

NORTH COAST COUNTY WATER DISTRICT

ANNUAL COMPREHENSIVE
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEARS ENDED
JUNE 30, 2024 AND JUNE 30, 2023

* * *



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**North Coast County Water District
Annual Comprehensive Financial Report**

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For the Years Ended June 30, 2024 and June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Coast County Water District
Pacifica, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the North Coast County Water District (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the North Coast County Water District, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

District management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of pension contributions - CalPERS, schedule of proportionate share of net pension liability, and schedule of changes in the total OPEB liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for



consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual financial report. The other information includes the Schedule of Capacity Charges, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Comparative Information

The Organization's basic financial statements and related notes for the year ended, were audited by another auditor who expressed an unmodified opinion on those statements on January 17, 2024. Our opinion has not been modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

C & A LLP

January 9, 2025
Morgan Hill, California

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Coast County Water District
Management's Discussion and Analysis
June 30, 2024 and June 30, 2023

INTRODUCTION

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, 2024 and 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 2024, the District's net position increased 4.27%, or \$1,978,709 from the prior year's net position of \$46,340,789 to \$48,319,495, as a result of the year's operations.

In fiscal year 2024, operating revenues increased by 4.24%, or \$559,387 from \$13,202,308 to \$13,761,695, 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 2024, operating expenses before depreciation expense increased by 16.82% or \$1,942,266 from \$11,544,324 to \$13,486,590, 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.

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

North Coast County Water District
Management's Discussion and Analysis
June 30, 2024 and June 30, 2023

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

| Table 1 - Condensed Balance Sheets | | | | |
|---|----------------------|----------------------|---------------------|----------------------|
| | 2024 | 2023 | Dollar Change | Percentage Change |
| Assets | | | | |
| Current Assets | \$ 23,934,457 | \$ 22,364,876 | \$ 1,569,581 | 7.02% |
| Noncurrent Assets | 18,632,404 | 21,241,495 | (2,609,091) | -12.28% |
| Capital assets, net | 43,808,325 | 40,230,441 | 3,577,884 | 8.89% |
| Total Assets | <u>\$ 86,375,186</u> | <u>\$ 83,836,812</u> | <u>\$ 2,538,374</u> | <u>3.03%</u> |
| Deferred Outflows of Resources | <u>\$ 2,243,372</u> | <u>\$ 2,485,243</u> | <u>\$ (241,871)</u> | <u>-9.73%</u> |
| Liabilities | | | | |
| Current Liabilities | \$ 4,719,334 | \$ 2,938,060 | \$ 1,781,274 | 60.63% |
| Noncurrent Liabilities | 34,887,074 | 35,672,262 | (785,188) | -2.20% |
| Total Liabilities | <u>\$ 39,606,408</u> | <u>\$ 38,610,322</u> | <u>\$ 996,086</u> | <u>2.58%</u> |
| Deferred Inflows of Resources | <u>\$ 692,655</u> | <u>\$ 1,370,947</u> | <u>\$ (678,292)</u> | <u>-49.48%</u> |
| Net Position | | | | |
| Net Investment in Capital Assets | \$ 37,302,136 | \$ 35,150,360 | \$ 2,151,776 | 6.12% |
| Unrestricted | 11,017,359 | 11,190,426 | (173,067) | -1.55% |
| Total Net Position | <u>\$ 48,319,495</u> | <u>\$ 46,340,786</u> | <u>\$ 1,978,709</u> | <u>4.27%</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 \$48,319,495 as of June 30, 2024.

By far the largest portion of the District's net position (77% as of June 30, 2024) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those

North Coast County Water District
Management's Discussion and Analysis
June 30, 2024 and June 30, 2023

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 2024, the District showed a positive balance in its unrestricted net position of \$11,017,359 which may be utilized in future years.

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

| Table 2 - Condensed Statement of Revenues, Expenses and Changes in Net Position | | | | |
|--|---------------|---------------|------------------|-------------------|
| | 2024 | 2023 | Dollar Change | Percent Change |
| Operating revenues | \$ 13,761,695 | \$ 13,202,308 | \$ 559,387 | 4.24% |
| Operating expenses | (13,486,590) | (11,544,324) | 1,942,266 | 16.82% |
| Operating income before depreciation | 275,105 | 1,657,984 | (1,382,879) | -83.41% |
| Depreciation expense | (1,284,111) | (1,328,383) | (44,272) | -3.33% |
| Operating income(loss) | (1,009,006) | 329,601 | (1,338,607) | -406.13% |
| Non-operating revenues(expenses), net | 2,962,917 | 1,875,453 | 1,087,464 | 57.98% |
| Capital contributions | 24,798 | 104,656 | (79,858) | -76.31% |
| Change in net position | 1,978,709 | 2,309,710 | (331,001) | -14.33% |
| Beginning of the year | 46,340,786 | 44,031,076 | 2,309,710 | 5.25% |
| End of the year | \$ 48,319,495 | \$ 46,340,786 | \$ 1,978,709 | 4.27% |

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 4.27%, or \$1,978,709 from the prior year's net position of \$46,340,786 to \$48,319,495, as a result of the year's operations.

North Coast County Water District
Management's Discussion and Analysis
June 30, 2024 and June 30, 2023

Total Revenues

| Table 3 - Total Revenues | | | | |
|------------------------------------|----------------------|----------------------|---------------------|-------------------|
| | 2024 | 2023 | Dollar Change | Percent Change |
| Operating revenues: | | | | |
| Water consumption sales | \$ 9,273,152 | \$ 8,811,077 | \$ 462,075 | 5.24% |
| Water service charges | 4,320,368 | 4,202,724 | 117,644 | 2.80% |
| New service connections | 28,257 | 28,420 | (163) | -0.57% |
| Other operating revenues | 139,918 | 160,087 | (20,169) | -12.60% |
| Total operating revenues | <u>13,761,695</u> | <u>13,202,308</u> | <u>559,387</u> | <u>4.24%</u> |
| Non-operating revenues: | | | | |
| Property taxes | 1,387,681 | 1,304,727 | 82,954 | 6.36% |
| Investment earnings | 2,090,943 | 1,067,718 | 1,023,225 | 95.83% |
| Rental revenue – cellular antennas | 238,398 | 244,779 | (6,381) | -2.61% |
| Other non-operating revenues | 5,908 | 25,188 | (19,280) | -76.54% |
| Total non-operating revenues | <u>3,722,930</u> | <u>2,642,412</u> | <u>1,080,518</u> | <u>40.89%</u> |
| Total revenues | <u>\$ 17,484,625</u> | <u>\$ 15,844,720</u> | <u>\$ 1,639,905</u> | <u>10.35%</u> |

In fiscal year 2024, operating revenues increased by 4.24%, or \$559,387 from \$13,202,308 to \$13,761,695, 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
June 30, 2024 and June 30, 2023

Total Expenses

| Table 4 - Total expenses | | | | |
|---------------------------------|---------------|---------------|------------------|-------------------|
| | 2024 | 2023 | Dollar Change | Percent Change |
| Operating expenses: | | | | |
| Source of supply | \$ 6,953,136 | \$ 5,333,113 | \$ 1,620,023 | 30.38% |
| Pumping and power | 349,934 | 325,750 | 24,184 | 7.42% |
| Transmission and distribution | 2,444,421 | 2,433,162 | 11,259 | 0.46% |
| General and administrative | 3,739,099 | 3,452,299 | 286,800 | 8.31% |
| Total operating expenses | 13,486,590 | 11,544,324 | 1,942,266 | 16.82% |
| Depreciation expense | 1,284,111 | 1,328,383 | (44,272) | -3.33% |
| Non-operating expenses: | | | | |
| Interest expense | 760,013 | 766,959 | (6,946) | -0.91% |
| Total non-operating expenses | 760,013 | 766,959 | (6,946) | -0.91% |
| Total expenses | \$ 15,530,714 | \$ 13,639,666 | \$ 1,891,048 | 13.86% |

In fiscal year 2024, operating expenses before depreciation expense increased by 16.82% or \$1,942,266 from \$11,544,324 to \$13,486,590, from the prior year, primarily due to increases in costs for source of supply and general and administrative expenses.

