



**NORTH COAST COUNTY WATER DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2023
(With Comparative Amounts as of June 30, 2022)**

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NORTH COAST COUNTY WATER DISTRICT

For the Fiscal Year Ended June 30, 2023

Board of Directors and Management

BOARD OF DIRECTORS

Jack Burgett – President

Joshua Cosgrove – Vice President

Ron Ash – Director

Anne De Jarnett – Director

William Hauser – Director

MANAGEMENT

Adrienne Carr – General Manager

NORTH COAST COUNTY WATER DISTRICT
For the Fiscal Year Ended June 30, 2023
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Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Directors
North Coast County Water District
Pacifica, California

Opinion

We have audited the accompanying financial statements of the North Coast County Water District (District), which comprise the balance sheet as of June 30, 2023, and the related statement of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

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 respective changes in financial position and 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency 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.

Management's Responsibility 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 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 Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 Agency'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 Agency'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, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of the District's Contributions to the Defined Benefit Pension Plan, and Schedule of Changes in the District's Net OPEB Liability and Related Ratios 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The Schedule of Capacity Charges are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2022, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated January 17, 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 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.



Walnut Creek, California
January 17, 2024

NORTH COAST COUNTY WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2023 and 2022

Management's Discussion and Analysis (MD&A) offers readers of North Coast County Water District's financial statements a narrative overview of the District's financial activities for the year ended June 30, 2023. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- In fiscal year 2023, the District's net position increased 5.25%, or \$2,309,710 from the prior year's net position of \$44,031,076 to \$46,340,786, as a result of the year's operations.
- In fiscal year 2023, operating revenues increased by 1.02%, or \$132,705 from \$13,069,603 to \$13,202,308, from the prior year, primarily due to increases in residential and multi-unit water consumption sales as well as other operating revenues.
- In fiscal year 2023, operating expenses before depreciation expense increased by 11.78% or \$1,216,615 from \$10,327,709 to \$11,544,324, from the prior year, primarily due to increases in costs for source of supply and general and transmission and distribution expenses.

REQUIRED FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Balance Sheet, 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 Balance Sheet includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). 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 Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net 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.

NORTH COAST COUNTY WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2023 and 2022

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Balance Sheet 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 and liabilities 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 them. You 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.

Condensed Balance Sheets

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>
Assets:			
Current assets	\$ 22,364,876	\$ 21,540,766	\$ 824,110
Non-current assets	21,241,495	22,682,924	(1,441,429)
Capital assets, net	<u>40,230,441</u>	<u>38,609,161</u>	<u>1,621,280</u>
Total assets	<u>83,836,812</u>	<u>82,832,851</u>	<u>1,003,961</u>
Deferred outflows of resources	<u>2,485,243</u>	<u>1,432,052</u>	<u>1,053,191</u>
Total assets and deferred outflows of resources	<u>\$ 86,322,055</u>	<u>\$ 84,264,903</u>	<u>\$ 2,057,152</u>
Liabilities:			
Current liabilities	\$ 2,938,060	\$ 2,391,896	\$ 546,164
Non-current liabilities	<u>35,672,262</u>	<u>33,651,968</u>	<u>2,020,294</u>
Total liabilities	<u>38,610,322</u>	<u>36,043,864</u>	<u>2,566,458</u>
Deferred inflows of resources	<u>1,370,947</u>	<u>4,189,963</u>	<u>(2,819,016)</u>
Net position:			
Net investment in capital assets	35,150,360	33,800,151	1,350,209
Unrestricted	<u>11,190,426</u>	<u>10,230,925</u>	<u>959,501</u>
Total net position	<u>46,340,786</u>	<u>44,031,076</u>	<u>2,309,710</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 86,322,055</u>	<u>\$ 84,264,903</u>	<u>\$ 2,057,152</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$46,340,786 as of June 30, 2023.

NORTH COAST COUNTY WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2023 and 2022

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Condensed Balance Sheets (continued)

By far the largest portion of the District's net position (76% as of June 30, 2023) 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 its customers; consequently, these assets are not available for future spending.

At the end of year 2023, the District showed a positive balance in its unrestricted net position of \$11,190,426 which may be utilized in future years.

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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>
Operating revenues	\$ 13,202,308	\$ 13,069,603	\$ 132,705
Operating expenses	<u>(11,544,324)</u>	<u>(10,327,709)</u>	<u>(1,216,615)</u>
Operating income before depreciation	1,657,984	2,741,894	(1,083,910)
Depreciation expense	<u>(1,328,383)</u>	<u>(1,303,315)</u>	<u>(25,068)</u>
Operating income	329,601	1,438,579	(1,108,978)
Non-operating revenues(expenses), net	<u>1,875,453</u>	<u>548,141</u>	<u>1,327,312</u>
Capital contributions	<u>104,656</u>	<u>464,884</u>	<u>(360,228)</u>
Change in net position	2,309,710	2,451,604	(141,894)
Net position:			
Beginning of year	<u>44,031,076</u>	<u>41,579,472</u>	<u>2,451,604</u>
End of year	<u>\$ 46,340,786</u>	<u>\$ 44,031,076</u>	<u>\$ 2,309,710</u>

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years. In the case of the District, net position increased 5.25%, or \$2,309,710 from the prior year's net position of \$44,031,076 to \$46,340,786, as a result of the year's operations.

NORTH COAST COUNTY WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2023 and 2022

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Total Revenues

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	Increase (Decrease)
Operating revenues:			
Water consumption sales	\$ 8,811,077	\$ 8,838,709	\$ (27,632)
Water service charges	4,202,724	4,116,744	85,980
New service connections	28,420	16,954	11,466
Other operating revenues	<u>160,087</u>	<u>97,196</u>	<u>62,891</u>
Total operating revenues	<u>13,202,308</u>	<u>13,069,603</u>	<u>132,705</u>
Non-operating revenues:			
Property taxes	1,304,727	1,272,313	32,414
Investment earnings	1,067,718	(140,320)	1,208,038
Rental revenue – cellular antennas	244,779	256,590	(11,811)
Other non-operating revenues	<u>25,188</u>	<u>12,600</u>	<u>12,588</u>
Total non-operating revenues	<u>2,642,412</u>	<u>1,401,183</u>	<u>1,241,229</u>
Total revenues	<u>\$ 15,844,720</u>	<u>\$ 14,470,786</u>	<u>\$ 1,373,934</u>

In fiscal year 2023, operating revenues increased by 1.02%, or \$132,705 from \$13,069,603 to \$13,202,308, from the prior year, primarily due to increases in residential and multi-unit water consumption sales as well as other operating revenues.

