inflows of Resources from OPEB Plans	120,693	222,094
Deferred Inflows of Resources from Pension Plans	(68,634)	1,288
Total Adjustments	874,960	(1,207,930)
Net Cash Provided by Operating Activities	$ 43,400	$ 1,614,385

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Information

Serrano Water District (the District), formerly Serrano Irrigation District, is a special governmental district of the state of California organized under the California Irrigation Law. (state Instrument dated October 1911). The District was formed on July 25, 1927. It took over Villa Park Mutual Water Company on March 31, 1964. The District's responsibility is to supply water as far as the individual water meters located within the District.

The District services an area of approximately 2,000 acres in Villa Park and Orange. The number of domestic meters in service during the year ended June 30, 2023 was approximately 2,290.

The District's sources of water are native water drawn from Santiago Reservoir (also called Irvine Lake) and three operable water wells that are temporarily unable to be utilized due to a change in state legislation. Occasionally, when available, water is drawn from the reservoir at the Villa Park Dam. The District typically pumps approximately 77% of its usage for its customers.

The District is one-half owner of the Santiago Dam and Reservoir facilities. The District holds one-fourth of the water rights in water impounded in the Santiago Reservoir under an agreement dated February 26, 1928 with the Irvine Company, which subsequently has been modified and amended on numerous occasions.

Reservoir capacity of the District for treated water is presently 9.0 million gallons.

Willard Smith Reservoir #1	3.0 Million Gallons
Willard Smith Reservoir #2	3.0 Million Gallons
Lockett Reservoir	3.0 Million Gallons

The capacity of the Walter E. Howlier Water Filtration Plant is 4 million gallons per day.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

“Measurement focus” is a term used to describe which transactions are recorded within the various financial statements. “Basis of accounting” refers to when transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the “economic resources measurement focus”, and the “accrual basis of accounting”. Under the economic measurement focus all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with these activities are included on the statement of net position. The statement of revenues, expenses, and changes in net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all investment instruments purchased with an original maturity date of three months or less to be cash equivalents.

D. Accounts Receivable – Water Users and General

The balance shown as a receivable represents the amount of water usage and service charges that have been earned but not yet collected at year-end. The District estimates the amounts earned, but not yet billed as of year-end and includes the estimate in this account.

E. Uncollectible Water Sales

The amount of uncollectible water sales that is written off is determined by direct write-off of individual accounts that have been outstanding for more than one year. The items are usually final bills that are not paid after the user moves from the District. Management considers the amount of uncollectible accounts to be insignificant; no allowance for uncollectible accounts is considered necessary.

F. Accounts Receivable – Water Districts

The District maintains water facilities at a location that is shared with another water district. Both water districts share in the maintenance expenses of the facilities. The balance shown as a receivable for water districts represents the other entity’s share of the maintenance costs incurred by the District due at year-end.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventory

Inventory includes water purchased in storage and is stated at the original cost using the first-in, first-out (FIFO) method. As of June 30, 2023, the District has $- water purchased in storage. The statement of revenues, expenses, and changes in net position include the purchased water costs of $954,404 for the year ended June 30, 2023. An estimate for evaporation has been recorded in the amount of $15,581 as part of the total purchased water costs as of June 30, 2023.

H. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. The District's policy has set the capitalization threshold for reporting capital assets at the following:

Land	$1
Infrastructure	$10,000
All Other Assets	$5,000

Contributed assets are recorded at acquisition value at the date of contribution. 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 the straight-line basis over the estimated useful lives of the assets as follows:

Santiago Dam	10 to 100 Years
Treatment Plant	10 to 50 Years
Transmission and Distribution	10 to 40 Years
Vehicles and Equipment	3 to 25 Years
Buildings and Improvements	10 to 30 Years
Wells and Reservoirs	20 to 100 Years

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The District has the following items that qualify for reporting in this category:

- Deferred outflow related to pension contributions subsequent to the measurement date. This amount is equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflow related to pensions for differences between actual and expected experiences, changes in assumptions and changes in proportion and differences between employer contributions and the proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.
- Deferred outflow related to pensions resulting from the net difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over five years.
- Deferred outflow related to OPEB for differences between actual and expected experiences. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with healthcare benefits through the plans.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred inflow related to pensions for differences between actual and expected experiences and changes in proportion and differences between employer contributions and the proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.
- Deferred inflow related to OPEB for differences between actual and expected experiences and changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with healthcare benefits through the plans.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences

The total amount of accrued sick leave hours and vacation pay hours at the end of each year have been reflected in the statement of net position. To discourage excessive absences from work, the employees (excluding management) are paid for unused sick pay hours in excess of 40 hours.