Capital Assets

| Table 5 - Capital Assets | | | | |
|---------------------------------|---------------|---------------|------------------|----------------------|
| | 2024 | 2023 | Dollar Change | Percentage Change |
| Capital assets: | | | | |
| Non-depreciable assets | \$ 9,757,984 | \$ 5,445,755 | \$ 4,312,229 | 79.19% |
| Depreciable assets | 60,233,120 | 59,720,896 | 512,224 | 0.86% |
| Accumulated depreciation | (26,182,779) | (24,936,210) | (1,246,569) | -5.00% |
| Total Assets | \$ 43,808,325 | \$ 40,230,441 | \$ 3,577,884 | 8.89% |

At the end of year 2024, the District's investment in capital assets amounted to \$43,808,325 (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
June 30, 2024 and June 30, 2023

Debt Administration

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

| Table 6 - Long-term Debt | | | | |
|---------------------------------|---------------|---------------|------------------|----------------------|
| | 2024 | 2023 | Dollar Change | Percentage Change |
| Long-term debt: | | | | |
| Bonds payable | \$ 25,138,593 | \$ 26,069,125 | \$ (930,532) | -3.57% |

Long-term debt decreased by a total of \$930,532 for the year ended June 30, 2024. Principal payments were \$810,000 and amortization of the debt premiums amounted to \$120,532. 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 80 Eureka Dr. Suite #219, Pacifica, CA 94044 – (650) 355-3462 or send an e-mail to info@nccwd.com.

BASIC FINANCIAL STATEMENTS

North Coast County Water District
Statements of Net Position
As of June 30, 2024 and June 30, 2023

| | 2024 | 2023 |
|--|---------------|---------------|
| Assets | | |
| Current Assets: | | |
| Cash and investments | \$ 22,365,156 | \$ 21,043,814 |
| Accounts receivable, net | 829,110 | 763,881 |
| Accrued interest receivable | 237,087 | 152,083 |
| Lease receivable | 252,450 | 238,703 |
| Property taxes receivable | 19,195 | 16,127 |
| Prepaid expenses | 231,459 | 150,268 |
| Total Current Assets | 23,934,457 | 22,364,876 |
| Noncurrent Assets: | | |
| Restricted cash and investments | 18,632,404 | 20,989,044 |
| Lease receivable | - | 252,451 |
| Capital assets: | | |
| Non-depreciable | 9,757,984 | 5,445,755 |
| Depreciable, net of accumulated depreciation | 34,050,341 | 34,784,686 |
| Total Capital Assets - Net | 43,808,325 | 40,230,441 |
| Total Noncurrent Assets - Net | 62,440,729 | 61,471,936 |
| Total Assets | \$ 86,375,186 | \$ 83,836,812 |
| Deferred Outflows of Resources | | |
| OPEB adjustments | \$ 65,996 | \$ 191,372 |
| Pension adjustments | 2,177,376 | 2,293,871 |
| Total Deferred Outflows of Resources | \$ 2,243,372 | \$ 2,485,243 |

Continued

The notes to basic financial statements are an integral part of this statement

North Coast County Water District
Statements of Net Position
As of June 30, 2024 and June 30, 2023

| | 2024 | 2023 |
|--|---------------|---------------|
| Liabilities | | |
| Current Liabilities: | | |
| Accounts payable | \$ 1,675,505 | \$ 702,262 |
| Accrued expenses | 1,037,650 | 627,348 |
| Unearned revenue | 456,477 | 111,279 |
| Deposits payable | 293,271 | 295,035 |
| Accrued interest payable | 266,239 | 252,785 |
| Current portion of compensated absences | 160,192 | 139,351 |
| Current portion of long-term debt | 830,000 | 810,000 |
| Total Current Liabilities | 4,719,334 | 2,938,060 |
| Noncurrent Liabilities: | | |
| Compensated absences, net of current portion | 480,576 | 418,051 |
| Long-term debt, net of current portion | 24,308,593 | 25,259,125 |
| Net OPEB liability | 4,403,390 | 4,527,029 |
| Net pension liability | 5,694,515 | 5,468,057 |
| Total Noncurrent Liabilities | 34,887,074 | 35,672,262 |
| Total Liabilities | \$ 39,606,408 | \$ 38,610,322 |
| Deferred Inflows of Resources | | |
| Leases | \$ 224,708 | \$ 449,413 |
| OPEB adjustments | 120,127 | 501,034 |
| Pension adjustments | 347,820 | 420,500 |
| Total Deferred Inflows of Resources | \$ 692,655 | \$ 1,370,947 |
| Net Position | | |
| Net Investment in Capital Assets | \$ 37,302,136 | \$ 35,150,360 |
| Unrestricted | 11,017,359 | 11,190,426 |
| Total Net Position | \$ 48,319,495 | \$ 46,340,786 |

Concluded

The notes to basic financial statements are an integral part of this statement

North Coast County Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2024 and June 30, 2023

| | 2024 | 2023 |
|--|---------------|---------------|
| Operating Revenues: | | |
| Water consumption sales | \$ 9,273,152 | \$ 8,811,077 |
| Water service charges | 4,320,368 | 4,202,724 |
| New service connections | 28,257 | 28,420 |
| Other operating revenues | 139,918 | 160,087 |
| Total operating revenues | 13,761,695 | 13,202,308 |
| Operating Expenses: | | |
| Source of supply | 6,953,136 | 5,333,113 |
| Pumping and power | 349,934 | 325,750 |
| Transmission and distribution | 2,444,421 | 2,433,162 |
| General and administrative | 3,739,099 | 3,452,299 |
| Depreciation expense | 1,284,111 | 1,328,383 |
| Total operating expenses | 14,770,701 | 12,872,707 |
| Operating Income (Loss) | (1,009,006) | 329,601 |
| Nonoperating Revenues (Expenses): | | |
| Property taxes | 1,387,681 | 1,304,727 |
| Investment earnings | 2,090,943 | 1,067,718 |
| Rental revenue – cellular antennas | 238,398 | 244,779 |
| Gain (loss) on disposal of property, plant and equipment | 5,908 | 25,188 |
| Interest expense | (760,013) | (766,959) |
| Total nonoperating revenues (expenses) | 2,962,917 | 1,875,453 |
| Net Income (loss) before contributions | 1,953,911 | 2,205,054 |
| Capital contributions | | |
| Capacity charges | 24,798 | 104,656 |
| Change in net position | 1,978,709 | 2,309,710 |
| Beginning net position | 46,340,786 | 44,031,076 |
| Ending net position | \$ 48,319,495 | \$ 46,340,786 |