NORTH COAST COUNTY WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2023 and 2022

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Total Expenses

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Increase (Decrease)</u>
Operating expenses:			
Source of supply	\$ 5,333,113	\$ 4,744,991	\$ 588,122
Pumping and power	325,750	241,586	84,164
Transmission and distribution	2,433,162	2,048,052	385,110
General and administrative	3,452,299	3,293,080	159,219
Total operating expenses	<u>11,544,324</u>	<u>10,327,709</u>	<u>1,216,615</u>
Depreciation expense	<u>1,328,383</u>	<u>1,303,315</u>	<u>25,068</u>
Non-operating expenses:			
Interest expense	<u>766,959</u>	<u>539,351</u>	<u>227,608</u>
Total non-operating expenses	<u>766,959</u>	<u>539,351</u>	<u>227,608</u>
Total expenses	<u>\$ 13,639,666</u>	<u>\$ 12,170,375</u>	<u>\$ 1,469,291</u>

In fiscal year 2023, operating expenses before depreciation expense increased by 11.78% or \$1,216,615 from \$10,327,709 to \$11,544,324, from the prior year, primarily due to increases in costs for source of supply and general and transmission and distribution expenses.

Capital Assets

	<u>Balance June 30, 2023</u>	<u>Balance June 30, 2022</u>
Capital assets:		
Non-depreciable assets	\$ 5,445,755	\$ 2,993,409
Depreciable assets	59,720,896	59,272,183
Accumulated depreciation	<u>(24,936,210)</u>	<u>(23,656,431)</u>
Total capital assets, net	<u>\$ 40,230,441</u>	<u>\$ 38,609,161</u>

At the end of year 2023, the District's investment in capital assets amounted to \$40,230,441 (net of accumulated depreciation), respectively. Capital asset additions amounted to \$2,949,663 for various projects and equipment. See Note 6 for further information.

NORTH COAST COUNTY WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2023 and 2022

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Debt Administration

The long-term debt of the District is summarized below:

	Balance	Balance
Long-term debt:	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Bonds payable	<u>\$ 26,069,125</u>	<u>\$ 26,964,625</u>

Long-term debt decreased by a total of \$895,500 for the year ended June 30, 2023. Principal payments were \$775,000 and amortization of the debt premiums amounted to \$120,500.

See Note 8 for further information.

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.

CONDITIONS AFFECTING CURRENT AND FUTURE FINANCIAL POSITION

Management is unaware of any item that would affect the District's current financial position.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager 2400 Francisco Blvd., Pacifica, CA 94044 - (650) 355-3462 or send an e-mail to info@nccwd.com.

NORTH COAST COUNTY WATER DISTRICT

Balance Sheets

June 30, 2023 (With Comparative Amounts as of June 30, 2022)

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents (Note 2)	\$ 21,043,814	\$ 20,479,361
Accrued interest receivable	152,083	49,027
Accounts receivable, net (Note 4)	758,840	693,642
Accounts receivable – other	5,041	2,322
Lease receivable (Note 5)	238,703	242,705
Property taxes receivable	16,127	13,339
Prepaid expenses	150,268	60,370
Total current assets	22,364,876	21,540,766
Non-current assets:		
Restricted – cash and cash equivalents (Note 2 and 3)	20,989,044	22,155,615
Lease receivable (Note 5)	252,451	527,309
Capital assets – not being depreciated (Note 6)	5,445,755	2,993,409
Capital assets – being depreciated, net (Note 6)	34,784,686	35,615,752
Total non-current assets	61,471,936	61,292,085
Total assets	83,836,812	82,832,851
Deferred outflows of resources:		
Deferred amounts related to net OPEB liability (Note 9)	191,372	356,289
Deferred amounts related to net pension liability (Note 10)	2,293,871	1,075,763
Total deferred outflows of resources	2,485,243	1,432,052
Total assets and deferred outflows of resources	\$ 86,322,055	\$ 84,264,903
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,329,611	\$ 858,719
Deposits and unearned revenues	406,313	380,332
Accrued interest payable	252,785	261,127
Long-term liabilities – due within one year:		
Compensated absences (Note 7)	139,351	116,718
Long-term debt (Note 8)	810,000	775,000
Total current liabilities	2,938,060	2,391,896
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 7)	418,051	350,152
Long-term debt (Note 8)	25,259,125	26,189,625
Net OPEB liability (Note 9)	4,527,029	4,375,136
Net pension liability (Note 10)	5,468,057	2,737,055
Total non-current liabilities	35,672,262	33,651,968
Total liabilities	38,610,322	36,043,864
Deferred inflows of resources:		
Deferred amounts related to leases (Note 5)	449,413	724,342
Deferred amounts related to net OPEB liability (Note 9)	501,034	918,561
Deferred amounts related to net pension liability (Note 10)	420,500	2,547,060
Total deferred inflows of resources	1,370,947	4,189,963
Net position:		
Net investment in capital assets (Note 11)	35,150,360	33,800,151
Unrestricted	11,190,426	10,230,925
Total net position	46,340,786	44,031,076
Total liabilities, deferred inflows of resources and net position	\$ 86,322,055	\$ 84,264,903

NORTH COAST COUNTY WATER DISTRICT*Statements of Revenues, Expenses and Changes in Net Position**For the Fiscal Year Ended June 30, 2023 (With Comparative Amounts as of June 30, 2022)*

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Water consumption sales	\$ 8,811,077	\$ 8,838,709
Water service charges	4,202,724	4,116,744
New service connections	28,420	16,954
Other operating revenues	160,087	97,196
Total operating revenues	<u>13,202,308</u>	<u>13,069,603</u>
Operating expenses:		
Source of supply	5,333,113	4,744,991
Pumping and power	325,750	241,586
Transmission and distribution	2,433,162	2,048,052
General and administrative	3,452,299	3,293,080
Total operating expenses	<u>11,544,324</u>	<u>10,327,709</u>
Operating income before depreciation	1,657,984	2,741,894
Depreciation expense	<u>(1,328,383)</u>	<u>(1,303,315)</u>
Operating income	<u>329,601</u>	<u>1,438,579</u>
Non-operating revenues(expenses):		
Property taxes	1,304,727	1,272,313
Investment earnings	1,067,718	(140,320)
Rental revenue – cellular antennas	244,779	256,590
Sale of capital assets	25,188	12,600
Interest expense	(766,959)	(539,351)
Cost of debt issuance	-	(313,691)
Total non-operating revenues(expenses), net	<u>1,875,453</u>	<u>548,141</u>
Income before capital contributions	<u>2,205,054</u>	<u>1,986,720</u>
Capital contributions		
Capacity charges	<u>104,656</u>	<u>464,884</u>
Change in net position	2,309,710	2,451,604
Net position:		
Beginning of year	<u>44,031,076</u>	<u>41,579,472</u>
End of year	<u>\$ 46,340,786</u>	<u>\$ 44,031,076</u>

