San Bernardino Valley Water Conservation District

Helping Nature Store Our Water

ANNUAL FINANCIAL REPORT

JUNE 30, 2023

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT

ANNUAL FINANCIAL REPORT

For the year ended June 30, 2023

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INTRODUCTORY SECTION

San Bernardino Valley
Water Conservation District
Helping Nature Store Our Water

November 16, 2023

Board of Directors
San Bernardino Valley Water Conservation District

Introduction
On behalf of our team, it is my pleasure to submit the Annual Financial Report for the San Bernardino Valley Water Conservation District (District) for the fiscal year ending June 30, 2023, in accordance with Governmental Accounting Standards Board guidelines. The District is responsible for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures in this financial report: We believe that the data presented here are accurate in all material respects.

This report is intended to enhance understanding of the District's financial position and activities for the Board and public. The Introduction offers general information about the District's organization and current District activities and summarizes significant financial results. The Financial chapter includes the Independent Auditor's Report, Management's Discussion and Analysis (MD&A) of the District's basic financial statements, and the District's audited basic financial statements with accompanying notes.

Generally Accepted Accounting Principles (GAAP) require that District management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of the MD&A section. This letter of transmittal is designed to complement the MD&A, located after the Independent Auditor's Report, and should be read in conjunction with it.

District Structure and Leadership
The San Bernardino Valley Water Conservation District is an independent special district operating under Division 21 of the California Water Code. The District's origins date to1909 when local landowners joined together to form the Water Conservation Association to voluntarily conserve water across the region. Following a vote of the people in 1932, the District was created to serve as a successor agency to the Water Conservation Association. The District is governed by a five-member publicly elected Board of Directors representing the District's service area. The previously seven-member Board was reduced to five in December 2013 in an effort to limit expenses and support focus and efficiency in District operations. The General Manager reports to the Board and manages all day-to-day operations following powers established in Resolution 604 and the policies, procedures, strategies, goals, values, and priorities established by the Board of Directors. In addition to the General Manager, the District currently employs nine full-time employees, three in the field and six in the office. The District also has part-time employees and interns that assist the District with specific tasks and efforts; at present, we have two Environmental Interns, one Administrative Assistant, one Senior Engineer (retired annuitant), and one General Counsel role filled in a part-time capacity.

The District's Board of Directors meets at publicly-noticed meetings, generally once per month. While in-person meetings have resumed, we continue to provide remote attendance options – in addition to in-person attendance – to support public engagement.

In 2010, the Board approved the District's first Strategic Plan, which was developed with input from stakeholders in water, mining, environment, and local government. This strategic plan focuses the District's efforts and services in support of our communities, ratepayers, and partners. The Board approved updated Strategic Plans in 2013, 2017 and 2023. Each January, the Board approves a list of annual work priorities for staff based on the Strategic Plan.

District Services

The San Bernardino Valley Water Conservation District recharges groundwater to protect and augment the safe yield of the Bunker Hill Groundwater Basin by cities, water districts, and groundwater producers within and beyond the District's Service Area. To accomplish this mission, the District maintains 71 water percolation basins in two recharge facilities, or spreading grounds, located on over 3.600 acres owned, leased and/or managed by the District along Mill Creek and the Santa Ana River. In 2023, both the Inland Empire and California as a whole received significantly above-average precipitation. Between October 1, 2021, and September 30, 2022, the District recharged 73,729 acre feet or approximately 24 billion gallons from Santa Ana River and Mill Creek stormflows as well as imported water funded through the Groundwater Council. In addition, the limited winter rains provided the flows through the Plunge Creek Conservation Project, resulting in over 2,724 acre feet of groundwater recharge and restoration of upland and wetland habitats within the project area as shown below.

Significant Initiatives

The District leads or participates in several significant initiatives that shape our organizational and financial structures:

Partnership Program for Expansion of Recharge Capacity

In 2018, the District approved a partnership agreement to provide conservation easements to San Bernardino Valley Municipal Water District (SBVWCD) on behalf of the Upper Santa Ana River Habitat Conservation Plan (River HCP). This agreement allows the River HCP to record conservation easements on up to 295 acres owned by the District for habitat mitigation purposes. The agreement obligates revenue from the conservation easements for the development of new recharge facilities and related uses, termed the Program for Expansion of Recharge Capacity (PERC; formerly Active Recharge Transfer Projects). SBVMWD has funded purchase of conservation easements for all of the acreage at this time, and these funds have been used to prepare the conceptual engineering and feasibility studies necessary to evaluate development of new and expanded recharge facilities on lands held by the District and the San Bernardino County Flood Control District (Flood Control). To support this work, the District and Flood Control executed an MOU to partner in the assessment and development of these facilities. The ARTP Policy Committee, consisting of Board members from the District and SBVMWD, meets quarterly to provide direction on policy issues related to the agreement, and receive contracting, design and general progress updates. This program directly fulfills the Board's top strategic plan goal to increase groundwater recharge and is considered one of the most significant projects in the District's history.

Bunker Hill Basin Groundwater Council

In 2015, the District collaboratively established this voluntary council in partnership with the San Bernardino Valley Municipal Water District, which began operations in 2018. Together, the Council's member agencies contribute to purchase and recharge imported State Project water into the Bunker Hill Groundwater Basin. The Groundwater Council revenues replace the District's Groundwater Charge for member agencies, ensuring that the District's Groundwater Enterprise costs are covered in an equitable fashion by all groundwater users. In 2021, in response to a request from the Groundwater Council, the District evaluated, developed, and added a sustainability and replenishment component to the Groundwater Charge for groundwater producers within the District's boundary. With the initial agreement set to expire in 2023, Council members have adopted a new agreement extending the Groundwater Council through June of 2024.