The notes to basic financial statements are an integral part of this statement

North Coast County Water District
Statements of Cash Flows
For the Years Ended June 30, 2024 and June 30, 2023

| | 2024 | 2023 |
|--|---------------|---------------|
| Cash Flows from Operating Activities: | | |
| Cash received from customers and other | \$ 14,055,663 | \$ 13,439,232 |
| Cash paid to vendors and suppliers for materials and services | (9,558,631) | (9,529,433) |
| Cash paid to employees for salaries and wages | (2,651,136) | (2,532,677) |
| Net Cash Provided (Used) by Operating Activities | 1,845,896 | 1,377,122 |
| Cash Flows from Noncapital Financing Activities: | | |
| Proceeds from property taxes | 1,384,613 | 1,301,939 |
| Receipts from cellular antenna rentals | 238,398 | 244,779 |
| Net Cash Provided (Used) by Noncapital Financing Activities | 1,623,011 | 1,546,718 |
| Cash Flows from Capital and Related Financing Activities: | | |
| Acquisition and construction of capital assets | (4,861,995) | (2,949,663) |
| Proceeds from capacity charges | 24,798 | 104,656 |
| Cash received on the sale of capital assets | 5,908 | 25,188 |
| Principal paid on long-term debt | (810,000) | (775,000) |
| Interest paid on long-term debt | (868,855) | (895,801) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (6,510,144) | (4,490,620) |
| Cash Flows from Investing Activities: | | |
| Investment income (loss) | 2,005,939 | 964,662 |
| Net Cash Provided (Used) by Investing Activities | 2,005,939 | 964,662 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (1,035,298) | (602,118) |
| Cash and Cash Equivalents Beginning | 42,032,858 | 42,634,976 |
| Cash and Cash Equivalents Ending | \$ 40,997,560 | \$ 42,032,858 |

Continued

The notes to basic financial statements are an integral part of this statement

North Coast County Water District
Statements of Cash Flows
For the Years Ended June 30, 2024 and June 30, 2023

| | 2024 | 2023 |
|---|----------------|--------------|
| Reconciliation of Operating Income to Cash Flows Provided (Used) | | |
| by Operating Activities: | | |
| Operating Income (Loss) | \$ (1,009,006) | \$ 329,601 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 1,284,111 | 1,328,383 |
| Change in assets - (increase)decrease: | | |
| Accounts receivable, net | (65,229) | (67,917) |
| Lease receivable | 238,704 | 278,860 |
| Prepaid expenses | (81,191) | (89,898) |
| Change in deferred outflows of resources - (increase)decrease: | | |
| Deferred amounts related to net OPEB liability | 125,376 | 164,917 |
| Deferred amounts related to net pension liability | 116,495 | (1,218,108) |
| Change in liabilities - increase(decrease): | | |
| Accounts payable | 973,243 | 470,892 |
| Accrued expenses | 410,302 | - |
| Unearned revenues | 345,198 | 25,981 |
| Compensated absences | 83,366 | 90,532 |
| Net OPEB liability (asset) | (123,639) | 151,893 |
| Net pension obligations (asset) | 226,458 | 2,731,002 |
| Change in deferred inflows of resources - increase(decrease): | | |
| Deferred amounts related to leases | (224,705) | (274,929) |
| Deferred amounts related to net OPEB liability | (380,907) | (417,527) |
| Deferred amounts related to net pension liability | (72,680) | (2,126,560) |
| Net Cash Provided (Used) by Operating Activities | \$ 1,845,896 | \$ 1,377,122 |
| Noncash investing, capital and financing transactions | | |
| Amortization of bond premium | \$ 120,532 | \$ 120,500 |

Concluded

The notes to basic financial statements are an integral part of this statement

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and 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 nonoperating 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 the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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.

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

Estimated service lives for the District’s classes of assets are as follows:

| <u>Description</u> | <u>Estimated Lives</u> |
|--------------------------------------|------------------------|
| 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 |

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, 2022 | June 30, 2021 |
| Measurement Date | June 30, 2023 | June 30, 2022 |
| Measurement Period | July 1, 2022 to June 30, 2023 | July 1, 2021 to June 30, 2022 |

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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 | July 1, 2022 | June 30, 2022 |
| Measurement Date | June 30, 2024 | June 30, 2023 |
| Measurement Period | July 1, 2023 to June 30, 2024 | July 1, 2022 to June 30, 2023 |

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.

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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

F. New Accounting Pronouncements

GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. This statement did not have a material impact on the financial statements.

G. Upcoming New Accounting Pronouncements

Management will continue to analyze its accounting practices to determine the potential impact of the following recent GASB Statements on the District's financial statements:

GASB Statement No. 101, Compensated Absences

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

This Statement requires that a liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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

GASB Statement No. 102, *Certain Risk Disclosures*

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government’s vulnerability to the risk of a substantial impact. The disclosure should include descriptions for (1) the concentration or constraint (2) each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements (3) actions taken by the government prior to the issuance of the financial statements to mitigate the risk. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

GASB Statement No. 103, *Financial Reporting Model Improvements*

This Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability.

This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to (a) Management’s discussion and analysis (MD&A) (b) Unusual or infrequent items (c) Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position (d) Information about major component units in basic financial statements (5) Budgetary comparison information (6) Financial trend information in the statistical section.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

NOTE 2 - CASH AND INVESTMENTS

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

| <u>Description</u> | <u>June 30, 2024</u> | <u>June 30, 2023</u> |
|--|----------------------|----------------------|
| Cash and cash equivalents | \$ 22,365,156 | \$ 21,043,814 |
| Restricted - cash and cash equivalents | 18,632,404 | 20,989,044 |
| Total cash and cash equivalents | <u>\$ 40,997,560</u> | <u>\$ 42,032,858</u> |

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

Cash and investments consisted of the following:

| Description | June 30, 2024 | June 30, 2023 | Investment Rating |
|--|----------------------|----------------------|-------------------|
| Petty cash | \$ 500 | \$ 500 | Not Rated |
| Demand deposits held with financial institutions | 1,690,609 | 1,343,703 | Not Rated |
| Local agency investment fund (LAIF) | 20,674,047 | 19,699,610 | Not Rated |
| Money market mutual funds | 18,632,404 | 20,989,044 | Not Rated |
| Total cash and cash equivalents | <u>\$ 40,997,560</u> | <u>\$ 42,032,857</u> | |

Demand Deposits with Financial Institutions

Interest bearing bank balances are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation (“FDIC”). At June 30, 2024, the bank balance of the District’s cash in bank, which was \$2,273,195, exceeded the insured limit by \$2,023,195. At June 30, 2023, the bank balance of the District’s cash in bank, which was \$1,395,607, exceeded the insured limit by \$1,145,607. The carrying amount of the District’s demand deposits as of June 30, 2024 and June 30, 2023 were \$1,690,607 and \$1,343,703, respectively. 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, 2024, the District’s deposits were covered by the Federal Deposit Insurance Corporation insurance limits or collateralized as required by California law.

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.

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Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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, 2024, the District held \$20,674,047 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, 2024, the District held \$18,632,404 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 30, 2024 and 2023 consisted of the following:

| Description | June 30, 2024 | June 30, 2023 |
|--|---------------|---------------|
| Unspent proceeds from loan issuance | \$ 18,632,404 | \$ 20,989,044 |
| Less: Unspent proceeds from COP issuance | (18,632,404) | (20,989,044) |
| Total restricted – net position | \$ - | \$ - |

The restricted – cash and cash equivalents balance on the balance sheet at June 30, 2024 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)

NOTE 4 - ACCOUNTS RECEIVABLE, NET

The balance at June 30, 2024 and 2023 consists of the following:

| Description | June 30, 2024 | June 30, 2023 |
|---------------------------------|---------------|---------------|
| Accounts receivable | \$ 886,173 | \$ 815,903 |
| Allowance for doubtful accounts | (57,063) | (57,063) |
| Total accounts receivable, net | \$ 829,110 | \$ 758,840 |

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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