NORTH COAST COUNTY WATER DISTRICT

Statements of Cash Flows

For the Fiscal Year Ended June 30, 2023 (With Comparative Amounts as of June 30, 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash receipts from customers and others	\$ 13,439,232	\$ 13,471,217
Cash paid to employees for salaries and wages	(2,532,677)	(2,095,731)
Cash paid to vendors and suppliers for materials and services	<u>(9,529,433)</u>	<u>(8,233,054)</u>
Net cash provided by operating activities	<u>1,377,122</u>	<u>3,142,432</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	1,301,939	1,270,335
Receipts from cellular antenna rentals	<u>244,779</u>	<u>256,590</u>
Net cash provided by non-capital financing activities	<u>1,546,718</u>	<u>1,526,925</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,949,663)	(1,851,961)
Proceeds from capacity charges	104,656	464,884
Proceeds from the sale of capital assets	25,188	12,600
Proceeds from the issuance of debt	-	23,825,966
Cost of debt issuance	-	(313,691)
Principal paid on long-term debt	(775,000)	(405,000)
Interest paid on long-term debt	<u>(895,801)</u>	<u>(307,618)</u>
Net cash provided by (used in) capital and related financing activities	<u>(4,490,620)</u>	<u>21,425,180</u>
Cash flows from investing activities:		
Investment earnings	<u>964,662</u>	<u>(177,312)</u>
Net cash provided by (used in) investing activities	<u>964,662</u>	<u>(177,312)</u>
Net increase(decrease) in cash and cash equivalents	(602,118)	25,917,225
Cash and cash equivalents:		
Beginning of year	<u>42,634,976</u>	<u>16,717,751</u>
End of year	<u>\$ 42,032,858</u>	<u>\$ 42,634,976</u>

NORTH COAST COUNTY WATER DISTRICT*Statements of Cash Flows (continued)**For the Fiscal Year Ended June 30, 2023 (With Comparative Amounts as of June 30, 2022)*

	<u>2023</u>	<u>2022</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 329,601	\$ 1,438,579
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,328,383	1,303,315
Allowance for doubtful accounts expense	-	(91,341)
Change in assets – (increase)decrease:		
Accounts receivable, net	(65,198)	181,022
Accounts receivable – other	(2,719)	9,648
Lease receivable	278,860	227,018
Prepaid expenses	(89,898)	10,369
Change in deferred outflows of resources – (increase)decrease		
Deferred amounts related to net OPEB liability	164,917	296,908
Deferred amounts related to net pension liability	(1,218,108)	71,923
Change in liabilities – increase(decrease):		
Accounts payable and accrued expenses	470,892	175,558
Deposits and unearned revenues	25,981	75,267
Compensated absences	90,532	29,698
Net OPEB liability	151,893	(1,389,583)
Net pension liability	2,731,002	(2,235,645)
Change in deferred inflows of resources – increase(decrease)		
Deferred amounts related to net pension liability	(274,929)	(241,447)
Deferred amounts related to net OPEB liability	(417,527)	918,561
Deferred amounts related to net pension liability	(2,126,560)	2,362,582
Total adjustments	<u>1,047,521</u>	<u>1,703,853</u>
Net cash provided by operating activities	<u>\$ 1,377,122</u>	<u>\$ 3,142,432</u>
Noncash investing, capital and financing transactions		
Amortization of bond premium	<u>\$ 120,500</u>	<u>\$ 91,341</u>

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The District is organized under the Water Code provisions of the general laws of the State of California and is governed by a five-member Board of Directors. The election process for the Board of Directors was restructured prior to the 2022 election. For election purposes, the District now has five distinct zones, with each electing one director. The District is located in Pacifica along the Pacific Ocean in San Mateo County; it purchases all of its water supply from the San Francisco Public Utilities Commission. Water is distributed to customers inside and outside the District's boundaries.

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 (GASB Statement No. 61). 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.

B. Basis of Presentation, Basis of Accounting

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 (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied.

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net position from operations as operating income in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of 90 days or less, when purchased, to be cash equivalents. Cash deposits are reported at the carrying amount, which reasonably estimates fair value.

2. Receivables and Allowance for Doubtful Accounts

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. Uncollectable accounts are based on prior experience and management's assessment of the collectability of existing accounts.

3. Prepays

Certain payments of vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. Lease receivable and Deferred Inflows of Resources

The primary objective is to enhance the relevance and consistency of information about the governments' leasing activities. As a lessor, the District is required to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions. The District's lease receivable is measured at the present value of the lease payments expected to be received during the lease term. Under the lease agreement, the District may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

5. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets. Estimated service lives for the District's classes of assets are as follows:

Description	Estimated Lives
Transmission and distribution system	50 years
Source of supply plant	60-80 years
Reservoirs	40 years
Pumping plant	40 years
Telemetry	20 years
Water treatment plant	40 years
Office building	40 years
Equipment and vehicles	5-10 years

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

6. 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 assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

7. Compensated Absences

The liability for vested vacation pay is recorded as an expense when the vacation is taken. Unused balances of vacation are paid on an annual calendar year basis. District employees can only be paid up to 120 days of accumulated or the accrued balance of sick time as of June 30, 1997, if higher.

8. 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 and addition to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date June 30, 2021
Measurement Date June 30, 2022
Measurement Period July 1, 2021 to June 30, 2022

9. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Retiree Benefits Plan ("the Plan") and additions to/deductions from the Plan's 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. Investments are reported at fair value, except for money market investments which are reported at cost.

The following timeframes are used for OPEB reporting:

Valuation Date June 30, 2022
Measurement Date June 30, 2023
Measurement Period July 1, 2022 to June 30, 2023

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

10. Net Position

Net position is classified into two components: net investment in capital assets and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

D. Use of Estimates

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

E. Property Taxes

The San Mateo County Assessor's Office assesses all real and personal property within the County each year. The San Mateo County Tax Collector's Office bills and collects the District's share of property taxes. The San Mateo County Auditor-Controller's Office remits current property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent (1%) of countywide assessed valuations. Property taxes receivable at year-end are related to property taxes collected by the San Mateo County Tax Collector's Office, which have not been credited to the District's cash balance as of June 30.

The property tax calendar is as follows:

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

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 2 – CASH AND INVESTMENTS

Cash and investments were classified in the accompanying financial statements as follows:

<u>Description</u>	<u>June 30, 2023</u>
Cash and cash equivalents	\$ 21,043,814
Restricted – cash and cash equivalents	<u>20,989,044</u>
Total cash and cash equivalents	<u><u>\$ 42,032,858</u></u>

Cash and investments consisted of the following:

<u>Description</u>	<u>June 30, 2023</u>
Petty cash	\$ 500
Demand deposits held with financial institutions	1,343,703
Local agency investment fund (LAIF)	19,699,610
Money market mutual funds	<u>20,989,044</u>
Total cash and cash equivalents	<u><u>\$ 42,032,857</u></u>

Demand Deposits with Financial Institutions

At June 30, 2023, the carrying amount of the District's demand deposits were \$1,343,703 and the financial institution's balances were \$1,395,607. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

Custodial Credit Risk – Deposits

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. 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, the District's deposits were covered by the Federal Deposit Insurance Corporation insurance limits or collateralized as required by California law.

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 2 – CASH AND INVESTMENTS (continued)

Local Agency Investment Fund (LAIF)

The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers' money to manage the State's cash flow and strengthen the financial security of local governmental entities. PMIA policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and carries a dollar-in dollar-out amortized cost methodology.

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount 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 the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2023, the District held \$19,699,610 in LAIF.