Mill Creek Diversion Debris Management Project
This capital improvement project was developed to address long-term maintenance issues with high storm flows and debris at the District's Mill Creek Diversion. The project will alter the existing facility to allow bypass of large debris in order to minimize the need for repairs and maintain the designed recharge capacity during severe storms while reducing costs and improving management alternatives under novel climate scenarios. With project design and CEQA analysis complete and all permits issued, construction began on August 14, 2023, with an expected completion date of December 15, 2023.

Upper Santa Ana River Wash Habitat Conservation Plan
The Upper Santa Ana River Wash Habitat Conservation Plan (Wash Plan) is a long-term environmental and infrastructure planning and permitting effort led by the District in consortium with a Task Force of local agencies. The Wash Plan was approved by the District Board on July 8, 2020, and was issued an Incidental Take Permit (ITP) from the U.S. Fish and Wildlife Service on July 13, 2020. The 30-year Wash Plan and ITP require significant restoration of habitat to support several endangered species such as San Bernardino kangaroo rat and Santa Ana River woolly star, while also allowing development of expanded water conservation facilities, mining, transportation, and trails. During the third year of implementation, the District conducted required biological monitoring and habitat management activities and pursued permits for Wash Plan Covered Activities under the California Endangered Species Act and the state and federal components of the Clean Water Act. Permits under these regulations are expected to be issued in Fiscal Year 2024.

Pension and Post-Employment Benefits
The District's Board approved an initial payoff of the Unfunded Accrued Actuarial Liability (UAAL) to CalPERS in Fiscal Year 2016 and has continued to approve paying any UAAL identified by CalPERS in each subsequent year. The Board continues to review CalPERS costs as their actuarial assumptions and returns change in order to fund this benefit liability fully; in the District's budget, these amounts are projected and budgeted as a benefit expense. In 2016, the Board also converted the Other Post-Employment Benefits (OPEB) Reserve into a CalPERS Employer Trust, which irrevocably holds funds to pay for the limited cost of eligible employee's health care until Medicare. In 2021, additional funding was added to the OPEB Trust based on a GASB 75 compliant actuarial analysis for full UAAL payment.

In 2019, the District Board funded explicit cost and implicit subsidy contained in unitary medical insurance premiums from the Association of California Water Agency's Joint Powers Insurance Authority. OPEB annuals costs are calculated by actuarial consultants using age, estimates of investment returns, and other assumptions to identify the most likely cost of benefits.

In 2022, the District Board approved participation in the California Employers' Pension Prefunding Trust (CEPPT) to pre-fund pension liabilities, which complies with IRS Section 115. Funds deposited in the CEPPT are irrevocable and may only be used for the specific purpose for which the trust was established.

Continued Policy Development
Most District policies and practices have been reviewed and updated within the past five years, and staff work together to improve District principles, policies, practices, and procedures wherever possible.

2023 Economic Condition

The local and regional economy in the area served by the District has been strong based on population growth and residential, commercial, and public development projects in recent years. Inflation continued to affect all sectors through 2023, including increased costs for materials from steel gates to gasoline, construction contracts, and labor for District projects and employees.

2023-2024 Economic Outlook

Global economic activity showed signs of improvement in the first two quarters of 2023, with emerging markets expected to drive growth. The federal government has increased interest rates with associated results on growth sectors. Locally, District initiatives such as the Wash Plan and increased groundwater recharge support local economic activities and contribute to increases in assessment values for San Bernardino County and local cities. For example, the Wash Plan provides permits for construction of several long-term infrastructure projects that will benefit the region over the next few years. The District expects continued cost increases due to inflation, while also recognizing significant interest revenue from investments due to higher interest rates.

Internal Control Structure

District executive management is responsible for establishing and maintaining internal control structures to ensure that District assets are protected from loss, theft, or misuse. This internal control structure is designed to provide reasonable assurance that these objectives are met with the District's limited staffing. The concept of reasonable assurance recognizes that: (1) The cost of a control should not exceed the benefits likely to be derived; and (2) The valuation of costs and benefits requires estimates and judgments by management. In addition, the internal control structure also provides the necessary accounting data for preparation of financial statements in conformity with generally accepted accounting principles. Components of this structure include a consolidated Procurement and Purchasing Policy, approved by the Board in 2018, along with implementation of all auditor recommendations. The District improves the clarity of financial reports wherever possible to increase transparency and documents its practices to allow the highest level of control possible.

Budgetary Control

The District's Board of Directors adopts an annual operating and capital budget prior to each new fiscal year. The budget authorizes spending, provides the basis for reporting, and controls financial operations and accountability for the District's enterprise operations and capital projects. The budget and reporting standards utilized by the District is consistent with the accrual basis of accounting and financial statements. The District issues licenses to reduce operating costs through public-private partnerships where possible.

The District uses an enterprise model for financial management and reserve accounting in order to provide clear internal accountability as well as public transparency into District finances. The Board reviews and revises – where necessary – the reserve and other policies, target reserve levels, and investment of the reserves each fiscal year.