K. Net Position

In the statement of net position, net position is classified in the following categories:

- Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

The District’s unrestricted net position contains the following reserves:

Capital Construction Reserve	$ 2,008,853
Emergency and Water Purchases Reserve	2,500,000
Total Unrestricted Net Position	$ 4,508,853

L. Net Position Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District’s practice to consider restricted – net position to have been depleted before unrestricted – net position is applied.

M. Operating Revenues and Expenses

Operating revenues, such as charges for services (water sales) result from exchange transactions associated with the principal activity of the District. Nonoperating revenues, such as interest income and development and other nonoperating revenues, result from nonexchange transactions or ancillary activities in which the District receives value without directly giving equal value in exchange.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Operating Revenues and Expenses (Continued)

Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

N. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners or real estate developers desiring services that require capital expenditures or capacity commitment. The District had capital contributions totaling $6,136,387 during the fiscal year ended June 30, 2023.

O. Pensions

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

P. Use of Estimates

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management's best estimates and judgments. Accordingly, actual results could differ from the estimates.

Q. Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's prior year financial statements, from which this selected financial data was derived.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2023 are reported in the accompanying statement of net position as follows:

Current Assets:		
Cash and Cash Equivalents	$	6,718,553
Certificates of Deposit		-
Restricted:		
Investments Held by Pension Trust - CEPPT		200,000
Total Cash, Trust, and Certificates of Deposit	$	6,918,553

Cash and cash equivalents as of June 30, 2023 consisted of the following:

Cash on Hand	$	250
Deposits with Financial Institutions,		
Including Certificates of Deposit		726,435
Cash Equivalents		5,991,868
Restricted - Held by Pension Trust:		
CEPPT - Mutual Funds		200,000
Total Cash, Trust, and Certificates of Deposit	$	6,918,553

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

Funds in excess of needs for current operating expenses are invested in various short-term money market and investment funds. The primary goals of the District's Investment Policy are to assure compliance with all state and local laws governing the investment of funds under the control of the organization, protect the principal of investments entrusted, and generate income under the parameters of such policies.

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, and concentration of credit risk.

This table does not address investments of debt proceeds held by bond trustees or the investment of funds within the pension trust that are governed by the provisions of debt agreements of the District and the agreement between the District and the trustee, respectively, rather than the general provisions of the California Government Code or the District's investment policy. The District has no unspent debt proceeds on hand as of the year ended June 30, 2023.

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Obligations	5 Years	None	None
Unites States Government			
Sponsored Obligations	5 Years	30%	None
Repurchase Agreements	30 Days	10%	None
Commercial Paper	270 Days	25%	10%
Money Market Mutual Funds	N/A	20%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Local Agency Investment Fund (LAIF)	N/A	65%	None
Orange County Investment Pool (OCIP)	N/A	65%	None
Passbook Savings	5 Years	$4,000,000	None

N/A - Not Applicable

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's cash equivalents to market interest rate fluctuations is provided by the following table that shows the distribution of the District's cash equivalents by maturity as of June 30, 2023.

Cash Equivalent Type	Remaining Maturity (in Months) 12 Months or Less
LAIF	$ 3,032,722
OCIP	2,867,409
Money Market Mutual Funds	91,737
Restricted - Held by Pension Trust:	
CEPPT - Mutual Funds	200,000
Total	$ 6,191,868

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following table are the minimum rating required by (where applicable) the California Government Code, the District's investment policy, and the actual Standard and Poor's credit rating as of June 30, 2023 for each cash equivalent type.

Cash Equivalent Type	Minimum Legal Rating	Total	Not Rated	AAA
LAIF	N/A	$ 3,032,722	$ 3,032,722	$ -
OCIP	N/A	2,867,409	-	2,867,409
Money Market Mutual Funds	N/A	91,737	-	91,737
Restricted - Held by Pension Trust:				
CEPPT - Mutual Funds	N/A	200,000	200,000	-
Total		$ 6,191,868	$ 3,232,722	$ 2,959,146

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Other than external investments pools, the District had no investments that exceeded 5% of the portfolio.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools or Section 115 trusts (such as LAIF, OCIP, or CEPPT).