Money-Market Mutual Funds

Money-market mutual funds are an investment whose objective is to earn modest investment earnings while maintaining a net asset value (NAV) of \$1 per share (which is the funds main goal – preservation of principal). A money-market mutual fund's portfolio is typically comprised of short-term, or less than one year, securities representing high-quality, liquid debt and monetary instruments with minimal credit risk. Money-market mutual funds are Level 1 investments (with quoted prices in active markets for identical assets) that are Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers money market mutual funds a cash equivalent due to their highly liquid nature and NAV of \$1 per share. As of June 30, 2023, the District held \$20,989,044 in restricted money market mutual funds from the COP issuance.

NOTE 3 – RESTRICTED – CASH AND CASH EQUIVALENTS

Restricted – cash and cash equivalents as of June 30th consisted of the following:

<u>Description</u>	<u>June 30, 2023</u>
Unspent proceeds from loan issuance	\$ 20,989,044
Less: Unspent proceeds from COP issuance	<u>(20,989,044)</u>
Total restricted – net position	<u>\$ -</u>

The restricted – cash and cash equivalents balance on the balance sheet at June 30, 2023 was cash holdings by the District's fiscal agent from the remaining unused proceeds from the COP payable – 2022. This amount is then used in the calculation of net investment in capital assets. (See Note 12)

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 4 – ACCOUNTS RECEIVABLE, NET

The balance at June 30, 2023 consists of the following:

<u>Description</u>	<u>June 30, 2023</u>
Accounts receivable	\$ 815,903
Allowance for doubtful accounts	<u>(57,063)</u>
Total accounts receivable, net	<u>\$ 758,840</u>

NOTE 5 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES

Changes in the District's lease receivable for the year ended June 30, 2023 was as follows:

<u>Description</u>	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2023</u>
Cellular antenna site rental – No. 1	\$ 54,661	\$ -	\$ (17,307)	\$ 37,354
Cellular antenna site rental – No. 2	52,907	-	(52,907)	-
Cellular antenna site rental – No. 3	51,107	-	(16,182)	34,925
Cellular antenna site rental – No. 4	53,246	-	(16,859)	36,387
Cellular antenna site rental – No. 5	48,322	-	(15,159)	33,163
Cellular antenna site rental – No. 6	147,856	-	(45,854)	102,002
Cellular antenna site rental – No. 7	134,177	-	(42,484)	91,693
Cellular antenna site rental – No. 8	103,806	-	(32,868)	70,938
Cellular antenna site rental – No. 9	123,934	-	(39,240)	84,694
Total lease receivable	<u>\$ 770,014</u>	<u>\$ -</u>	<u>\$ (278,860)</u>	<u>\$ 491,154</u>

The District is reporting a total lease receivable of \$491,154 and a total related deferred inflows of resources of \$449,413 for the year ending June 30, 2023. Also, the District is reporting total lease revenue of \$231,574 and interest revenue of \$13,204 related to lease payments received for the years ending June 30, 2023.

The leases held by the District do not have an implicit rate of return, therefore the District used their incremental borrowing rate of 2.00% to discount the lease revenue to the net present value. In some cases, leases contain termination clauses. In these cases, the clause requires the lessee or lessor to show cause to terminate the lease. Also, certain leasing-types are considered "volatile leases." Those volatile leases were not extended past their initial lease period for financial statement recognition due to their volatility. The District's lease is summarized as follows:

Cellular Antenna Site Rental – No. 1

The District, on July 1, 2021, renewed a continuous lease with AT&T for 60 months as lessor for use of the Gypsy Hill tank as a cellular antenna site rental. An initial lease receivable was recorded in the amount of \$86,478. As of June 30, 2023, the value of the lease receivable was \$37,354. The lease is required to make monthly fixed payments of \$1,412 for the first 12-month period, then increases by the reported CPI on February 1st of each year. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$32,342 as of June 30, 2023. The District recognized lease revenue of \$17,296 and interest revenue of \$936 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 5 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

Cellular Antenna Site Rental – No. 2

The District, on July 1, 2021, renewed a continuous lease with Sprint/T-Mobile for 60 months as lessor for use of the Gypsy Hill tank as a cellular antenna site rental. An initial lease receivable was recorded in the amount of \$83,704. The lease was cancelled by the Lessee effective December 31, 2022. As of June 30, 2023, the value of the lease receivable was \$0. The lease was required to make monthly fixed payments of \$1,367 for the first 12-month period, then increased by the reported CPI on February 1st of each year. The lease had an interest rate of 2.00%. The value of the deferred inflow of resources was \$0 as of June 30, 2023. The District recognized lease revenue of \$9,636 and interest revenue of \$906 during the fiscal year.

Cellular Antenna Site Rental – No. 3

The District, on July 1, 2021, renewed a continuous lease with Sprint/T-Mobile for 60 months as lessor for use of the Royce tank as a cellular antenna site rental. An initial lease receivable was recorded in the amount of \$80,854. As of June 30, 2023, the value of the lease receivable was \$34,925. The lease is required to make monthly fixed payments of \$1,320 for the first 12-month period, then increases by the reported CPI on February 1st of each year. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$32,342 as of June 30, 2023. The District recognized lease revenue of \$16,171 and interest revenue of \$876 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

Cellular Antenna Site Rental – No. 4

The District, on July 1, 2021, renewed a continuous lease with Sprint/T-Mobile for 60 months as lessor for use of the Skyline tank as a cellular antenna site rental. An initial lease receivable was recorded in the amount of \$84,239. As of June 30, 2023, the value of the lease receivable was \$36,387. The lease is required to make monthly fixed payments of \$1,376 for the first 12-month period, then increases by the reported CPI on February 1st of each year. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$33,696 as of June 30, 2023. The District recognized lease revenue of \$16,848 and interest revenue of \$912 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

Cellular Antenna Site Rental – No. 5

The District, on July 1, 2021, renewed a continuous lease with T-Mobile for 60 months as lessor for use of the Fassler tank as a cellular antenna site rental. An initial lease receivable was recorded in the amount of \$76,188. As of June 30, 2023, the value of the lease receivable was \$33,163. The lease is required to make monthly fixed payments of \$1,238 for the first 12-month period, then increases by the reported CPI on February 1st of each year. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$30,475 as of June 30, 2023. The District recognized lease revenue of \$15,238 and interest revenue of \$829 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

Cellular Antenna Site Rental – No. 6

The District, on July 1, 2021, renewed a continuous lease with T-Mobile for 60 months as lessor for use of the Royce tank as a cellular antenna site rental. An initial lease receivable was recorded in the amount of \$230,176. As of June 30, 2023, the value of the lease receivable was \$102,002. The lease is required to make monthly fixed payments of \$3,584 for the first 12-month period, then increase 5.0% on February 1st of each year. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$92,070 as of June 30, 2023. The District recognized lease revenue of \$46,035 and interest revenue of \$2,544 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 5 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