Investment Policy

In 2019, the Board of Directors updated the Statement of Investment Policy with support from PFM Financial Management to add appropriate investment options for the management of PERC capital funds. The Statement of Investment Policy assures safety, liquidity, and yield, and conforms to state law, District ordinances, and prudent money management principles. District funds are invested in the CalTrust Joint Powers Authority, California Asset Management Program, various certificates of deposit, U.S. Treasuries, and U.S. Agency Securities. The Board receives quarterly reports on all investment balances and returns.

District Revenues

State law and District policy ensure that all revenues generated from District groundwater charges support District operations. Groundwater charge rates are set in accordance with California Water

Code Section 75500 and are levied on all groundwater-producing facilities within the District boundaries. The Groundwater Charge, which has historically been the primary component of the District's revenue, has been replaced in part by more stable income received through the Groundwater Council. The Groundwater Charge, which was revised to include a sustainability and replenishment component in 2021, continues to be assessed on all producers who are not members of the Groundwater Council. The sustainability and replenishment funds collected as part of the District's Groundwater Charge are kept in reserve until State Project water is available from SBVMWD for recharge purposes. The District also has agreements with other entities for payment or reimbursement for the cost of recharge of water on their behalf.

Royalties on aggregate mining, rent from property leases, sale of easements, property tax, and interest on reserves complete the non-rate revenues of the District. The District renewed its mining lease with CEMEX in 2020. Staff is also working with another leaseholder, Robertson's Ready Mix, to begin mining on District land after Wash Plan and other permits are obtained in order to retire the prepaid royalty.

District Investments

The District's General Manager authorized changes to reserves and investments during the year in accordance with the Statement of Investment Policy. Staff moved investment funds primarily as higher interest rates became available and as Certificate of Deposit (CD) terms expired. Funds on loan to the Wash Plan via the Trust, to be repaid by Wash Plan Participating Entities upon permit issuance, were partially repaid with the remainder to be repaid to the District when the loan is called. In addition, investments are made based on District cash-flow needs to ensure funds are available for capital projects such as the PERC feasibility studies. The District will continue to monitor rates of investment returns and opportunities to generate funds through investments.

Audit and Financial Reporting

State laws require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Rogers, Anderson, Malody & Scott, LLP has conducted an audit of the District's financial statements, which is included as the unmodified Independent Auditor's Report in the financial section of this report.

Other References

More information is contained in the MD&A section, along with Notes to the Basic Financial Statements documentation in the financial section of the report.

Acknowledgments

This report was prepared through the combined efforts of District staff. We appreciate the dedicated efforts and professionalism shown by the team from Rogers, Anderson, Malody & Scott, LLP. We also wish to thank the Ad Hoc Audit Committee members and the Board of Directors for their continued support in the planning and implementation of the San Bernardino Valley Water Conservation District's fiscal policies.

Respectfully submitted,

Betsy Miller

Betsy Miller
General Manager

San Bernardino Valley Water Conservation District

Helping Nature Store Our Water

San Bernardino Valley Water Conservation District
Board of Directors as of June 30, 2023

Name	Division	Title	Current Term Ending
Melody Henriques-McDonald	5	President	December 14, 2026
Robert Stewart	3	Vice-President	December 11, 2024
Richard Corneille	1	Director	December 9, 2024
John Longville	4	Director	December 14, 2026
David E. Raley	2	Director	December 14, 2026

San Bernardino Valley Water Conservation District
Betsy Miller, General Manager
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FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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Independent Auditor's Report

Board of Directors
San Bernardino Valley Water Conservation District
Redlands, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the fiduciary fund of the San Bernardino Valley Water Conservation District (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the fiduciary fund of the District, as of June 30, 2023, 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, as well as the accounting systems prescribed by the State Controller's Office and state regulations governing Special Districts.

Basis for opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States and the State Controller's *Minimum Audit Requirements for California Special Districts*. 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.

Emphasis of Matter

As discussed in Note 1 of the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Prior year Comparative Information

We have previously audited the District's 2022 financial statements, and we expressed an unmodified opinion in our report dated December 7, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of operating revenues and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of operating revenues and expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the introductory section but does not include the financial statements and our auditor's report thereon. Our opinions on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 16, 2023, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Rogers, Anderson, Malody & Scott, LLP.

November 16, 2023
San Bernardino, California

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the San Bernardino Valley Water Conservation District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

The District's net position increased 9.5% or $1,254,191 in fiscal year 2022-23 as the result of overall operations.

The District's operating revenues for fiscal year 2022-23 were $2,014,466, which was $1,594,302 less than its operating expenses of $3,608,768. Depreciation and amortization expense was $122,469 and net nonoperating income was $2,970,962 resulting in a net change in net position of $1,254,191.

Required Financial Statements

This annual report consists of a series of financial statements. The statement of net position, statement of revenues, expenses, and changes in net position and statement of cash flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The statement of net position includes all of the District's investments in resources (assets and deferred outflows) and the obligations to creditors (liabilities and deferred inflows). 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 statement of cash flows 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, noncapital 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.

In addition, the financial statements include a statement of fiduciary net position - agency fund, which reports the assets and liabilities of the Wash Plan. The annual report also includes required supplementary information and other supplementary information.

Financial Analysis of the District

The analysis in this section is focused on the primary activities of the District and does not include agency fund balances and activities, such as the Wash Plan.

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 statement of net position and the statement of revenues, expenses and changes in net position report information about the District in a way that helps answer this question.

These two statements report the District's *net position* and changes in it. One can think of the District's net position - the difference between assets and deferred outflows less liabilities and deferred inflows - as one way to measure the District's financial health, or *financial position.* Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other nonfinancial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation and regulation. Changes in state waterboard rules for wetlands and dredge and fill materials could impact District costs.