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk (Continued)

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local 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. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2023, all of the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

District Investments in State Investment Pool and County Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with state statute. The State Treasurer's Office audits the fund annually. The District is also a voluntary participant in the Orange County Investment Pool (OCIP) that is regulated by California Government Code and the Orange County Board of Supervisors under the oversight of the County of Orange Treasury Oversight Committee. The fair value of the District's investments in these pools is reported in the accompanying financial statements at amounts based upon the District's pro rata share of the fair value provided by LAIF and OCIP for each respective portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF and OCIP, which are recorded on an amortized cost basis.

Restricted Cash and Investments – Pension Trust

The District established a Section 115 trust account with CalPERS entitled CEPPT to hold assets that are legally restricted for use in administering the District's pension plan. Trust account holders can select one of two strategy options for investments. The District selected the CEPPT asset allocation Strategy 1 portfolio, which seeks to provide capital appreciation and income consistent with its strategic asset allocation. The CEPPT Strategy 1 portfolio is invested in various asset classes that are passively managed to an index. CalPERS periodically adjusts the composition of the portfolio in order to match the target allocations. Generally, equities are intended to help build the value of the portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds. Compared with CEPPT Strategy 2, this portfolio has a higher allocation to equities than bonds. The CEPPT Strategy 1 portfolio consists of the following asset classes and corresponding benchmarks:

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Restricted Cash and Investments – Pension Trust (Continued)

Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	40 %	+/- 5%	MSCI All Country World Index IMI (net)
Fixed Income	47	+/- 5%	Bloomberg Barclays U.S. Aggregate Bond Index
Treasury Inflation-Protected Securities (TIPS)	5	+/- 5%	Bloomberg Barclays U.S. TIPS Index, Series L
Real Estate Investment Trusts (REITs)	8	+/- 5%	FTSE EPRA/NAREIT Developed Index (Net)
Cash	-	+/- 5%	91 Day Treasury Bill
Total	100 %		

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The District's investments in LAIF, OCIP, money market mutual funds, and Pension Trust – CEPPT are not subject to the fair value measurement hierarchy.

NOTE 3 ACCOUNTS RECEIVABLE – WATER DISTRICTS

The District shares expenses for jointly owned facilities with the Irvine Ranch Water District. Expenses from the maintenance and operation of Santiago Dam and Reservoir are shared, three-fourths by Irvine Ranch Water District and one-fourth by the District. The District pays expenses and then charges three-fourths of the expenses to Irvine Ranch Water District. To cover overhead, administrative and general expenses, 90% of direct labor charges are added to the bill. The amount of $244,522 was billed to Irvine Ranch Water District for the year ended June 30, 2023. The balance due to the District from Irvine Ranch Water District as of June 30, 2023 was $72,316.

NOTE 4 CAPITAL ASSETS

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

	Balance June 30, 2022	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2023
Capital Assets, Not Being Depreciated:				
Land	$ 147,790	$ -	$ -	$ 147,790
Construction in Progress	767,376	850,744	(17,500)	1,600,620
Total Capital Assets, Not Being Depreciated	915,166	850,744	(17,500)	1,748,410
Capital Assets, Being Depreciated:				
Santiago Dam	529,433	-	-	529,433
Treatment Plan	10,923,222	6,143,085	17,500	17,083,807
Transmission and Distribution	4,675,054	-	-	4,675,054
Vehicles and Equipment	1,393,872	65,320	(33,283)	1,425,909
Buildings and Improvements	348,545	-	-	348,545
Wells and Reservoirs	4,562,959	356,749	-	4,919,708
Total Capital Assets, Being Depreciated	22,433,085	6,565,154	(15,783)	28,982,456
Less Accumulated Depreciation for:				
Santiago Dam	(499,453)	(4,591)	-	(504,044)
Treatment Plan	(3,974,588)	(270,981)	-	(4,245,569)
Transmission and Distribution	(3,521,678)	(82,918)	-	(3,604,596)
Vehicles and Equipment	(1,262,061)	(48,609)	33,283	(1,277,387)
Buildings and Improvements	(209,746)	(11,083)	-	(220,829)
Wells and Reservoirs	(2,866,992)	(153,375)	-	(3,020,367)
Total Accumulated Depreciation on Capital Assets, Being Depreciated	(12,334,518)	(571,557)	33,283	(12,872,792)
Total Capital Assets, Being Depreciated, Net	10,098,567	5,993,597	17,500	16,109,664
Total Capital Assets, Net	$ 11,013,733	$ 6,844,341	$ -	$ 17,858,074