Cellular Antenna Site Rental – No.7

The District, on July 1, 2021, renewed a continuous lease with T-Mobile for 60 months as lessor for use of the Skyline tank as a cellular antenna site rental. An initial lease receivable was recorded in the amount of \$204,870. As of June 30, 2023, the value of the lease receivable was \$91,693. The lease is required to make monthly fixed payments of \$2,961 for the first 12-month period, then increases by the reported CPI on February 1st of each year. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$81,948 as of June 30, 2023. The District recognized lease revenue of \$40,974 and interest revenue of \$2,299 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

Cellular Antenna Site Rental –No. 8

The District, on July 1, 2021, renewed a continuous lease with Verizon for 60 months as lessor for use of the Gypsy Hill tank as a cellular antenna site rental. An initial lease receivable was recorded in the amount of \$164,658. As of June 30, 2023, the value of the lease receivable was \$70,938. The lease is required to make monthly fixed payments of \$2,688 for the first 12-month period, then increase 3.0% on February 1st of each year. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$65,863 as of June 30, 2023. The District recognized lease revenue of \$30,164 and interest revenue of \$1,778 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

Cellular Antenna Site Rental – No. 9

The District, on July 1, 2021, renewed a continuous lease with Verizon for 60 months as lessor for use of the Royce tank as a cellular antenna site rental. An initial lease receivable was recorded in the amount of \$196,071. As of June 30, 2023, the value of the lease receivable was \$84,694. The lease is required to make monthly fixed payments of \$3,202 for the first 12-month period, then increases by the reported CPI on February 1st of each year. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$78,428 as of June 30, 2023. The District recognized lease revenue of \$39,214 and interest revenue of \$2,123 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

Minimum future lease receipts for the next four fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 238,703	\$ 7,663	\$ 246,366
2025	252,451	2,767	255,218
Total	491,154	\$ 10,430	\$ 501,584
Current	<u>(238,703)</u>		
Long-term	<u>\$ 252,451</u>		

NORTH COAST COUNTY WATER DISTRICT*Notes to Financial Statements**June 30, 2023***NOTE 5 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)**

Changes in the District’s deferred inflows of resources related to leases for June 30, 2023 is as follows:

Description	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Cellular antenna site rental – No. 1	\$ 51,887	\$ -	\$ (17,296)	\$ 34,591
Cellular antenna site rental – No. 2	50,223	-	(50,223)	-
Cellular antenna site rental – No. 3	48,512	-	(16,171)	32,342
Cellular antenna site rental – No. 4	50,544	-	(16,848)	33,696
Cellular antenna site rental – No. 5	45,713	-	(15,238)	30,475
Cellular antenna site rental – No. 6	138,105	-	(46,035)	92,070
Cellular antenna site rental – No. 7	122,922	-	(40,974)	81,948
Cellular antenna site rental – No. 8	98,795	-	(32,932)	65,863
Cellular antenna site rental – No. 9	117,642	-	(39,214)	78,428
Total deferred inflows	\$ 724,342	\$ -	\$ (274,930)	\$ 449,413

The amounts reported as deferred inflows of resources related to leases for the year ended June 30, 2023, will be amortized in future periods as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Inflows of Resources
2023	\$ 224,706
2024	224,707
Total	\$ 449,413

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

Description	Balance July 1, 2022	Additions	Deletions/ Transfers	Balance June 30, 2023
Non-depreciable assets:				
Land	\$ 832,867	\$ -	\$ -	\$ 832,867
Construction-in-process	2,160,542	2,452,346	-	4,612,888
Total non-depreciable assets	2,993,409	2,452,346	-	5,445,755
Depreciable assets:				
Transmission and distribution system	22,171,046	79,244	-	22,250,290
Source of supply plant	4,615,299	158,017	-	4,773,316
Reservoirs	14,277,390	54,300	-	14,331,690
Pumping plant	1,981,484	-	-	1,981,484
Recycled water project	10,690,030	8,780	-	10,698,810
Telemetry equipment	938,058	118,900	-	1,056,958
Water treatment plant	300,762	-	-	300,762
Office building	300,000	-	-	300,000
Office building and warehouse	1,360,134	-	(24,884)	1,335,250
Equipment and vehicles	2,637,979	78,076	(23,720)	2,692,335
Total depreciable assets	59,272,183	497,317	(48,604)	59,720,896
Accumulated depreciation:				
Less: Accumulated depreciation	(23,656,431)	(1,328,383)	48,604	(24,936,210)
Total accumulated depreciation	(23,656,431)	(1,328,383)	48,604	(24,936,210)
Total depreciable assets, net	35,615,752	(831,066)	-	34,784,686
Total capital assets, net	\$ 38,609,161	\$ 1,621,280	\$ -	\$ 40,230,441

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 7 – COMPENSATED ABSENCES

Summary changes to compensated absences balances for the year ended June 30, 2023, were as follows:

<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>	<u>Due in More</u> <u>Than One Year</u>
\$ 466,870	\$ 250,974	\$ (160,442)	\$ 557,402	\$ 139,351	\$ 418,051

NOTE 8 – LONG -TERM DEBT

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

<u>Description</u>	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions/</u> <u>Adjustments</u>	<u>Payments/</u> <u>Amortization</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
2012C Revenue Refunding Bonds	\$ 3,230,000	\$ -	\$ (420,000)	\$ 2,810,000	\$ 440,000	\$ 2,370,000
2021 Certificates of Participation	20,210,000	-	(355,000)	19,855,000	370,000	19,485,000
2021 Certificates of Participation – premium	3,524,625	-	(120,500)	3,404,125	-	3,404,125
Total bonds payable	\$ 26,964,625	\$ -	\$ (895,500)	\$ 26,069,125	\$ 810,000	\$ 25,259,125

2012 Series C, Water Revenue Refunding Bonds

In June 2012, the California Statewide Communities Development Authority issued 2012 Water and Wastewater Revenue Bonds Series C. The bonds were issued to refund the 2003 Water and Waster Revenue Bonds Series A.

The Debt is scheduled to mature in fiscal year 2029. Interest is payable semi-annually on October 1st and April 1st each year at a rate of 2.00% to 4.00% (depending on the coupon payment date) while the principal payments are made on October 1st of each year. At June 30, 2023, a total of \$2,810,000 of the 2012 Water Revenue Refunding Bonds Series C remains outstanding.

Maturities of the 2012 Water Revenue Refunding Bonds, Series C and interest payments subsequent to June 30, 2023, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 440,000	\$ 79,075	\$ 519,075
2025	445,000	66,900	511,900
2026	460,000	53,325	513,325
2027	475,000	39,300	514,300
2028	485,000	24,294	509,294
2029	505,000	8,206	513,206
Total	2,810,000	\$ 271,100	\$ 3,081,100
Current	(440,000)		
Long-term	\$ 2,370,000		

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 8 – LONG -TERM DEBT (continued)

2021 Certificates of Participation (COP)

On November 23, 2021, COPs with a face value of \$20,210,000 were sold by the Public Property Financing Corporation (Corporation) to finance certain capital improvement projects including the cost of design, acquisition, and construction of a new District administration building, corporation yard and a new water tank. An installment purchase agreement between the District, as Buyer, and the Corporation, as Seller, was executed for the scheduled payment of principal and interest associated with the COPs. The installment payments are to be paid from general funds as described in the installment agreement. The 2021 COPs bear an interest rate of 4.00% and are payable semiannually on April 1 and September 1 of each year, commencing September 1, 2022. The 2021 COPs mature in fiscal year 2052. An interest rate premium in the amount of \$3,615,966 was calculated on the issuance of the COPs and will be amortized over the life of the debt. At June 30, 2023, a total of \$19,855,000 of the 2021 COPs remains outstanding.