Changes in the District’s lease receivable for the year ended June 30, 2024 was as follows:

| Description | Balance July 01, 2023 | Additions | Deductions | Balance June 30, 2024 |
|-------------------------------------|--------------------------|-------------|---------------------|--------------------------|
| Cellular antenna site rental - No.1 | \$ 37,354 | \$ - | \$ (18,209) | \$ 19,145 |
| Cellular antenna site rental - No.3 | 34,925 | - | (17,025) | 17,900 |
| Cellular antenna site rental - No.4 | 36,387 | - | (17,737) | 18,650 |
| Cellular antenna site rental - No.5 | 33,163 | - | (15,949) | 17,214 |
| Cellular antenna site rental - No.6 | 102,002 | - | (49,222) | 52,780 |
| Cellular antenna site rental - No.7 | 91,693 | - | (44,697) | 46,996 |
| Cellular antenna site rental - No.8 | 70,938 | - | (34,580) | 36,358 |
| Cellular antenna site rental - No.9 | 84,692 | - | (41,285) | 43,407 |
| Total lease receivable | <u>\$ 491,154</u> | <u>\$ -</u> | <u>\$ (238,704)</u> | <u>\$ 252,450</u> |

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

| Description | Balance July 01, 2022 | Additions | Deductions | Balance June 30, 2023 |
|--------------------------------------|--------------------------|-----------|---------------------|--------------------------|
| 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 | 123,932 | - | (39,240) | 84,692 |
| 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 \$252,450 and a total related deferred inflows of resources of \$224,708 for the year ending June 30, 2024. Also, the District is reporting total lease revenue of \$230,736 and interest revenue of \$7,662 related to lease payments received for the year ending June 30, 2024.

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 year 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

North Coast County Water District
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For the Years Ended June 30, 2024 and June 30, 2023

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, 2024 and 2023, the value of the lease receivable was \$19,145 and \$37,354, respectively. 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 \$17,295 and \$32,342 as of June 30, 2024 and 2023, respectively. The District recognized lease revenue of \$17,296 and interest revenue of \$582 during the fiscal year 2024. The District recognized lease revenue of \$17,296 and interest revenue of \$936 during the fiscal year 2023. 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. 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, 2024 and 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, 2024 and 2023. The District recognized lease revenue of \$9,636 and interest revenue of \$906 during the fiscal year 2023.

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, 2024 and 2023, the value of the lease receivable was \$17,900 and \$34,925, respectively. 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 \$16,171 and \$32,342 as of June 30, 2024 and 2023, respectively. The District recognized lease revenue of \$16,171 and interest revenue of \$544 during the fiscal year 2024. The District recognized lease revenue of \$16,171 and interest revenue of \$876 during the fiscal year 2023. 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, 2024 and 2023, the value of the lease receivable was \$18,650 and \$36,387, respectively. The lease is required to make monthly fixed payments of \$1,376 for the first 12-

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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 \$16,848 and \$33,696 as of June 30, 2024 and 2023, respectively. The District recognized lease revenue of \$16,848 and interest revenue of \$567 during the fiscal year 2024. The District recognized lease revenue of \$16,848 and interest revenue of \$912 during the fiscal year 2023. 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, 2024 and 2023, the value of the lease receivable was \$17,214 and \$33,163, respectively. 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 \$15,237 and \$30,475 as of June 30, 2024 and 2023, respectively. The District recognized lease revenue of \$15,238 and interest revenue of \$519 during the fiscal year 2024. The District recognized lease revenue of \$15,238 and interest revenue of \$829 during the fiscal year 2023. 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, 2024 and 2023, the value of the lease receivable was \$52,779 and \$102,002, respectively. 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 \$46,035 and \$92,070 as of June 30, 2024 and 2023, respectively. The District recognized lease revenue of \$46,035 and interest revenue of \$1,596 during the fiscal year 2024. The District recognized lease revenue of \$46,035 and interest revenue of \$2,544 during the fiscal year 2023. 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. 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, 2024 and 2023, the value of the lease receivable was \$46,996 and \$91,693, respectively. 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 \$40,974 and \$81,948 as of June 30, 2024 and 2023, respectively. The District recognized lease revenue of \$40,974 and interest revenue of \$1,429 during the fiscal year 2024. The District recognized lease revenue of \$40,974 and interest revenue of \$2,299 during the fiscal year 2023. 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
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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, 2024 and 2023, the value of the lease receivable was \$36,358 and \$70,938, respectively. 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 \$32,931 and \$65,863 as of June 30, 2024 and 2023, respectively. The District recognized lease revenue of \$32,932 and interest revenue of \$1,105 during the fiscal year 2024. The District recognized lease revenue of \$30,164 and interest revenue of \$1,778 during the fiscal year 2023. 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, 2024 and 2023, the value of the lease receivable was \$43,408 and \$84,694, respectively. 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 \$39,214 and \$78,428 as of June 30, 2024 and 2023, respectively. The District recognized lease revenue of \$39,214 and interest revenue of \$1,320 during the fiscal year 2024. The District recognized lease revenue of \$39,214 and interest revenue of \$2,123 during the fiscal year 2023. 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 as of June 30, 2024 are as follows:

| June 30, 2024 | | | |
|---------------|-----------|----------|---------|
| Fiscal Year | Principal | Interest | Total |
| 2025 | 252,450 | 2,768 | 255,218 |

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Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

Changes in the District's deferred inflows of resources related to leases for June 30, 2024 is as follows:

| Description | Balance | | | Balance June 30, 2024 |
|-------------------------------------|-------------------|-------------|---------------------|--------------------------|
| | July 01, 2023 | Additions | Deductions | |
| Cellular antenna site rental - No.1 | \$ 34,591 | \$ - | \$ (17,296) | \$ 17,295 |
| Cellular antenna site rental - No.3 | 32,341 | - | (16,171) | 16,170 |
| Cellular antenna site rental - No.4 | 33,696 | - | (16,848) | 16,848 |
| Cellular antenna site rental - No.5 | 30,475 | - | (15,238) | 15,237 |
| Cellular antenna site rental - No.6 | 92,070 | - | (46,035) | 46,035 |
| Cellular antenna site rental - No.7 | 81,948 | - | (40,974) | 40,974 |
| Cellular antenna site rental - No.8 | 65,863 | - | (32,932) | 32,931 |
| Cellular antenna site rental - No.9 | 78,429 | - | (39,211) | 39,218 |
| Total deferred inflows | <u>\$ 449,413</u> | <u>\$ -</u> | <u>\$ (224,705)</u> | <u>\$ 224,708</u> |

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

| Description | Balance | | | Balance June 30, 2023 |
|--------------------------------------|-------------------|-----------|---------------------|--------------------------|
| | July 01, 2022 | Additions | Deductions | |
| 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) | 32,341 |
| 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 | 117,641 | - | (39,212) | 78,429 |
| Total deferred inflows | <u>\$ 724,342</u> | <u>-</u> | <u>\$ (274,929)</u> | <u>\$ 449,413</u> |

The amounts reported as deferred inflows of resources related to leases for the year ended June 30, 2024 and 2023, are as follows:

| June 30, 2024 | |
|----------------------------|------------------|
| Amortization Period | Deferred Inflows |
| Fiscal Year Ended June 30, | of Resources |
| 2025 | \$ 224,708 |

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Changes in capital assets for the fiscal year ended June 30, 2024, were as follows:

| Description | Balance June 30, 2023 | Additions | Deletions/ Adjustments | Balance June 30, 2024 |
|---|--------------------------|---------------------|---------------------------|--------------------------|
| Non-depreciable: | | | | |
| Land | \$ 832,867 | \$ - | \$ - | \$ 832,867 |
| Construction in Progress | 4,612,888 | 4,325,682 | (13,453) | 8,925,117 |
| Total Non-Depreciable | 5,445,755 | 4,325,682 | (13,453) | 9,757,984 |
| Depreciable: | | | | |
| Transmission and Distribution System | 22,250,290 | 202,354 | - | 22,452,644 |
| Source of Supply Plant | 4,773,316 | 153,349 | - | 4,926,665 |
| Reservoirs | 14,331,690 | - | - | 14,331,690 |
| Pumping Plant | 1,981,484 | - | - | 1,981,484 |
| Recycled Water Project | 10,698,810 | 10,482 | - | 10,709,292 |
| Telemetry Equipment | 1,056,958 | 83,345 | - | 1,140,303 |
| Water Treatment Plant | 300,762 | - | - | 300,762 |
| Office Building | 300,000 | - | - | 300,000 |
| Office Building and Warehouse | 1,335,250 | - | (37,542) | 1,297,708 |
| Equipment | 2,692,335 | 100,237 | - | 2,792,572 |
| Total Depreciable | 59,720,896 | 549,767 | (37,542) | 60,233,120 |
| Less Accumulated Depreciation for: | | | | |
| Accumulated Depreciation | (24,936,210) | (1,284,111) | 37,542 | (26,182,779) |
| Total Accumulated Depreciation | (24,936,210) | (1,284,111) | 37,542 | (26,182,779) |
| Total Depreciable - Net | 34,784,686 | (734,344) | - | 34,050,341 |
| Total Capital Assets - Net | \$ 40,230,441 | \$ 3,591,338 | \$ (13,453) | \$ 43,808,325 |

Depreciation expense for the year ended June 30, 2024 was \$1,284,111.