NOTE 5 LONG-TERM LIABILITIES

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

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year	Due in More Than One Year
Direct Borrowings:						
Holman Capital						
Installment Sale Agreement	$ 1,513,105	$ -	$ (1,513,105)	$ -	$ -	$ -
Compensated Absences	124,670	100,330	(83,083)	141,917	-	-
Total	$ 1,637,775	$ 100,330	$ (1,596,188)	$ 141,917	$ -	$ -

Holman Capital Corporation – Installment Sale Agreement

On December 19, 2018, the District entered into an installment purchase agreement with Holman Capital Corporation for $2,660,394 to refinance the existing installment sales agreements with Capital One Bank and Bank of America. The proceeds were utilized to fully repay these installment sale agreements. The loan bears interest at a rate of 3.85% and the $205,887 installment is payable on June 19 and December 19. The loan was paid off early during fiscal year ended June 30, 2023.

Compensated Absences

The District has compensated absences as discussed in Note 1J as follows as of June 30, 2023:

Vacation Pay	$ 113,943
Sick Pay	27,974
Total	$ 141,917

NOTE 6 WATER SALES IN ACRE FEET

During the year ended June 30, 2023, 1079 acre feet of bulk water was sold to the City of Orange for a total sales price of $1,077,018. The Accounts Receivable – General of $250,551, relates to the sale of water to the City of Orange as of June 30, 2023.

Water Sales (Acre Feet):	
Domestic Water	2,143
Bulk Sale	1,078
Irrigation Water	2
Total	3,223

NOTE 7 IRVINE LAKE/SANTIAGO RESERVOIR OPERATIONS

Irvine Ranch Water District (IRWD) and the District co-manage the daily reservoir operations.

NOTE 7 IRVINE LAKE/SANTIAGO RESERVOIR OPERATIONS (CONTINUED)

The recreational rights at Irvine Lake are jointly owned by The Irvine Company and the District. The District is the manager of the recreational activities through a nonprofit public benefit corporation, SWD Recreation, Inc., which was formed in 1997. During the year ended June 30, 2016, SWD Recreation, Inc. suspended operations due to the termination of this agreement and is still dormant and inactive as of June 30, 2023 and was not utilized in the agreement discussed below.

Beginning in the fiscal year ending June 30, 2019 and through June 30, 2023, the District licensed the shoreline fishing recreation rights directly to the county of Orange for the greater of (a) $4,500 per month or (b) 25% of the county's net proceeds obtained from the recreational activities. For the fiscal year ended June 30, 2023, the total revenue earned related to this agreement was $54,000, which is included in recreation income in the statement of revenues, expenses, and changes in net position.

NOTE 8 RISK MANAGEMENT

Description of the Insurance Authority

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of the Insurance Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

Self-Insurance Programs of the Insurance Authority

At June 30, 2023, the District participated in the self-insurance programs of the Insurance Authority as follows:

Property Loss

Insured up to replacement value with deductibles ranging from $1,000 to $10,000 per occurrence depending on the type of equipment. The Insurance Authority is self-insured up to $100,000 per occurrence and has purchased excess insurance coverage up to $500 million limited to insurable value of $18,723,882.

General, Auto, and Public Officials Liability

Total risk financing self-insurance limits of $5 million, combined single limit at $55 million per occurrence. The Authority purchases additional excess coverage for layers: $55 million for general, auto, and public officials' liability, except for terrorism, communicable disease, subsidence, lead, and mold, with have limits of $5 million, $10 million, $45 million, $45 million, and $45 million, respectively. These increase the limits on the insurance coverage noted above.

Public Official Bond

$100,000 total insurance.

NOTE 8 RISK MANAGEMENT (CONTINUED)

Self-Insurance Programs of the Insurance Authority (Continued)

Crime

$100,000 total insurance subject to a $1,000 deductible.

Boiler and Machinery

Coverage for the replacement cost up to $100 million per occurrence limited to insurable value, subject to a $25,000 deductible per occurrence with the exception of turbine units and associated equipment for which the deductible is $50,000.