Maturities of the 2021 COPs and interest payments subsequent to June 30, 2023, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 370,000	\$ 786,800	\$ 1,156,800
2025	385,000	771,700	1,156,700
2026	400,000	756,000	1,156,000
2027	420,000	739,600	1,159,600
2028	435,000	722,500	1,157,500
2029-2033	2,450,000	3,332,000	5,782,000
2034-2038	3,000,000	2,789,000	5,789,000
2039-2043	3,655,000	2,125,100	5,780,100
2044-2048	4,465,000	1,315,700	5,780,700
2049-2052	<u>4,275,000</u>	<u>328,000</u>	<u>4,603,000</u>
Total	19,855,000	<u>\$ 13,666,400</u>	<u>\$ 33,521,400</u>
Current	<u>(370,000)</u>		
Long-term	<u>\$ 19,485,000</u>		

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Summary

The following balances on the balance sheet will be addressed in this footnote as follows:

<u>Description</u>	<u>2023</u>
OPEB related deferred outflows	\$ 191,372
Net other post-employment benefits liability	4,527,029
OPEB related deferred inflows	501,034

A. General Information about the OPEB Plan

Plan Description

The District provides health insurance benefits through the Association of California Water Agencies (ACWA/JPIA) Blue Cross plan and Kaiser Permanente (small business plan) to some employees who retire. The medical, dental, and vision benefits are paid for life for retiring employees that were hired on or before May 16, 2013. For employees hired after May 16, 2013, the District will not provide group medical, vision care, and dental health insurance plans after their retirement.

Eligibility: A retired employee and dependent spouse, or spouse of a deceased employee or retiree, must satisfy the following requirements in order to be eligible for postemployment medical and dental benefits:

- Employee is a minimum of 55 years of age with at least 12 years of continuous service or,
- Employee may retire at or after the age of 50 with at least 15 years of aggregate service. The District will pay for benefits under this election based on the following formula:

<u>Years of Service at Retirement</u>	<u>Percentage of Premium Covered</u>
15-19 Years	50%
20-24 Years	75%
25+ Years	100%

If the spouse of a deceased employee or retiree remarries and becomes eligible for health benefits under his/her new spouse's health plan, all District benefits shall be terminated.

Participants

At June 30, 2023 measurement date, the following members were part of the plan:

	<u>2023</u>
Inactive plan members or beneficiaries currently receiving benefit payments	23
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	<u>8</u>
Total	<u><u>31</u></u>

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information about the OPEB Plan (continued)

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and/or the District's Board of Directors. Currently, contributions are not required from plan members. The District has been typically funding this OPEB plan on a pay-as-you-go basis.

Contributions

Benefit provisions and contribution requirements are established and may be amended through agreements and memorandums of understanding between the District and its employees. The plan does not require employee contributions. Administrative costs of this plan are financed by the District. For fiscal year ended June 30, 2023, the measurement period, the District's contributions totaling \$282,895 included \$261,504 in current year premium payments, and an implied subsidy of \$21,391.

Accounting for the Plan

The other post-employment benefit trust is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits are recognized when due and payable in accordance with the terms of each plan.

B. Net OPEB Liability

The District's total OPEB liability was measured as of June 30, 2023 and was determined by an actuarial valuation as of June 30, 2023. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

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

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry age normal, level percentage of payroll
Asset Valuation Method	Market value of assets as of the measurement date
Actuarial Assumptions:	
Discount Rate	3.86%
Long-Term Expected	
Rate of Return on Investments	3.86%
Inflation	2.50%
Payroll increases	5.00%
Healthcare Trend Rates	6.00%
Mortality	CalPERS 2017 Study
Disability	Not valued
Retirement	2017 CalPERS Public Agency Miscellaneous experience study; 2.7%@55, 2.0%@55 and 2% @62

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

B. Net OPEB Liability (continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.86%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates.

C. Changes in the Net OPEB Liability

The changes in the total OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2022 (Measurement date July 1, 2022)	\$ 4,375,136	\$ -	\$ 4,375,136
Changes for the year:			
Service cost	67,435	-	67,435
Interest	169,367	-	169,367
Differences in experience	78,396	-	78,396
Changes in assumption	119,590	-	119,590
Benefit payments	(282,895)	-	(282,895)
Net changes	151,893	-	151,893
Balance at June 30, 2023 (Measurement date June 30, 2023)	<u>\$ 4,527,029</u>	<u>\$ -</u>	<u>\$ 4,527,029</u>

Changes of Assumptions

In fiscal year 2022-23, the measurement period, the interest rate assumption changed to 3.86% from 3.69%.

Change of Benefit Terms

In fiscal year 2022-23, the measurement period, there were no changes to the benefit terms.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.86%) or 1 percentage point higher (4.86%) than the current discount rate:

	1% Decrease 2.86%	Discount Rate 3.86%	1% Increase 4.86%
Net OPEB Liability	<u>\$ 5,094,330</u>	<u>\$ 4,527,029</u>	<u>\$ 4,050,322</u>

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

C. Changes in the Net OPEB Liability (continued)

Sensitivity of the Total OPEB Liability to Changes in Medical 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 medical trend rates that are 1-percentage point lower:

	Healthcare Cost		
	3.00%	4.00%	5.00%
Net OPEB Liability	\$ 3,961,431	\$ 4,527,029	\$ 5,227,525

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$182,178. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	117,116	(415,734)
Differences between expected and actual experience	74,256	(85,300)
Total Deferred Outflows/(Inflows) of Resources	\$ 191,372	\$ (501,034)

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

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2024	\$ (292,151)
2025	(17,511)
Total	\$ (309,662)

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

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 10 – PENSION PLAN

Summary

The following balances on the balance sheet will be addressed in this footnote as follows:

Description	2023
Pension related deferred outflows	\$ 2,293,871
Net pension liability	5,468,057
Pension related deferred inflows	420,500

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

A. General Information about the Pension Plan

The Plan

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	Miscellaneous Plans		
	Classic Tier 1	Classic Tier 2	PEPRA Tier 2
Hire date	Prior to December 17, 2011	On or between December 17, 2011 & December 31, 2012	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55 & up	50 - 55 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%	1.0% to 2.5%
Required member contribution rates	8.000%	7.000%	6.750%
Required employer contribution rates – FY 2022	14.020%	10.880%	7.590%

Plan Description

The Plan is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plan's June 30, 2021 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website.