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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

| Description | Balance June 30, 2022 | Additions | Deletions/ Adjustments | Balance June 30, 2023 |
|---|--------------------------|---------------------|---------------------------|--------------------------|
| Non-depreciable: | | | | |
| Land | \$ 832,867 | \$ - | \$ - | \$ 832,867 |
| Construction in Progress | 2,160,542 | 2,452,346 | - | 4,612,888 |
| Total Non-Depreciable | <u>2,993,409</u> | <u>2,452,346</u> | <u>-</u> | <u>5,445,755</u> |
| Depreciable: | | | | |
| 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 | 2,637,979 | 78,076 | (23,720) | 2,692,335 |
| Total Depreciable | <u>59,272,183</u> | <u>497,317</u> | <u>(48,604)</u> | <u>59,720,896</u> |
| Less Accumulated Depreciation for: | | | | |
| Accumulated Depreciation | (23,656,431) | (1,328,383) | 48,604 | (24,936,210) |
| Total Accumulated Depreciation | <u>(23,656,431)</u> | <u>(1,328,383)</u> | <u>48,604</u> | <u>(24,936,210)</u> |
| Total Depreciable - Net | <u>35,615,752</u> | <u>(831,066)</u> | <u>-</u> | <u>34,784,686</u> |
| Total Capital Assets - Net | <u>\$ 38,609,161</u> | <u>\$ 1,621,280</u> | <u>\$ -</u> | <u>\$ 40,230,441</u> |

Depreciation expense for the year ended June 30, 2023 was \$1,328,383.

NOTE 7 - COMPENSATED ABSENCES

Summary changes to compensated absences balances for the year ended June 30, 2024, were as follows:

| Balance July 01, 2023 | Additions/ Adjustments | Deletions/ Adjustments | Balance June 30, 2024 | Due within One Year | Due in More Than One Year |
|--------------------------|---------------------------|---------------------------|--------------------------|------------------------|------------------------------|
| \$ 557,402 | \$ 266,593 | \$ (183,227) | \$ 640,768 | \$ 160,192 | \$ 480,576 |

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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

| Balance July 01, 2022 | Additions/ Adjustmetns | Deletions/ Adjustmetns | Balance June 30, 2023 | Due within One Year | Due in More Than One Year |
|--------------------------|---------------------------|---------------------------|--------------------------|------------------------|------------------------------|
| \$ 466,870 | \$ 250,974 | \$ (160,442) | \$ 557,402 | \$ 139,351 | \$ 418,052 |

NOTE 8 - LONG-TERM DEBT

Changes in long-term debt payable for the fiscal year ended June 30, 2024, were as follows:

| Description | Balance July 01, 2023 | Additions/ Adjustmetns | Payments/ Amortization | Balance June 30, 2024 | Current Portion |
|--|--------------------------|---------------------------|---------------------------|--------------------------|--------------------|
| 2012C Revenue Refundings Bonds | \$ 2,810,000 | \$ - | \$ (440,000) | \$ 2,370,000 | \$ 445,000 |
| 2021 Certificates of Participation (COP) | 19,855,000 | - | (370,000) | 19,485,000 | 385,000 |
| 2021 COP - premium | 3,404,125 | - | (120,532) | 3,283,593 | - |
| Total bonds payable | <u>\$ 26,069,125</u> | <u>\$ -</u> | <u>\$ (930,532)</u> | <u>\$ 25,138,593</u> | <u>\$ 830,000</u> |

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

| Description | Balance July 01, 2022 | Additions/ Adjustmetns | Payments/ Amortization | Balance June 30, 2023 | Current Portion |
|--|--------------------------|---------------------------|---------------------------|--------------------------|--------------------|
| 2012C Revenue Refundings Bonds | \$ 3,230,000 | \$ - | \$ (420,000) | \$ 2,810,000 | \$ 440,000 |
| 2021 Certificates of Participation (COP) | 20,210,000 | - | (355,000) | 19,855,000 | 370,000 |
| 2021 COP - premium | 3,524,625 | - | (120,500) | 3,404,125 | - |
| Total bonds payable | <u>\$ 26,964,625</u> | <u>\$ -</u> | <u>\$ (895,500)</u> | <u>\$ 26,069,125</u> | <u>\$ 810,000</u> |

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, 2024, a total of \$2,370,000 of the 2012 Water Revenue Refunding Bonds Series C remains outstanding.

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

Maturities of the 2012 Water Revenue Refunding Bonds, Series C and interest payments subsequent to June 30, 2024, are as follows:

| Fiscal Year | Principal | Interest | Total |
|--------------------|---------------------|-------------------|---------------------|
| 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 | \$ 2,370,000 | \$ 192,025 | \$ 2,562,025 |

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, 2024, a total of \$19,485,000 of the 2021 COPs remains outstanding.

Maturities of the 2021 COPs and interest payments subsequent to June 30, 2024, are as follows:

| Fiscal Year | Principal | Interest | Total |
|--------------------|----------------------|----------------------|----------------------|
| 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 | 450,000 | 704,800 | 1,154,800 |
| 2030-2034 | 2,550,000 | 3,232,000 | 5,782,000 |
| 2035-2039 | 3,125,000 | 2,666,500 | 5,791,500 |
| 2040-2044 | 3,805,000 | 1,975,900 | 5,780,900 |
| 2045-2049 | 4,645,000 | 1,133,500 | 5,778,500 |
| 2050-2052 | 3,270,000 | 199,800 | 3,469,800 |
| Total | \$ 19,485,000 | \$ 12,902,300 | \$ 32,387,300 |

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The District's single employer defined benefit postemployment healthcare plan provides health care benefits to eligible retirees in accordance with a Board resolution. The District provides health insurance

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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.

Benefits Provided

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.

Employees Covered by Benefit Terms

The benefit terms covered the following employees:

| | <u>June 30, 2024</u> | <u>June 30, 2023</u> |
|--------------------|----------------------|----------------------|
| Active employees | 8 | 8 |
| Inactive employees | 23 | 23 |
| Total employees | <u>31</u> | <u>31</u> |

Contributions

The contribution requirements of the plan members and the District are established and may be amended by the District's Board of Directors, and/or employee associations. Currently, contributions from plan members are not required. The District pays retiree benefits (premium contributions) as they come due. For fiscal year ended June 30, 2024, the District paid \$283,718 in pay-as-you-go premiums and the estimated implicit subsidy was \$23,208 resulting in total payments of \$306,926. For fiscal year ended June 30, 2023, the District paid \$261,504 in pay-as-you-go premiums and the estimated implicit subsidy was \$21,391 resulting in total payments of \$282,895. There are no assets accumulated in a GASB compliant trust for the District's OPEB plan.