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.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on the pages as listed in the table of contents.

Condensed Statements of Net Position (in thousands)

	2023	2022	2021	Change 2022 Amount	Change 2022 %	Change 2021 Amount	Change 2021 %
Assets:							
Current	$ 46,481	$ 45,917	$ 27,925	$ 564	1.2%	$ 17,992	64.4%
Non-current	1,470	2,107	1,707	(637)	-30.2%	400	23.4%
Capital, net	10,142	8,370	7,390	1,772	21.2%	980	13.3%
Total assets	58,093	56,394	37,022	1,699	3.0%	19,372	52.3%
Deferred outflow of resources							
Pension	829	959	683	(130)	-13.6%	276	40.4%
OPEB	220	197	180	23	11.7%	17	0.0%
Total deferred outflow of resources	1,049	1,156	863	(107)	-9.3%	293	34.0%
Total assets and deferred outflow	59,142	57,550	37,885	1,592	2.8%	19,665	51.9%
Liabilities:							
Current	700	568	248	132	23.2%	320	129.0%
Other non-current	42,162	41,910	24,169	252	0.6%	17,741	73.4%
Total liabilities	42,862	42,478	24,417	384	0.9%	18,061	74.0%
Deferred inflow of resources							
Pension	174	232	88	(58)	-25.0%	144	163.6%
OPEB	193	141	245	52	36.9%	(104)	0.0%
Leases	1,500	1,541	1,646	(41)	-2.7%	(105)	0.0%
Total deferred inflow of resources	1,867	1,914	1,979	(47)	-2.5%	(65)	-3.3%
Total liabilities and deferred outflow	44,729	44,392	26,396	337	0.8%	17,996	68.2%
Net position (restated):							
Net investment in capital assets	10,119	8,354	7,390	1,765	21.1%	964	13.0%
Unrestricted	4,294	4,805	4,099	(511)	-10.6%	706	17.2%
Total net position	$ 14,413	$ 13,159	$ 11,489	$ 1,254	9.5%	$ 1,670	14.5%

Amounts may not foot due to rounding

The total net position of the District may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of the District exceeded liabilities plus deferred inflows by $14,412,946 and $13,158,755 as of June 30, 2023, and 2022, respectively.

Capital assets represent 70.2% as of June 30, 2023, and 63.5% as of June 30, 2022, of the total net position. Capital assets such as basins and appurtenances are used to provide services to groundwater producers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2022-23 and 2021-22, the District showed a positive balance in its unrestricted net position of $4,293,536 and $4,804,863, respectively. The District's investment of cash reserve funds represents the largest portion of the District's net position which may be utilized in future years for capital projects or operations costs in accordance with the District's reserve policy.

Condensed Statements of Revenues, Expenses and Changes in Net Position (in thousands)

				Change 2022		Change 2021	
	2023	2022	2021	Amount	%	Amount	%
Revenues:							
Operating	$ 2,014	$ 1,814	$ 1,684	$ 200	11.0%	$ 130	7.7%
Nonoperating	3,198	1,461	1,922	1,737	118.9%	(461)	-24.0%
Total revenues	5,212	3,275	3,606	1,937	59.1%	(331)	-9.2%
Expenses							
Operating	3,609	1,342	1,653	2,267	168.9%	(311)	-18.8%
Depreciation	122	106	84	16	15.1%	22	26.2%
Nonoperating	227	167	124	60	35.9%	43	34.7%
Total expenses	3,958	1,615	1,861	2,343	145.1%	(246)	-13.2%
Change in net position	$ 1,254	$ 1,660	$ 1,745	$ (406)	-24.5%	$ (85)	-4.9%

Amounts may not foot due to rounding

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 by $1,254,191 and $1,658,796 in fiscal years ended June 30, 2023, and 2022, respectively.

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

- The District's net position increased 9.5% or $1,254,191 to $14,412,946 in fiscal year 2022-23 as the result of operations. In 2022, the District's net position increased 14.4% or $1,658,796 as a result of operations.

- The District's operating revenues increased by 11.1% or $200,688 in 2023 primarily due to increased revenue from groundwater charge assessments.

- The District's nonoperating revenues increased by 118.98% or $1,737,765 in 2023 primarily due to a $1,783,571 increase in investment earnings and a $83,657 decrease in royalties income from existing contracts. The District's nonoperating revenues decreased by 24.0% or $461,570 in 2022 primarily due to a $250,317 decrease in investment earnings, a $201,765 increase in royalties income from existing contracts and a decrease in other nonoperating revenues of $443,223 related to prior year completion of the Plunge Creek Water Recharge and Habitat Improvement project and project salary reimbursements.

- The District's operating expenses increased 168.9% or $2,266,528 in 2023 primarily due to costs of $1,442,122 for PERC Feasibility Studies, $126,674 for Mill Creek Diversion and Debris Management Improvement Project construction, $198,618 for Mill Creek Groundwater Recharge Facility environmental permitting and $46,031 for the new Mentone Shop building. The District's operating expenses decreased 18.8% or $310,903 in 2022 primarily due to a decrease of $642,054 in District operations related to the decrease in PERS contributions, legal fees, repairs and maintenance offset by an increase in General and administrative costs of $333,014 related to state permitting fees, Director fees/expenses, outreach and field shop improvements.

- The District's nonoperating expenses increased 35.9% or $59,698. The increase is primarily due to higher rental property expenses. In 2022, the District's nonoperating expenses increased 4.6% or $42,910. The increase is primarily due to higher rental property expenses.