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 10 – PENSION PLAN (continued)

A. General Information about the Pension Plan

Plan Description (continued)

At June 30, 2022 measurement date, the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans			Total
	Classic Tier 1	Classic Tier 2	PEPRA Tier 2	
Active members	3	1	11	15
Transferred and terminated members	3	1	4	8
Retired members and beneficiaries	23	-	-	23
Total plan members	29	2	15	46

All qualified permanent and probationary employees are eligible to participate in the District's cost-sharing multiple-employer 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 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five 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.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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 estimate 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer 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 contribution requirements are classified as plan member contributions.

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 10 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Contributions for the year ended June 30, 2023, were as follows:

Classic Tier 1	Miscellaneous Plans		Total
	Classic Tier 2	PEPRA Tier 2	
\$ 537,331	\$ 7,524	\$ 74,296	\$ 619,151

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

Proportionate Share of Net Pension Liability and Pension Expense

The District’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2022, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. The District’s proportionate share of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The following table shows the District’s proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2023:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2021 (Measurement Date)	\$ 19,964,594	\$ 17,227,539	\$ 2,737,055
Balance as of June 30, 2022 (Measurement Date)	\$ 20,922,231	\$ 15,454,174	\$ 5,468,057
Change in Plan Net Pension Liability	\$ 957,637	\$ (1,773,365)	\$ 2,731,002

The District’s proportionate share percentage of the net pension liability for the June 30, 2022, measurement date was as follows:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2023</u>	<u>Fiscal Year Ending June 30, 2022</u>	
Measurement Date	June 30, 2022	June 30, 2021	
Percentage of Risk Pool Net Pension Liability	0.116858%	0.144146%	-0.027288%
Percentage of Plan Net Pension Liability	0.047339%	0.050609%	-0.003270%

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 10 – PENSION PLAN (continued)

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

Proportionate Share of Net Pension Liability and Pension Expense (continued)

For the year ended June 30, 2023, the District recognized pension expense of \$5,485. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 619,151	\$ -
Difference between actual and proportionate share of employer contributions	2,991	(40,184)
Adjustment due to differences in proportions	-	(306,770)
Differences between expected and actual experience	109,809	(73,546)
Differences between projected and actual earnings on pension plan investments	1,001,603	-
Changes in assumptions	560,317	-
Total Deferred Outflows/(Inflows) of Resources	\$ 2,293,871	\$ (420,500)

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 10 – PENSION PLAN (continued)

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

Proportionate Share of Net Pension Liability and Pension Expense (continued)

An amount of \$619,151 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2024	\$ (267,000)
2025	(239,276)
2026	(135,329)
2027	(612,615)
Total	<u>\$ (1,254,220)</u>

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2022 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021, total pension liability. The June 30, 2022, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

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 of 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:

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 10 – PENSION PLAN (continued)

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

Long-term Expected Rate of Return (continued)

The table below reflects long-term expected real rate of return by asset class.

Asset Class	Assumed Asset Allocation	Real Return ^{1,2}
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
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 Estate	15.0%	3.21%
Leverage	-5.0%	-0.59%
	<u>100.0%</u>	

¹ An expected inflation of 2.3% is used for this period.

² 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.

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 10 – PENSION PLAN (continued)

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

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

Plan's Net Pension Liability/(Asset)		
Discount Rate -		Discount Rate
1%	Current Discount	+ 1%
5.90%	Rate 6.90%	7.90%
8,320,135	\$ 5,468,057	\$ 3,121,505

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

C. Payable to the Pension Plans

At June 30, 2023, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2023.

NOTE 11 – NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets consisted of the following as of June 30:

Description	June 30, 2023
Net investment in capital assets:	
Capital assets – not being depreciated	\$ 5,445,755
Capital assets, net – being depreciated	34,784,686
Long-term debt – current portion	(810,000)
Long-term debt – non- current portion	(25,259,125)
Unspent proceeds from COP issuance (Note 3)	20,989,044
Total net investment in capital assets	\$ 35,150,360

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 12 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in two 457 Deferred Compensation Programs (Programs). The purpose of these Programs is to provide deferred compensation for public employees that elect to participate in the Programs. 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 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 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 accompanying financial statements.

NOTE 13 – RISK MANAGEMENT POOL

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. Further information about the Insurance Authority is as follows:

A. Entity	ACWA-JPIA
B. Purpose	To pool member contributions and realize the advantages of self-insurance
C. Participants	As of September 30, 2022 – 396 member districts
D. Governing board	Nine representatives employed by members
E. Condensed financial information	September 30, 2022
Audit signed	February 7, 2023
Statement of financial position:	
Total assets	<u>Sept 30, 2022</u> \$ 246,615,214
Deferred outflows	<u>6,108,562</u>
Total liabilities	<u>137,126,606</u>
Deferred inflows	<u>2,813,249</u>
Net position	<u>\$ 112,783,921</u>
Statement of revenues, expenses and changes in net position:	
Total revenues	\$ 175,619,417
Total expenses	<u>(212,646,028)</u>
Change in net position	(37,026,611)
Beginning – net position	<u>149,810,532</u>
Ending – net position	<u>\$ 112,783,921</u>
F. Member agencies share of year-end financial position	Not Calculated

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 13 – RISK MANAGEMENT POOL (continued)

The District participated in the self-insurance programs of the Insurance Authority as follows:

Property Loss - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage up to \$500,000,000 (total insurable value of \$48,405,017). The District has a \$10,000 deductible for buildings, personal property and fixed equipment, a \$25,000/\$50,000 deductible for accidental mechanical breakdown, a \$2,500 deductible for mobile equipment, and a \$1,000 deductible for licensed vehicles.

General Liability - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage in layers up to of \$60,000,000. This program does not have a deductible.

Auto Liability - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage in layers up to \$60,000,000. This program does not have a deductible.
Public Officials' Liability - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage in layers up to \$60,000,000.

Cyber Liability - The Insurance Authority has purchased insurance coverage of \$3,000,000 per occurrence/\$5,000,000 aggregate. This program does not have a deductible.

Crime - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence. The District has a \$1,000 deductible.

Underground Storage Tank Pollution Liability - The Insurance Authority is self-insured up to \$500,000 per occurrence and has purchased excess coverage of \$3,000,000. The District has a \$10,000 deductible.

The District pays annual premiums for these coverages. They are subject to retrospective adjustments based on claims expended. The nature and amount of these adjustments cannot be estimated and are charged to expenses as invoiced. There were no instances in the past three years where a settlement exceeded the District's coverage.

Workers' Compensation Program

The District maintains workers' compensation coverage and employer's liability coverage in accordance with the statutory requirements of the State of California.

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.

NORTH COAST COUNTY WATER DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases

The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area.

Litigation

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

NOTE 15 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 17, 2024, the date on which the financial statements were available to be issued.