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

| | <u>June 30, 2024</u> | <u>June 30, 2023</u> |
|-------------------------------------|--|--|
| Valuation Date: | July 1, 2022 | July 1, 2022 |
| Measurement Date: | June 30, 2023 | June 30, 2024 |
| Valuation of Fiduciary Net Position | No assets held in an irrevocable trust as of the measurement date. | No assets held in an irrevocable trust as of the measurement date. |
| Actuarial Cost Method: | Entry-Age, Level Percentage of Pay | Entry-Age, Level Percentage of Pay |
| Amortization Period: | 2.9 years | 3 years |
| Actuarial Assumptions: | | |
| Discount Rate | 3.97% | 3.86% |
| Inflation | 2.50% | 2.50% |
| Payroll Increases | 3.00% | 5.00% |
| Trend Rate | 5.50% | 6.00% |
| Municipal Bond Rate | 3.97% | 3.86% |
| Mortality | CalPERS Experience Study (2000-2019) | CalPERS Experience Study (2000-2019) |

Notes:

The discount rate increased from 3.86% to 3.97%

The payroll increases decreased from 5.00% to 3.00%

The trend rate decreased from 6.00% to 5.50%

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2024 and 2023 was 3.97% and 3.86%, respectively. The District's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

Total OPEB Liability

For the fiscal year ended June 30, 2024 (reporting date), the District's total OPEB liability was measured as of June 30, 2024 (measurement date), and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2022 (valuation date). For the fiscal year ended June 30, 2023 (reporting date), the District's total OPEB liability was measured as of June 30, 2023 (measurement date), and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2022 (valuation date).

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

The following summarizes the changes in the total OPEB liability during the year ended June 30, 2024 and 2023:

| Total OPEB Liability Balance | June 30, 2024 | June 30, 2023 |
|---|----------------------|----------------------|
| Beginning Total OPEB Liability | \$ 4,527,029 | \$ 4,375,136 |
| Service cost | 67,692 | 67,435 |
| Interest in Total OPEB Liability | 171,489 | 169,367 |
| Balance of difference between actual/exp experience | - | 78,396 |
| Balance of changes in assumptions | (55,894) | 119,590 |
| Benefit payments | (306,926) | (282,895) |
| Net changes | (123,639) | 151,893 |
| Ending Total OPEB Liability | <u>\$ 4,403,390</u> | <u>\$ 4,527,029</u> |
| | | |
| Covered Employee Payroll | \$ 1,231,183 | \$ 1,222,690 |
| TOL as a % of Covered Employee Payroll | 357.66% | 370.25% |
| Service Cost as a % of Covered Emp Payroll | 5.50% | 5.52% |

Deferred Inflows and Outflows of Resources

At June 30, 2024 and 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | June 30, 2024 | | June 30, 2023 | |
|---|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between actual and expected experience | \$ 26,132 | \$ 14,217 | \$ 74,256 | \$ 85,300 |
| Change in assumptions | 39,864 | 105,910 | 117,116 | 415,734 |
| Totals | <u>\$ 65,996</u> | <u>\$ 120,127</u> | <u>\$ 191,372</u> | <u>\$ 501,034</u> |

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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

| <u>Year Ended June 30,</u> | <u>June 30, 2024</u> | <u>June 30, 2023</u> |
|----------------------------|----------------------|----------------------|
| 2024 | \$ - | \$ (292,151) |
| 2025 | (36,785) | (17,511) |
| 2026 | (17,346) | - |
| Total | <u>\$ (54,131)</u> | <u>\$ (309,662)</u> |

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2024 and 2023:

| | <u>June 30, 2024</u> | <u>June 30, 2023</u> |
|---|----------------------|----------------------|
| Service cost | \$ 67,692 | \$ 67,435 |
| Interest in TOL | 171,489 | 169,367 |
| Difference between actual and expected experience | (22,959) | 65,006 |
| Change in assumptions | (288,466) | (119,630) |
| OPEB Expense | <u>\$ (72,244)</u> | <u>\$ 182,178</u> |

The following summarizes changes in the total OPEB liability as reconciled to OPEB expense during the year ended June 30, 2024 and 2023:

| | <u>June 30, 2024</u> | <u>June 30, 2023</u> |
|---|----------------------|----------------------|
| Total OPEB liability ending | \$ 4,403,390 | \$ 4,527,029 |
| Total OPEB liability beginning | (4,527,029) | (4,375,136) |
| Change in total OPEB liability | (123,639) | 151,893 |
| Changes in deferred outflows | 125,376 | 164,917 |
| Changes in deferred inflows | (380,907) | (417,527) |
| Employer contributions and implicit subsidy | 306,926 | 282,895 |
| OPEB Expense | <u>\$ (72,244)</u> | <u>\$ 182,178</u> |

Sensitivity to Changes in the Discount Rate

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(3.97% for 2024 and 3.86% 2023) that is one percentage point lower or one percentage point higher, is as follows:

| | <u>2024</u> | <u>2023</u> |
|---------------|--------------|--------------|
| 1% Decrease | \$ 4,952,987 | \$ 5,094,330 |
| Discount Rate | \$ 4,403,390 | \$ 4,527,029 |
| 1% Increase | \$ 3,940,180 | \$ 4,050,322 |

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

Sensitivity to Changes in the Healthcare Cost Trend Rates

The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates(5.5% for 2024 and 6.0% for 2023) that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

| | 2024 | | 2023 |
|-------------|--------------|----|-------------|
| 1% Decrease | \$ 3,814,320 | \$ | 3,961,431 |
| Trend Rate | \$ 4,403,390 | \$ | 4,527,029 |
| 1% Increase | \$ 5,133,153 | \$ | 5,227,525 |

NOTE 10 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plans

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan (the Plan); cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension Plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or from CalPERS Executive Office - 400 Q Street - Sacramento, CA 95811.

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 the Plan are applied as specified by the Public Employees' Retirement Law.

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

The Plans' provisions and benefits in effect at June 30, 2024, are summarized as follows:

| | 2024 | | |
|--|-------------------------------|---|--------------------------------|
| | Tier 1 | Tier 2 | PEPRA |
| | Prior to December 17, 2011 | On or between December 17, 2011 & December 31, 2012 | On or after January 1, 2013 |
| Hire date | | | |
| Benefit formula | 2.7% @ 55 | 2% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 Years | 5 Years | 5 Years |
| Benefit payments | Monthly for Life | Monthly for Life | Monthly for Life |
| Retirement age | 50 to 55+ | 50 to 55+ | 52 to 67+ |
| Monthly benefits as a % of eligible compensation | 2.0% to 2.7% | 1% to 2.5% | 1% to 2.5% |
| Required employee contribution rates | 8.00% | 7.00% | 7.75% |
| Required employer contribution rates | 15.95% | 12.47% | 7.68% |

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

| | 2023 | | |
|--|-------------------------------|---|--------------------------------|
| | Tier 1 | Tier 2 | PEPRA |
| | Prior to December 17, 2011 | On or between December 17, 2011 & December 31, 2012 | On or after January 1, 2013 |
| Hire date | | | |
| Benefit formula | 2.7% @ 55 | 2% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 Years | 5 Years | 5 Years |
| Benefit payments | Monthly for Life | Monthly for Life | Monthly for Life |
| Retirement age | 50 to 55+ | 50 to 55+ | 52 to 67+ |
| Monthly benefits as a % of eligible compensation | 2.0% to 2.7% | 1% to 2.5% | 1% to 2.5% |
| Required employee contribution rates | 8.00% | 7.00% | 6.75% |
| Required employer contribution rates | 14.02% | 10.88% | 7.59% |