Capital Asset Administration

At the end of fiscal years 2022-23 and 2021-22, the District's net investment in capital assets amounted to $10,141,859 and $8,370,218, respectively. This investment in capital assets includes land, diversion facilities, recharge basins, buildings, equipment, and vehicles. Major capital asset additions during the year included progress of the Mill Creek Diversion Project and PERC projects, Mentone Shop, buildings improvements and purchase of office equipment. At June 30, 2023 total nondepreciable assets include land of $4,194,154 and $3,877,836 of construction in progress. Major capital asset additions in 2022 included progress of the Mill Creek Diversion Project and ARTP projects, field shop equipment, buildings improvements and purchase of office equipment.

Changes in capital assets in 2023 were as follows:

	Balance 2022	Additions	Deletions	Balance 2023
Capital assets:				
Nondepreciable	$ 6,247,730	$ 1,852,484	$ (28,224)	$ 8,071,990
Depreciable	3,789,415	103,703	(75,947)	3,817,171
Accumulated depreciation and amortization	(1,666,927)	(156,322)	75,947	(1,747,302)
Totals	$ 8,370,218	$ 1,799,865	$ (28,224)	$ 10,141,859

Changes in capital assets in 2022 were as follows:

	Balance 2021	Additions	Deletions	Balance 2022
Capital assets:				
Nondepreciable	$ 5,181,919	$ 1,065,811	$ -	$ 6,247,730
Depreciable	3,734,974	54,441	-	3,789,415
Accumulated depreciation and amortization	(1,526,962)	(139,965)	-	(1,666,927)
Totals	$ 7,389,931	$ 980,287	$ -	$ 8,370,218

District Cash Reserves

The District builds, maintains and uses reserves to prepare for expected and unexpected costs. In accordance with the District's reserve policy, funds are accumulated and allocated based on enterprise performance and policy targets set by the Board based on benchmarks, best practices and risk. Reserves, from time to time, may greatly exceed the minimums or targets set by the Board for many reasons. Likewise, some reserves fall below the target level, because they are intended to be funded over many years and have not yet been fully funded. The Board annually reviews the reserve policy and revises targets or reallocates funds to reserves. Additionally, it should be noted that the Prepaid Royalties Liability is unearned revenue related to a deposit of funds in anticipation of aggregate mining under the Wash Plan. The PERC Projects-formerly Active Recharge TP are also unearned revenue related to the anticipated mitigation requirements for the Upper Santa Ana River Habitat Conservation Plan. Beginning in 2015, the Board began adjusting several reserve levels in anticipation of Capital Projects. Reserves that are currently above their target levels include Groundwater Recharge Enterprise Reserve, Groundwater ER Maintenance Reserve, and Capital Improvement/Equipment Reserve, which contain deferred capital project costs anticipated for future fiscal years. The Land Resources Reserve has a negative balance to land purchases. This reserve will be refunded through conservation easement or other land sales.

Reserve	Target	Balance	% Funded
Groundwater Recharge Enterprise Reserve	$ 1,250,000	$ 1,691,116	135%
Groundwater ER Maintenance Reserve	250,000	350,000	140%
GWA Rate Stabilization	200,000	200,000	100%
GW Sustainability Charge Fund Reserve	16,260	16,260	100%
Redlands Plaza Reserve	81,418	(127,127)	-156%
Land Resources Reserve	816,743	(2,888,027)	-354%
General Liability Fund Reserve	1,250,000	736,683	59%
Self Insurance Reserve	50,000	40,000	80%
Compensated Absences Reserve	175,000	95,240	54%
Capital Improvement/Equipment Reserve	750,000	2,424,334	323%
Prepaid Royalties Reserve	5,000,000	5,000,000	100%
PERC Projects-formerly Active Recharge TP	36,875,000	35,114,065	95%
DR Horton Trespass Reparations Deposit	218,138	218,138	100%
Total	$ 46,932,559	$ 42,870,682	91%

Conditions Affecting Current Financial Position

Management is unaware of any conditions which could have a significant impact on the District's current financial position, assets or operating results based on past, present and future events.

Requests for Information

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 review the District website at www.sbvwcd.org or contact the District's General Manager at 1630 West Redlands Blvd., Suite A, Redlands, CA 92373.

BASIC FINANCIAL STATEMENTS

San Bernardino Valley Water Conservation District
Statements of Net Position
June 30, 2023 (with comparative data for 2022)

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	$ 746,796	$ 19,495,043
Investments	42,123,886	23,440,203
Accrued interest receivable	191,476	57,387
Accounts receivable, net	320,029	334,004
Assessments receivable - groundwater charges	366,047	278,944
Notes receivable	-	1,086
Lease receivable	155,046	147,771
Due from other funds	2,543,620	2,119,186
Prepaid expenses	33,761	43,815
Total current assets	46,480,661	45,917,439
Noncurrent assets:		
Notes receivable	6,579	6,213
Lease receivable	1,427,852	1,441,328
Net OPEB asset	35,933	45,161
Net pension asset	-	614,710
Capital assets, not being depreciated:		
Land and land improvements	4,194,154	4,162,862
Construction in progress	3,877,836	2,084,868
Capital assets, being depreciated, net:		
Buildings and improvements	627,794	643,963
Vehicles and Equipment	1,312,823	1,307,754
Spreading basins	103,659	147,986
Right to use - Lease & SBITA	25,593	22,785
Total noncurrent assets	11,612,223	10,477,630
Total assets	58,092,884	56,395,069
Deferred outflows of resources		
Deferred outflows of resources - pension	829,034	958,697
Deferred outflows of resources - OPEB	219,656	196,665
Total deferred outflows of resources	1,048,690	1,155,362
Total assets and deferred outflows of resources	59,141,574	57,550,431

The accompanying notes are an integral part of these financial statements.