Required Supplementary Information

NORTH COAST COUNTY WATER DISTRICT

*Schedule of the District's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2023*

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2014	0.13172%	\$ 3,255,380	\$ 1,610,044	202.19%	73.91%
June 30, 2015	0.13691%	3,756,060	1,563,150	240.29%	70.87%
June 30, 2016	0.12456%	4,327,222	1,565,577	276.40%	67.72%
June 30, 2017	0.12192%	4,805,974	1,527,533	314.62%	68.38%
June 30, 2018	0.12179%	4,590,011	1,703,966	269.37%	71.19%
June 30, 2019	0.11958%	4,788,707	1,655,381	289.28%	72.15%
June 30, 2020	0.11789%	4,972,700	1,636,813	303.80%	73.02%
June 30, 2021	0.14415%	2,737,055	1,692,267	161.74%	86.29%
June 30, 2022	0.11686%	5,468,057	1,950,960	280.28%	73.86%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 and 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, 2020:

There were no significant changes in assumptions.

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

There were no significant changes in assumptions.

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

There were no significant changes in assumptions.

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

The discount rate was reduced from 7.15% to 6.90% and the inflation rate from 2.50% to 2.30%.

*Fiscal year 2014 was the first measurement date year of implementation; therefore, only nine years are shown.

NORTH COAST COUNTY WATER DISTRICT

Schedule of the District's Contributions to the Defined Benefit Pension Plan For the Year Ended June 30, 2023

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the			Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	
June 30, 2015	\$ 371,392	\$ (371,392)	\$ -	\$ 1,563,150	23.76%
June 30, 2016	421,912	(436,132)	(14,220)	1,565,577	26.95%
June 30, 2017	496,227	(496,227)	-	1,527,533	32.49%
June 30, 2018	528,974	(528,974)	-	1,703,966	31.04%
June 30, 2019	593,287	(593,287)	-	1,655,381	35.84%
June 30, 2020	607,426	(607,426)	-	1,636,813	37.11%
June 30, 2021	681,359	(681,359)	-	1,692,267	40.26%
June 30, 2022	746,553	(746,553)	-	1,950,960	38.27%
June 30, 2023	619,151	(619,151)	-	1,966,022	31.49%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
June 30, 2015	June 30, 2013	Entry Age	Fair Value	2.75%	7.65%
June 30, 2016	June 30, 2014	Entry Age	Fair Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Fair Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Fair Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Fair Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Fair Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Fair Value	2.50%	7.15%
June 30, 2022	June 30, 2020	Entry Age	Fair Value	2.50%	7.15%
June 30, 2023	June 30, 2021	Entry Age	Fair Value	2.30%	6.90%

Amortization Method

Level percentage of payroll, closed

Salary Increases

Depending on age, service, and type of employment

Investment Rate of Return

Net of pension plan investment expense, including inflation

Retirement Age

50 years (2%@55 and 2%@60), 52 years (2%@62)

Mortality

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

*Fiscal year 2015 was the first measurement date year of implementation; therefore, only nine years are shown.

NORTH COAST COUNTY WATER DISTRICT

Schedule of Changes in the District's Net OPEB Liability and Related Ratios For the Year Ended June 30, 2023

Fiscal Year Ended	Last Ten Fiscal Years*					
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB liability:						
Service cost	\$ 67,435	\$ 132,169	\$ 110,210	\$ 248,118	\$ 187,592	\$ 228,758
Interest	169,367	110,392	132,970	136,765	153,972	198,831
Changes of assumptions	119,590	(1,108,622)	598,242	-	-	-
Differences between expected and actual experience	78,396	(227,466)	351,863	(40,208)	727,704	(1,127,012)
Benefit payments	(282,895)	(296,056)	(339,286)	(318,435)	(236,688)	(219,443)
Net change in total OPEB liability	151,893	(1,389,583)	853,999	26,240	832,580	(918,866)
Total OPEB liability - beginning	4,375,136	5,764,719	4,910,720	4,884,480	4,051,900	4,970,766
Total OPEB liability - ending	4,527,029	4,375,136	5,764,719	4,910,720	4,884,480	4,051,900
Plan fiduciary net position:						
Contributions - employer	282,895	296,056	339,286	318,435	236,688	219,443
Benefit payments	(282,895)	(296,056)	(339,286)	(318,435)	(236,688)	(219,443)
Plan fiduciary net position - ending	-	-	-	-	-	-
District's net OPEB liability	\$ 4,527,029	\$ 4,375,136	\$ 5,764,719	\$ 4,910,720	\$ 4,884,480	\$ 4,051,900
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	1,222,690	1,205,671	1,970,105	1,883,273	2,080,080	1,923,330
District's net OPEB liability as a percentage of covered payroll	370.25%	362.88%	292.61%	260.75%	234.82%	210.67%

Notes to Schedule:

Benefit Changes:

Measurement Date June 30, 2018 – There were no changes in benefits
 Measurement Date June 30, 2019 – There were no changes in benefits
 Measurement Date June 30, 2020 – There were no changes in benefits
 Measurement Date June 30, 2021 – There were no changes in benefits
 Measurement Date June 30, 2022 – There were no changes in benefits
 Measurement Date June 30, 2023 – There were no changes in benefits

Changes in Assumptions:

Measurement Date June 30, 2018 – There were no changes in assumptions
 Measurement Date June 30, 2019 – There were no changes in assumptions
 Measurement Date June 30, 2020 – There were no changes in assumptions
 Measurement Date June 30, 2021 – There were no changes in assumptions
 Measurement Date June 30, 2022 – The interest rate assumption changed to 3.69% from 1.69%
 Measurement Date June 30, 2023 – The interest rate assumption changed to 3.86% from 3.69%

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

Supplementary Information

NORTH COAST COUNTY WATER DISTRICT
Schedule of Capacity Charges
For the Year Ended June 30, 2023

Transmission and Storage Revenue Reconciliation A/C #4980
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Transmission and Storage Revenue Details Analysis:	<u>Amount</u>
1215 De Solo	\$ 3,471
1443 Adobe Dr	10,882
366 Mina Ln	5,312
1072 View Way	5,312
21 Ohlone Dr	26,559
1300 Danmann	<u>53,120</u>
Total Transmission & Storage Revenue	<u><u>\$ 104,656</u></u>

Public improvement expenditures for the fiscal year ended June 30, 2023:

<u>Public improvement projects</u>	<u>Project expenditures</u>	<u>Percentage Complete</u>
Sheila Tank Replacement Project	\$ 1,750,297	35%
Loop at Everglades Pipeline Project	215,772	16%
Fassler Tank Project	125,485	2%
Reservoir Fence Maintenance	27,444	30%
Annual Pipeline Project	45,880	18%
Meter Replacement Program	106,632	30%
Fire Hydrant Replacement	51,384	14%
Regulator Updates	<u>118,900</u>	22%
	<u><u>\$ 2,441,794</u></u>	
	Project expenditures funded with the above fees	
	<u>Amount</u>	<u>Percentage</u>
	<u><u>\$ 104,656</u></u>	4%

Other Independent Auditors' Reports



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
North Coast County Water District
Pacifica, 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 North Coast County Water District (District), which comprise the balance sheet as of June 30, 2023, and the related statement of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 17, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 District'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 audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies 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 of 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, 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*.

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.

A handwritten signature in blue ink that reads "Nigro & Nigro, PC". The signature is written in a cursive style.

Walnut Creek, California
January 17, 2024