Employees Covered - At June 30, 2024(valuation date 2022) and 2023(valuation date 2021), the following employees were covered by the benefit terms for the Plan:

| | 2024 | 2023 |
|--------------|-----------|-----------|
| Active | 20 | 15 |
| Transferred | 5 | 8 |
| Separated | 6 | - |
| Retired | 23 | 23 |
| Total | 54 | 46 |

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rates are the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2024 and 2023, the District made the following pension contributions:

| | 2024 | 2023 |
|--------------|-------------------|-------------------|
| Tier 1 | \$ 545,582 | \$ 537,331 |
| Tier 2 | - | 7,524 |
| PEPRA | 74,818 | 74,296 |
| Total | \$ 620,400 | \$ 619,151 |

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

The District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

| | 2024 | 2023 |
|----------------------------|--------------|--------------|
| Proportionate Share of NPL | \$ 5,694,515 | \$ 5,468,057 |

The District's net pension asset/liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan are measured as of June 30, 2023, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension Plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan was as follows:

| | 2024 | 2023 |
|------------------------------|----------|----------|
| Beginning Proportion | 0.11686% | 0.14415% |
| Ending Proportion | 0.11389% | 0.11686% |
| Change - Increase/(Decrease) | 0.00297% | 0.02729% |

For the year ended June 30, 2024 and 2023, the District recognized a pension expense of \$890,471 and \$5,485, respectively.

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | 2024 | | 2023 | |
|--|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Changes of Assumptions | \$ 343,830 | \$ - | \$ 560,317 | \$ - |
| Differences between Expected and Actual Experience | 290,929 | 45,130 | 109,809 | 73,546 |
| Differences between Projected and Actual Investment Earnings | 922,063 | - | 1,001,603 | - |
| Differences between Employer's Contributions and Proportionate Share of Contributions | 357 | 68,264 | 2,991 | 40,184 |
| Adjustment due to differences in proportions | - | - | - | 306,770 |
| Change in Employer's Proportion | - | 234,426 | - | - |
| Pension Contributions Made Subsequent to Measurement Date | 620,400 | - | 619,151 | - |
| Total | \$ 2,177,578 | \$ 347,820 | \$ 2,293,871 | \$ 420,500 |

The District reported \$620,400 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability during the year ended June 30, 2025.

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

| Year Ending June 30, | 2024 | 2023 |
|----------------------|---------------------|---------------------|
| 2024 | \$ - | \$ 267,000 |
| 2025 | 308,838 | 239,276 |
| 2026 | 208,999 | 135,329 |
| 2027 | 665,416 | 612,615 |
| 2028 | 26,105 | - |
| 2029 | - | - |
| Thereafter | - | - |
| Total | \$ 1,209,358 | \$ 1,254,220 |

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

Actuarial Assumptions - The total pension liabilities in the June 30, 2022 and 2021, actuarial valuations were determined using the following actuarial assumptions:

| | | |
|---------------------------|------------------------------------|------------------------------------|
| Valuation Date | June 30, 2022 | June 30, 2021 |
| Measurement Date | June 30, 2023 | June 30, 2022 |
| Actuarial Cost Method | Entry-Age Normal Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | | |
| Discount Rate | 6.90% | 6.90% |
| Inflation | 2.30% | 2.30% |
| Payroll Growth | 2.80% | 2.80% |
| Projected Salary Increase | (1) | (1) |
| Investment Rate of Return | 6.8% (2) | 6.8% (2) |
| Mortality | (3) | (3) |

- (1) Varies by entry age and service
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 6.9 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.9 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 6.9 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

| <u>Asset Class (a)</u> | <u>Assumed Asset Allocation</u> | <u>Long-Term Expected Real Return (1)(2)</u> |
|-------------------------------|---|--|
| Global Equity Cap Weighted | 30.00% | 4.54% |
| Global Equity NonCap Weighted | 12.00% | 3.84% |
| Private Equity | 13.00% | 7.28% |
| Treasury | 5.00% | 0.27% |
| Mortgage-backed Securities | 5.00% | 0.50% |
| Investment Grade Corporates | 10.00% | 1.56% |
| High Yield | 5.00% | 2.27% |
| Emerging Market Debt | 5.00% | 2.48% |
| Private Debt | 5.00% | 3.57% |
| Real Assets | 15.00% | 3.21% |
| Leverage | -5.00% | -0.59% |
| Total | <u>100.00%</u> | |

- (1) An expected inflation of 2.3% used for this period.
(2) Figures are based on the 2021-22 Asset Liability Study.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

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

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

| | <u>2024</u> | <u>2023</u> |
|-----------------------|--------------|-------------|
| 1% Decrease | 5.90% | 5.90% |
| Net Pension Liability | \$ 8,669,163 | 8,320,135 |
| Current | 6.90% | 6.90% |
| Net Pension Liability | \$ 5,694,515 | 5,468,057 |
| 1% Increase | 7.90% | 7.90% |
| Net Pension Liability | \$ 3,246,913 | 3,121,505 |

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

NOTE 11 - NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets consisted of the following as of June 30, 2024 and 2023:

| Description | June 30, 2024 | June 30, 2023 |
|---|----------------------|----------------------|
| Net investment in capital assets: | | |
| Capital assets – not being depreciated | \$ 9,757,984 | \$ 5,445,755 |
| Capital assets, net – being depreciated | 34,050,341 | 34,784,686 |
| Long-term debt – current portion | (830,000) | (810,000) |
| Long-term debt – non-current portion | (24,308,593) | (25,259,125) |
| Unspent proceeds from COP issuance (Note 3) | 18,632,404 | 20,989,044 |
| Total net investment in capital assets | <u>\$ 37,302,136</u> | <u>\$ 35,150,360</u> |

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.

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

Audited condensed financial information for the Insurance Authority is presented below for the year ended September 30, 2023 (most recent information available):

| | |
|------------------------------------|---|
| A. Entity | ACWA-JPIA |
| B. Purpose | To pool member contributions and realize the advantages of self-insurance |
| C. Participants | As of September 30, 2023 – 401 member districts |
| D. Governing board | Eight representatives employed by members |
| E. Condensed financial information | September 30, 2023 |
| Audit signed | February 29, 2024 |

| | |
|---|------------------------------|
| Statement of financial position: | <u>Sept 30, 2023</u> |
| Total assets | \$ 288,462,503 |
| Deferred outflows | 4,654,911 |
| Total liabilities | 167,203,667 |
| Deferred inflows | 5,200,835 |
| Net position | <u><u>\$ 120,712,912</u></u> |

| | |
|---|------------------------------|
| Statement of revenues, expenses and changes in net position: | |
| Total revenues | \$ 248,013,664 |
| Total expenses | 240,084,673 |
| Change in Net Position | 7,928,991 |
| Beginning – net position | <u>112,783,921</u> |
| Ending – net position | <u><u>\$ 120,712,912</u></u> |

| | |
|---|----------------|
| F. Member agencies share of year-end financial position | Not Calculated |
|---|----------------|

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 \$9,158,448). 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. Earthquake coverage deductible is at 5% per unit of insurance, subject to a \$75,000 minimum.

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 includes

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

bodily injury, property damage (including automobiles), and pollution does and 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/\$3,000,000 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. ACWA JPIA's self insured retention is \$2,000,000 for each accident, and excess coverage is covered up to statutory limits for each accident.

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, 2024, 2023, and 2022. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2024, 2023, and 2022.

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. The District had outstanding contracts, including purchase orders, with balances totaling \$23,747,272 as of June 30, 2024.