San Bernardino Valley Water Conservation District
Statements of Net Position (continued)
June 30, 2023 (with comparative data for 2022)

	2023	2022
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 340,320	$ 438,512
Accrued wages and related payables	25,794	25,207
Customer deposits for rentals	230,348	32,767
Compensated absences payable	95,240	67,480
Leases Payable	3,598	3,559
SBITA Payable	4,789	-
Total current liabilities	700,089	567,525
Noncurrent liabilities:		
Unearned revenue	41,876,873	41,875,000
Net pension liability	231,088	-
Compensated absences payable	39,544	21,923
Leases Payable	9,169	12,767
SBITA Payable	4,893	-
Total noncurrent liabilities	42,161,567	41,909,690
Total liabilities	42,861,656	42,477,215
Deferred inflows of resources		
Deferred inflows of resources - pension	174,409	232,378
Deferred inflows of resources - OPEB	192,867	140,671
Deferred inflows of resources - leases	1,499,696	1,541,412
Total deferred inflows of resources	1,866,972	1,914,461
Net position		
Net investment in capital assets	10,119,410	8,353,892
Unrestricted	4,293,536	4,804,863
Total net position	$ 14,412,946	$ 13,158,755

The accompanying notes are an integral part of these financial statements.

San Bernardino Valley Water Conservation District
Statements of Revenues, Expenses, and Changes in Net Position
For the year ended June 30, 2023 (with comparative data for 2022)

	2023	2022
Operating revenues		
Groundwater assessments	$ 1,513,837	$ 1,351,966
Operating agreements	464,629	431,811
Services to other agencies	36,000	30,000
Total operating revenues	2,014,466	1,813,777
Operating expenses		
District operations	3,244,753	789,195
Regional programs	57	2,419
General and administrative	363,958	550,625
Total operating expenses	3,608,768	1,342,239
Operating loss before depreciation and amortization	(1,594,302)	471,538
Depreciation and amortization expense	122,469	106,112
Total depreciation and amortization	122,469	106,112
Operating income (loss)	(1,716,771)	365,426
Nonoperating revenues and (expenses)		
Property taxes	213,834	190,609
Investment earnings (loss)	1,575,848	(207,723)
Royalties	1,138,129	1,221,786
Rental property income	253,269	232,344
Rental property expense	(226,902)	(167,204)
Interest expense	(475)	-
Other nonoperating revenues and expenses	17,259	23,558
Total nonoperating revenues/(expenses)	2,970,962	1,293,370
Change in net position	1,254,191	1,658,796
Net position, beginning of year, as restated	13,158,755	11,499,959
Net position, end of year	$ 14,412,946	$ 13,158,755

The accompanying notes are an integral part of these financial statements.

San Bernardino Valley Water Conservation District
Statements of Cash Flows
For the year ended June 30, 2023 (with comparative data for 2022)

	2023	2022
Cash flows from operating activities		
Cash received from groundwater assessments and other agencies	$ 1,929,236	$ 20,008,046
Cash payments for services and supplies	(1,202,583)	(847,504)
Cash payments to employees for salaries and wages	(1,464,206)	(1,510,449)
Proceeds from royalty income	1,152,104	1,265,084
Other lease revenue, net of expenses	79,069	16,747
Other operating	17,259	23,558
Net cash provided by for operating activities	510,879	18,955,482
Cash flows from noncapital financing activities		
Property taxes	213,834	190,609
Advances to Wash Plan	(424,434)	(177,636)
Net cash provided by (used) for noncapital financing activities	(210,600)	12,973
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(1,941,819)	(1,093,003)
Principal paid on lease/subscription	(8,245)	-
Interest paid on lease/subscription	(475)	-
Payments for lease receivable	143,217	83,776
Net cash used for capital and related financing activities	(1,807,322)	(1,009,227)
Cash flows from investing activities		
Payments received on notes receivable	720	684
Purchase of investments	(38,971,530)	(322,583)
Proceeds from investments	20,287,847	(643,259)
Investment income	1,441,759	(261,326)
Net cash used for investing activities	(17,241,204)	(1,226,484)
Net increase (decrease) in cash and cash equivalents	(18,748,247)	16,732,744
Cash and cash equivalents, beginning of year	19,495,043	2,762,299
Cash and cash equivalents, end of year	$ 746,796	$ 19,495,043

The accompanying notes are an integral part of these financial statements.