Workers' Compensation

Compensation insurance up to California statutory limits for all work-related injuries/illnesses covered by California law. The Insurance Authority is self-insured to $4 million and has purchased excess insurance to the statutory limit.

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 ended 2023 and 2022. 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. There were no claims payable as of June 30, 2023.

NOTE 9 PENSION PLANS

A. General Information About the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Plans, cost-sharing defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by state statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five (5) 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 the plan are applied as specified by the Public Employees' Retirement Law.

NOTE 9 PENSION PLANS (CONTINUED)

A. General Information About the Pension Plans (Continued)

Benefits Provided (Continued)

The Plans' provisions and benefits in effect at the fiscal year ended June 30, 2023 are summarized as follows:

	Miscellaneous	
Hire Date	Prior to January 1, 2013	On or After January 1, 2013
Benefit Formula	2%@60	2%@62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 - 62	52 - 67
Monthly Benefits, as a Percent of Eligible Compensation	1.092% to 2.418%	1.0% to 2.5%
Required Employee Contribution Rates	7%	6.75%
Required Employer Contribution Rates:		
Normal Cost Rate	912.00%	7.47%
Payment of Unfunded Liability	$49,973	$1,855

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. Contributions made by the District for the fiscal year ended June 30, 2023 were $136,191.

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

	Proportionate Share of Net Pension Liability (Asset)
Miscellaneous	$ 955,126

NOTE 9 PENSION PLANS (CONTINUED)

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

The District's net pension asset for the Plan is measured as the proportionate share of the net pension liability. The total pension liability of the Plan is measured as of June 30, 2022. The District's proportionate share 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. In fiscal year June 30, 2023, the District's portion of the Plan's net pension liability represents an asset due to excess payments made in prior years.

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

	Miscellaneous
Proportion - June 30, 2021	-0.02176%
Proportion - June 30, 2022	0.02041%
Change - Increase (Decrease)	0.04217%

For the year ended June 30, 2023, the District recognized pension expense of $1,089,101. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	$ 136,191	$ -
Differences Between Actual and Expected Experience	19,180	(12,846)
Changes in Assumptions	97,873	-
Change in Employer's Proportion and Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	424,328	(28,115)
Net Differences Between Projected and Actual Earnings on Plan Investments	174,953	-
Total	$ 852,525	$ (40,961)

NOTE 9 PENSION PLANS (CONTINUED)

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

$136,191 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2024	$ 204,671
2025	221,489
2026	142,207
2027	107,006
2028	-
Thereafter	-

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with standard update procedures used to roll forward the total pension liability to June 30, 2022. The total pension liability was based on the following assumptions:

	Miscellaneous
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	(1)
Mortality	(2)
Post Retirement Benefit Increase	(3)

(1) Depending on age, service and type of employment

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

(3) The less of contract COLA or 2.30% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.30% thereafter.

NOTE 9 PENSION PLANS (CONTINUED)

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

Long-Term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short- term and long-term market return expectations. Using historical returns all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

Asset Class (a)	Assumed Asset Allocation	Real Return (a)(b)
Global Equity - Cap-Weighted	30 %	4.54%
Global Equity - Noncap-Weighted	12	3.84%
Private Equity	13	7.28%
Treasury	5	0.27%
Mortgage-backed Securities	5	0.50%
Investment Grade Corporates	10	1.56%
High Yield	5	2.27%
Emerging Market Debt	5	2.48%
Private Debt	5	3.57%
Real Assets	15	3.21%
Leverage	(5)	-0.59%
Total	100 %	

(a) An expected inflation of 2.30% used for this period
(b) Figures are based on the 2021 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 PENSION PLANS (CONTINUED)

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

Change in Assumptions

The discount rate and long-term rate of return decreased from 7.15% to 6.90% and the inflation rate decreased from 2.50% to 2.30% from the measurement date June 30, 2021 to June 30, 2022.