North Coast County Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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 and transactions that occurred after the date of the financial statements through January 9, 2025, the date on which the financial statements were available to be issued. The financial statements include all events and transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

North Coast County Water District
Schedule of Pension Contributions - CalPERS
June 30, 2024

Miscellaneous Plan

| Plan Measurement Date | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Fiscal Year Ended | 2015 | 2016 | 2017 | 2018 | 2019 |
| Contractually Required Contrib. | \$ 371,392 | \$ 421,912 | \$ 496,227 | \$ 528,974 | \$ 593,287 |
| Contrib. in Relation to Contractually Required Contributions | 371,392 | 436,132 | 496,227 | 528,974 | 593,287 |
| Contribution Deficiency (Excess) | - | (14,220) | - | \$ - | \$ - |
| Covered Payroll | \$ 1,563,150 | \$ 1,565,577 | \$ 1,527,533 | \$ 1,703,966 | \$ 1,655,381 |
| Contrib. as % of Covered Payroll | 15.29% | 15.69% | 13.84% | 31.04% | 35.84% |

Miscellaneous Plan

| Plan Measurement Date | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Fiscal Year Ended | 2020 | 2021 | 2022 | 2023 | 2024 |
| Contractually Required Contrib. | \$ 607,426 | \$ 681,359 | \$ 746,553 | \$ 619,151 | \$ 620,400 |
| Contrib. in Relation to Contractually Required Contributions | 607,426 | 681,359 | 746,553 | 619,151 | 620,400 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Payroll | \$ 1,636,813 | \$ 1,692,267 | \$ 1,950,960 | \$ 1,966,022 | \$ 2,184,662 |
| Contrib. as % of Covered Payroll | 37.11% | 40.26% | 38.27% | 31.49% | 28.40% |

Notes to Schedule:

Valuation Date: June 30, 2022

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
Remaining Amortization Period no more than 29 years
Inflation Assumed at 2.30%
Investment Rate of Returns set at 6.8%
The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018, and then decreased to 6.90% in FY2023.

The CalPERS mortality assumptions was adjusted in fiscal year 2023.

North Coast County Water District
Schedule of Proportionate Share of the Net Pension Liability
June 30, 2024

Miscellaneous Plan

| Plan Measurement Date | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|----------------|----------------|----------------|----------------|----------------|
| Fiscal Year Ended | 2015 | 2016 | 2017 | 2018 | 2019 |
| Proportion of NPL | 0.10822% | 0.12849% | 0.12750% | 0.12991% | 0.12991% |
| Proportionate Share of NPL | \$ 3,255,380 | \$ 3,756,060 | \$ 4,327,222 | \$ 4,805,974 | \$ 4,590,011 |
| Covered Payroll | \$ 1,610,044 | \$ 1,563,150 | \$ 1,565,577 | \$ 1,527,533 | \$ 1,703,966 |
| Proportionate Share of NPL as a % of Covered Payroll | 202.19% | 240.29% | 276.40% | 314.62% | 269.37% |
| Plan's Fid Net Position as % of TPL | 73.91% | 70.87% | 67.72% | 68.38% | 71.19% |

Miscellaneous Plan

| Plan Measurement Date | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|----------------|----------------|----------------|----------------|----------------|
| Fiscal Year Ended | 2020 | 2021 | 2022 | 2023 | 2024 |
| Proportion of NPL | 0.13721% | 0.00000% | -0.18380% | 0.01325% | 0.02387% |
| Proportionate Share of NPL | \$ 4,788,707 | \$ 4,972,700 | \$ 2,737,055 | \$ 5,468,057 | \$ 5,694,515 |
| Covered Payroll | \$ 1,655,381 | \$ 1,636,813 | \$ 1,692,267 | \$ 1,950,960 | \$ 1,966,022 |
| Proportionate Share of NPL as a % of Covered Payroll | 289.28% | 303.80% | 161.74% | 280.28% | 289.65% |
| Plan's Fid Net Position as % of TPL | 72.15% | 73.02% | 86.29% | 73.86% | 74.10% |

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018, and then decreased to 6.90% in FY2023.

The CalPERS mortality assumptions was adjusted in fiscal year 2023.

North Coast County Water District
Schedule of Changes in the Total OPEB Liability
June 30, 2024

| Fiscal Year Ended (FYE) | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Measurement Period FYE | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Total OPEB Liability (TOL) | | | | | | | |
| Service cost | \$ 228,758 | \$ 187,592 | \$ 248,118 | \$ 110,210 | \$ 132,169 | \$ 67,435 | \$ 67,692 |
| Interest | 198,831 | 153,972 | 136,765 | 132,970 | 110,392 | 169,367 | 171,489 |
| Changes of assumptions | - | - | - | 598,242 | (1,108,622) | 119,590 | (55,894) |
| Diff. between expected/actual experience | (1,127,012) | 727,704 | (40,208) | 351,863 | (227,466) | 78,396 | - |
| Benefit payments | (219,443) | (236,688) | (318,435) | (339,286) | (296,056) | (282,895) | (306,926) |
| Net change in Total OPEB Liability | (918,866) | 832,580 | 26,240 | 853,999 | (1,389,583) | 151,893 | (123,639) |
| Total OPEB Liability - beginning | 4,970,766 | 4,051,900 | 4,884,480 | 4,910,720 | 5,764,719 | 4,375,136 | 4,527,029 |
| Total OPEB Liability - ending | <u>\$ 4,051,900</u> | <u>\$ 4,884,480</u> | <u>\$ 4,910,720</u> | <u>\$ 5,764,719</u> | <u>\$ 4,375,136</u> | <u>\$ 4,527,029</u> | <u>\$ 4,403,390</u> |
| Covered employee payroll | \$ 1,923,330 | \$ 2,080,080 | \$ 1,883,273 | \$ 1,970,105 | \$ 1,205,671 | \$ 1,222,690 | \$ 1,231,183 |
| TOL as a % of covered payroll | 210.67% | 234.82% | 260.75% | 292.61% | 362.88% | 370.25% | 357.66% |

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available.

GASB 75 was adopted as of June 30, 2018.

There were no changes in benefit terms.

Discount rates changed from 1.69% to 3.69% in FY22, to 3.86% in FY23, and then to 3.97% in FY24.

OTHER INFORMATION

North Coast County Water District
Schedule of Capacity Charges
For the Fiscal Year Ended June 30, 2024

Transmission and Storage Revenue Reconciliation A/C #4980

| | |
|--|------------------|
| Transmission and Storage Revenue Details Analysis: | <u>Amount</u> |
| 204 Olympian Way | \$ 5,312 |
| 424 Ebken Street | 5,312 |
| 167 Beachview Avenue | 10,624 |
| 1139 Crespi Drive | <u>3,550</u> |
| Total Transmission & Storage Revenue | <u>\$ 24,798</u> |

Public improvement expenditures for the fiscal year ended June 30, 2024:

| <u>Public improvement projects</u> | <u>Project expenditures</u> | <u>Percentage Complete</u> |
|-------------------------------------|--|----------------------------|
| HQ Upgrade | \$ 2,123,614 | 25% |
| Sheila Tank Replacement Project | 1,312,129 | 45% |
| Loop at Everglades Pipeline Project | 792,002 | 55% |
| Annual Pipeline Project | 159,940 | 20% |
| Meter Replacement Program | 153,348 | 32% |
| Regulator Updates | 83,344 | 31% |
| Fassler Tank Replacement Project | <u>28,695</u> | 3% |
| | <u>\$ 4,653,072</u> | |
| | Project expenditures funded with the above fees | |
| | <u>Amount</u> | <u>Percentage</u> |
| | <u>\$ 24,798</u> | 1% |

**INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***



**INDEPENDENT AUDITOR’S 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***

To the Board of Directors
North Coast County Water District
Pacifica, California

We have audited, 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, the financial statements of the North Coast County Water District (the “District”) as of and for the year ended June 30, 2024, 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 9, 2025.

Report on 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 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 entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

January 9, 2025
Morgan Hill, California