San Bernardino Valley Water Conservation District
Statements of Cash Flows (continued)
For the year ended June 30, 2023 (with comparative data for 2022)

	2023	2022
Reconciliation of operating income (loss) to net cash provided by (used) for operating activities		
Operating income (loss)	$ (1,716,771)	$ 365,426
Adjustments to reconcile operating income (loss) to net cash provided by (used) for operating activities:		
Depreciation/Amortization	122,469	106,112
Discontinued construction in progress	28,224	-
Royalty income	1,152,104	1,265,084
Rental revenue, net of expenses	79,069	16,747
Miscellaneous income	17,259	23,558
(Increase) decrease in assets and deferred outflows of resources:		
Assessments receivable - groundwater charges	(87,103)	(90,817)
Prepaid expenses	10,054	(3,471)
Net other post-employment benefits asset	9,228	118,397
Net pension asset	614,710	(614,710)
Deferred outflows of resources - pension	129,663	(275,840)
Deferred outflows of resources - OPEB	(22,991)	(16,174)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable and accrued expenses	(98,192)	267,860
Accrued wages and related payables	587	7,682
Deferred revenues	1,873	18,285,085
Compensated absences payable	45,381	(118,274)
Net pension liability	231,088	(421,265)
Deferred inflows of resources - pension	(57,969)	144,112
Deferred inflows of resources - OPEB	52,196	(104,030)
Net cash provided by operating activities	$ 510,879	$ 18,955,482
Noncash, investing, capital and financing activities		
Change in fair value of investments	$ (41,910)	$ (41,910)
Subscription liabilities	$ 14,368	$ -
Subscription acquisition	$ (14,368)	$ -
Lease receivable	$ (137,016)	$ -
Deferred inflow of resources - Lease	$ 137,016	$ -

The accompanying notes are an integral part of these financial statements.

San Bernardino Valley Water Conservation District
Statements of Fiduciary Net Position - Fiduciary Fund
June 30, 2023 (with comparative data for 2022)

	2023	2022
Assets	$ -	$ -
Liabilities		
Advances from District for Wash Plan	2,543,620	2,119,186
Total liabilities	2,543,620	2,119,186
Net position (deficit)	$ (2,543,620)	$ (2,119,186)

The accompanying notes are an integral part of these financial statements.

San Bernardino Valley Water Conservation District
Statements of Changes in Fiduciary Net Position - Fiduciary Fund
For the year ended June 30, 2023 (with comparative data for 2022)

	2023	2022
Additions	$ 61,601	$ 535,096
Deductions		
Professional services	289,899	480,359
Allocated District expenses:		
Salaries and benefits	196,136	232,373
Total Deductions	486,035	712,732
Net position (deficit), beginning of year	(2,119,186)	(1,941,550)
Net position (deficit), end of year	$ (2,543,620)	$ (2,119,186)

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The San Bernardino Valley Water Conservation District (District) was formed in 1932 under the statutory authority of the California Water Code. Its function is to conduct water spreading operations by capturing water flows of the Santa Ana River and Mill Creek. Spreading enables the water to percolate into the groundwater basin for the benefit of all producers.

The District is comprised of approximately 50,000 acres of land. Within its boundaries are several municipal water purveyors, public utilities and other (mutual and private) companies who supply water needs. The source of such water is the groundwater basin underlying the District, of which an average of 150,000 acre-feet per year are extracted through more than 200 producing wells by more than 50 different producers.

The District is governed by a five-member Board of Directors elected by the citizens residing within the District's service boundaries.

The District also has 2 members on the San Bernardino Valley Conservation Trust (the Trust) board of directors. The Trust is a nonprofit 501(c)(3) charitable trust. The Trust does not meet the definition of a component unit, so none of the Trust's financial information is presented in these financial statements.

B. Basis of Accounting

The accounting records of the District are maintained on the accrual basis of accounting. Under this method, revenues are recognized in the period earned, and expenses are recognized in the period incurred. The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through groundwater assessments, capital grants and similar funding.

Operating revenues and expenses result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses are reported as nonoperating revenues and expenses.

The District also maintains a fiduciary fund for reporting the Wash Plan assets and liabilities. A Task Force was established under the leadership of the District to coordinate land uses within the wash area. The members include the District, the County of San Bernardino, the Cities of Highland and Redlands, the San Bernardino Valley Municipal Water District, East Valley Water District and two aggregate miners. The Wash Plan is accounted for as a custodial fund.

Both the enterprise fund and the fiduciary fund report using an economic resources measurement focus.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Accounting Pronouncements

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting.

D. Net Position

The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:

(1) ***Net Investment in Capital Assets*** - Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt, or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

(3) ***Unrestricted*** - Unrestricted consists of any remaining balance of the District's net position that do not meet the definition of restricted or net investment in capital assets.

The District's policy is to first apply disbursements to restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

E. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues, and expenses, and disclose material contingent liabilities existing at the date of the financial statements. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest-bearing accounts. The District considers all cash and cash deposits, investment in the State Treasurer's Local Agency Investment Fund and other investments with initial maturities of less than 90 days at the date of purchase to be cash and cash equivalents in the presentation of the District's financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Investments

Investments are stated at fair value based on quoted market prices. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value and any gains or losses realized upon the liquidation or sale of investments.

H. Property Taxes and Assessments

Secured property taxes are levied against real property and are due and payable in two equal installments. The first installment is due on November 1 and becomes delinquent if not paid by December 10. The second installment is due on February 1 and becomes delinquent if not paid by April 10. Unsecured personal property taxes are due on July 1 each year. These taxes become delinquent if not paid by August 31.

The District assesses its property taxes through the County tax rolls. Property taxes are recognized as revenue in the period for which they are levied.

I. Compensated Absences

District employees earn vacation and sick leave in varying amounts based on length of service. The District records the cost of vested vacation and sick leave as it is earned. Vacation pay is payable to employees at the time vacation is taken or upon termination of employment. Employees may receive payment for unused sick leave upon termination according to a predetermined vesting schedule.