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

The following presents the District's proportionate share of the net pension liability (asset) for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	5.90%
Net Pension Liability	$ 2,091,687
Current Discount Rate	6.90%
Net Pension Liability (Asset)	$ 955,126
1% Increase	7.90%
Net Pension Liability (Asset)	$ 20,017

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

At June 30, 2023, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

D. Additional Funding of the Pension Plan

In fiscal year 2021-2022, the District approved the creation of a CalPERS defined benefit pension plan trust with CalPERS (Pension Trust) to prefund the required pension contributions. The Pension Trust is legally restricted to providing benefits for members of the defined benefit pension plan. However, in accordance with GASB 68, the asset balance is not included in the calculation of the net pension asset above. For the fiscal year ended June 30, 2023, the Pension Trust had the following activity: (1) District contributions of $100,000, investment gains of $7,710, administrative expenses of $175, and investment expenses of $91. The balance in this trust is $200,000 as of June 30, 2023.

NOTE 10 DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The assets in the plan are held in trust for the exclusive benefit of the participants and their beneficiaries and are, therefore, not reported in the financial statements of the District.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN

Plan Description

The District, through a single employer defined benefit plan, provides postemployment health care benefits. Specifically, the District provides health (medical, dental, and vision) insurance for its retired employees and directors, their dependent spouses (if married and covered on the District's plan at the time of retirement), or survivors in accordance with board resolutions. Coverage is provided for eligible retired employees who have a minimum of 20 years of service with the District and directors who have a minimum of 12 years of service with the District. The District pays 100% of the premium for the retiree and spouse. This plan was closed to new entrants as of January 1, 2008.

The District participates in the Association of California Water Agencies (ACWA) health program for its medical coverage. In general, the plans provided through ACWA are based on the experience or risk profile of the entire group of employers within a region. The following table summarizes the monthly funding rates for health coverages that are primarily applicable to current retired employees. For pre-65 medical coverage, the retiree premiums are the same as the active premiums. All premiums are monthly and are effective for the calendar year.

2022	Blue Cross PPO	Blue Cross HMO
Employee Only	$ 850	$ 964
Employee Plus One	1,700	1,928
Medicare Employee Only	392	888
Medicare Employee and Spouse	785	1,775

2023	Blue Cross PPO	Blue Cross HMO
Employee Only	$ 765	$ 1,017
Employee Plus One	673	2,034
Medicare Employee Only	405	161
Medicare Employee and Spouse	809	322

2022	Delta Dental
Employee Only	$ 46
Employee Plus One	94

2023	Delta Dental
Employee Only	$ 46
Employee Plus One	94

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

The contribution requirements of plan members and the District are established and may be amended by the District, District's Board of Directors, and/or the employee associations. Currently, contributions are not required from plan members. The District has not established a trust to fund future OPEB benefits and funds the plan on a pay-as-you-go basis.

Employees Covered

As of the June 30, 2023 measurement date, the following current and former employees were covered by the benefit terms under the plan:

Inactive Employees or Beneficiaries Currently Receiving Benefits	7
Active Employees	3
Total	10

Total OPEB Liability

The District's total OPEB liability of $1,742,869 was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions and Other Inputs

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

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.65%
Long-Term Expected Rate of Return on Investments	N/A
Inflation	2.50%
Payroll Increases	2.75%
Health Care Trend	4.00%
Mortality Factors	According to the pre-retirement mortality rates under the most recent CalPERS pension plan valuation (2021).
Retirement Rates	According to the retirement rates under the most recent CalPERS pension plan valuation (2021). According to the following retirement tables: Miscellaneous Tier 1: 2.0% @ 60

The discount rate utilized is based on whether the plan assets are projected to be sufficient to make future payments. Since there are no plan assets held in trust, the discount rate was based on a high-quality 20-year tax-exempt general obligation municipal bond yield or index rate. "High-quality" is defined as being rated AA or higher (or an equivalent rating). The municipal bond rate utilized was 3.65% and was determined using the Bond Buyer 20 Bond Index as of June 30, 2023.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

Changes in Actuarial Assumptions

The discount rate increased from 3.54% for the measurement period ended June 30, 2022 to 3.65% for the measurement period ended June 30, 2023.

Changes in Total OPEB Liability

The change in total OPEB liability are as follows:

	Total OPEB Liability
Balance at June 30, 2022 (Measurement Date)	$ 2,199,947
Changes in the Year:	
Service Cost	38,820
Interest on the Total OPEB Liability	77,194
Changes of Benefit Terms	-
Differences Between Actual and Expected Experience	(392,811)
Changes in Assumptions	(102,805)
Benefit Payments	(77,476)
Net Changes	(457,078)
Balance at June 30, 2023 (Measurement Date)	$ 1,742,869

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

The following presents the total OPEB liability of the District, calculated using the discount rate for the Plan, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
Total OPEB Liability	$ 1,975,388	$ 1,742,869	$ 1,549,312

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 health care cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current health care cost trend rates:

	1% Decrease (3.0%)	Current Healthcare Cost Trend Rates (4.0%)	1% Increase (5.0%)
Total OPEB Liability	$ 1,525,673	$ 1,742,869	$ 2,009,533

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

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

For the year ended June 30, 2023, the District recognized OPEB income of $253,336. At June 30, 2023, the District reported deferred outflows of resources or deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Actual and Expected Experience	$ 907	$ (247,325)
Changes in Assumptions	-	(102,934)
Total	$ 907	$ (350,259)

The differences between actual and expected experience and changes in assumptions are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB benefits through the plan, which is 2.7 years as of June 30, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2024	$ (220,860)
2025	(128,492)
2026	-
2027	-
2028	-
Thereafter	-

REQUIRED SUPPLEMENTARY INFORMATION

SERRANO WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) – CALPERS PENSION PLANS – MISCELLANEOUS
LAST TEN FISCAL YEARS*

	Miscellaneous			
Fiscal Year Ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Measurement Period	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Plan's Proportion of the Net Pension Liability (Asset)	0.04217%	-0.02176%	0.01356%	0.00439%
Plan's Proportionate Share of the Net Pension Liability (Asset)	$ 955,126	$ (413,209)	$ 572,092	$ 449,437
Plan's Covered Payroll	$ 944,624	$ 858,011	$ 828,706	$ 777,175
Plan's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	101.11%	-48.16%	69.03%	57.83%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability (Asset)	88.54%	105.29%	92.36%	75.26%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From Fiscal Year June 30, 2015 to June 30, 2016:

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

From Fiscal Year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From Fiscal Year June 30, 2017 to June 30, 2018:

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

From Fiscal Year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

From Fiscal Year June 30, 2020 to June 30, 2022:

There were no changes in assumptions.

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

The discount rate and long-term rate of return decreased from 7.15% to 6.90% and the inflation rate decreased from 2.50% to 2.30%.

* Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

SERRANO WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) – CALPERS PENSION PLANS – MISCELLANEOUS (CONTINUED)
LAST TEN FISCAL YEARS*

	Miscellaneous				
Fiscal Year Ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Period	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's Proportion of the Net Pension Liability (Asset)	0.03571%	0.03494%	0.03322%	0.03902%	0.03689%
Plan's Proportionate Share of the Net Pension Liability (Asset)	$ 1,345,857	$ 1,377,276	$ 1,154,013	$ 801,069	$ 911,608
Plan's Covered Payroll	$ 755,529	$ 694,392	$ 719,781	$ 681,864	$ 706,402
Plan's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	178.13%	198.34%	160.33%	117.48%	129.05%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability (Asset)	75.26%	77.91%	79.61%	84.95%	83.03%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From Fiscal Year June 30, 2015 to June 30, 2016:

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

From Fiscal Year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From Fiscal Year June 30, 2017 to June 30, 2018:

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

From Fiscal Year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

From Fiscal Year June 30, 2019 to June 30, 2022:

There were no changes in assumptions.

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

The discount rate and long-term rate of return decreased from 7.15% to 6.90% and the inflation rate decreased from 2.50% to 2.30%.

* Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

SERRANO WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS – CALPERS PENSION PLANS – MISCELLANEOUS
LAST TEN FISCAL YEARS*

	Miscellaneous			
Fiscal Year Ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Contractually Required Contribution (Actuarially Determined)	$ 136,191	$ 116,541	$ 103,781	$ 90,838
Contributions in Relation to the Actuarially Determined contributions	(136,191)	(116,541)	(103,781)	(90,838)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 1,023,786	$ 944,624	$ 858,011	$ 828,706
Contributions as a Percentage of Covered Payroll	13.30%	12.34%	12.10%	10.96%
Valuation Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Methods and Assumptions Used to Determine Contribution Rates:				
Actuarial Cost Method	Entry age	Entry age	Entry age	Entry age
Amortization Method	(1)	(1)	(1)	(1)
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value
Inflation	2.300%	2.500%	2.500%	2.625%
Salary Increases	(2)	(2)	(2)	(2)
Investment Rate of Return	6.90% (3)	7.00% (3)	7.00% (3)	7.25% (3)
Retirement Age	(4)	(4)	(4)	(4)
Mortality	(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 expense, including inflation
(4) 50 for all plans with the exception of 52 for Miscellaneous PEPRA 2%@62
(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

SERRANO WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS – CALPERS PENSION PLANS – MISCELLANEOUS (CONTINUED)
LAST TEN FISCAL YEARS*

	Miscellaneous				
Fiscal Year Ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution (Actuarially Determined)	$ 127,160	$ 104,947	$ 88,065	$ 78,051	$ 55,748
Contributions in Relation to the Actuarially Determined contributions	(1,127,160)	(104,947)	(88,065)	(78,051)	(55,748)
Contribution Deficiency (Excess)	$ (1,000,000)	$ -	$ -	$ -	$ -
Covered Payroll	$ 777,175	$ 755,529	$ 694,392	$ 719,781	$ 681,864
Contributions as a Percentage of Covered Payroll	145.03%	13.89%	12.68%	10.84%	8.18%

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial Cost Method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization Method	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)
Mortality	(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 expense, including inflation
(4) 50 for all plans with the exception of 52 for Miscellaneous PEPRA 2%@62
(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

SERRANO WATER DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS*

Fiscal Year-End	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Measurement Date	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Total Pension Liability:						
Service Cost	$ 38,820	$ 83,384	$ 80,196	$ 30,235	$ 29,354	$ 29,231
Interest	77,194	80,343	80,349	104,792	111,919	110,405
Change of Benefit Terms	-	(1,196,732)	-	-	-	-
Changes of Assumptions	(102,805)	(420,263)	21,716	(79,882)	147,251	(41,934)
Differences Between Expected and Actual Experience	(392,811)	9,985	(7,006)	357,715	-	-
Benefit Payments, Including Refunds of Employee Contributions	(77,476)	(94,159)	(106,988)	(124,618)	(151,971)	(142,696)
Net Change in Total OPEB Liability	(457,078)	(1,537,442)	68,267	288,242	136,553	(44,994)
Total OPEB Liability - Beginning of Year	2,199,947	3,737,389	3,669,122	3,380,880	3,244,327	3,289,321
Total OPEB Liability - End of Year (a)	$ 1,742,869	$ 2,199,947	$ 3,737,389	$ 3,669,122	$ 3,380,880	$ 3,244,327
Covered Payroll	$ 304,563	$ 281,905	$ 266,009	$ 301,853	$ 128,743	$ 116,377
Total OPEB Liability as Percentage of Covered Payroll	572.25%	780.39%	1404.99%	1215.53%	2626.07%	2787.77%

Notes to Schedule:

Benefit Changes:

Changes in benefit terms occurred in 2021-2022. The District's healthcare insurance provider, ACWA, changed from Medicare Supplemental Plans to United Healthcare Medicare Advantage Plans, which had a lower premium decreasing from $570.23 to $392.49 per month.

Changes in Assumptions:

From 6/30/2018 to 6/30/2019:

The discount rate utilized for June 30, 2018 was 3.50% as compared to 3.15% utilized for June 30, 2019.

From 6/30/2019 to 6/30/2020:

The discount rate utilized for June 30, 2019 was 3.15% as compared to 2.20% utilized for June 30, 2020. The healthcare trend rate was changed from 6.5% decreasing to 5.0% by 0.5% per years for June 30, 2018 and 2019 to 4.0% for June 30, 2020. Also, mortality and retirement rates were updated from the 2014 CalPERS pension plan valuation used in June 30, 2018 and June 30, 2019 to the 2017 CalPERS pension plan valuation used in June 30, 2020.

From 6/30/2020 to 6/30/2021:

The discount rate utilized for June 30, 2020 was 2.20% as compared to 2.16% utilized for June 30, 2021.

From 6/30/2021 to 6/30/2022:

The discount rate utilized for June 30, 2021 was 2.16% as compared to 3.54% utilized for June 30, 2022.

From 6/30/2022 to 6/30/2023:

The discount rate utilized for June 30, 2022 was 3.54% as compared to 3.65% utilized for June 30, 2023.

* Fiscal year 2018 was the first year of implementation; therefore, only six years are shown.