J. Concentrations

The District has two primary sources of revenue. One is the groundwater charge levied to entities that extract water from the groundwater basin underlying the District. The amount of rainfall in the area as well as additional allocations of state project water to the neighboring water districts can have a significant effect on the amount of water extracted. The second major source of revenue is from mining activities in District property. The level of building activity in the region may have significant impact on royalties from mining activities.

K. Receivables

The allowance for doubtful accounts is $-0- because management believes all receivables are collectible.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at $1,000 and an estimated useful life of five years. Donated assets are measured at acquisition value at the date of acquisition. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	40-50 years
Vehicles and equipment	5-10 years
Office equipment	5-10 years
Field equipment	5-10 years
Recharge basins and facilities	30-50+ years
Improvements	
Structural	40 years
Furnishings	10 years

M. Budgetary Policies

The District adopts an annual non appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

N. Net Pension Liability

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Other Postemployment Benefits (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 plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are reported at fair value.

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

Valuation Date (VD)	June 30, 2023
Measurement Date (MD)	June 30, 2023
Measurement Period (MP)	July 1, 2022 to June 30, 2023

P. Implementation of New GASB Pronouncement (GASB 96)

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96 – *Subscription Based IT Arrangements*: This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Under this Statement, a lessee is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures for capital assets and subscription liability.

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2023 and 2022 are classified in the statements of net position as follows:

	2023	2022
Current assets:		
Cash and cash equivalents	$ 746,796	$ 19,495,043
Investments	42,123,886	23,440,203
Total cash and investments	$ 42,870,682	$ 42,935,246

2. CASH AND INVESTMENTS (continued)

Cash and investments as of June 30, 2023 and 2022 consisted of the following:

	2023	2022
Deposits with financial institutions	$ 746,796	$ 858,946
Deposits held with California Local Agency Investment Fund	-	18,636,097
Certificates of deposit	476,005	1,453,718
US Treasuries	8,481,480	-
US Agency Securities	11,819,985	-
Deposits held with fiscal agents:		
California Asset Management Program	18,040,618	18,786,013
CalTrust Short-term fund	3,305,798	3,200,472
Total cash and investments	$ 42,870,682	$ 42,935,246

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

Under provisions of the District's investment policy and in accordance with Section 53601 of the California Government Code (Code), the District may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies;
- Certificates of deposit (or time deposits) placed with commercial banks and/or savings and loan companies;
- State of California - Local Agency Investment Fund;
- Local Government Investment Pools (LGIPs) (Investment Trust of California (CalTrust) and California Asset Management Program (CAMP)).
- Checking accounts or passbook savings account demand deposits; and
- Money market mutual funds.

The District's investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The District's investment policy does not contain any specific provisions intended to limit the District's allowable deposits or investments or address the specific types of risk to which the government is exposed, including its exposure to a concentration of credit risk.

2. CASH AND INVESTMENTS (continued)

B. Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the Code under the oversight of the Treasurer of the State of California. The District's investment in this pool is reported in the accompanying financial statements at amounts based on the District's pro rata share of the value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. At June 30, 2023, the District's investment in LAIF was $0. At June 30, 2022, the District's investment in LAIF was $18,636,097. The District may invest up to $75,000,000 in the LAIF fund. LAIF has a minimum $5,000 transaction amount in increments of $1,000 with a maximum of 15 transactions (combination of deposits and withdrawals) per month. LAIF requires a one-day prior notice for deposits and withdrawals of $10 million or more.

C. Investment Trust of California (CalTrust)

CalTrust is organized as a Joint Powers Authority established by public agencies in California for the purpose of pooling and investing local agency funds. A Board of Trustees supervises and administers the investment program of the Trust. CalTrust has four pools: money market account, short-term, medium-term and long-term. The District has deposits in the Short-Term Fund as of June 30, 2023 and 2022. The District is a voluntary participant in CalTrust. District's investments in these pools are reported in the accompanying financial statements at net asset value based on the District's pro rata share of the respective pools as reported by CalTrust. The average cost of the District's investment in the Short-Term Fund as of June 30, 2023 was $3,311,132, and its net asset value (withdrawal value) was $3,305,798. The average cost of the District's investment in the Short-Term Fund as of June 30, 2022 was $3,209,108, and its net asset value (withdrawal value) was $3,200,472.

D. California Asset Management Pool (CAMP)

The District is a voluntary participant in the California Asset Management Program (CAMP), which was established as a nontaxable investment portfolio under provisions of the California Joint Exercise of Powers Act to provide California Public Agencies with comprehensive investment management services. There are no minimum deposit requirements or limits on deposits and withdrawals. Dividends from net investment income are declared on a daily basis and paid on the last day of the month. Dividends paid are automatically reinvested in each account by the purchase of additional shares. The contract creating the program specifies the types of investments that can be made by the investment portfolio with available cash: U.S. Government securities, securities of federally sponsored agencies, repurchase agreements, banker's acceptances, negotiable certificates of deposit and commercial paper. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by CAMP which was $18,040,618 as of June 30, 2023. At June 30, 2022, the District investment in CAMP was $18,786,013.

2. CASH AND INVESTMENTS (continued)

E. Custodial Credit Risk

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

> The Code requires that a financial institution secure deposit made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

Of the bank balances, up to $250,000 held at each institution were federally insured, and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

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

2. CASH AND INVESTMENTS (continued)

F. Interest Rate Risk

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

As of June 30, 2023, the District had the following investments and maturities:

	Maturity in months				
Investment type	12 or less	13 to 24	25 to 36	More than 36	Total
California Asset Management Program	$ 18,040,618	$ -	$ -	$ -	$ 18,040,618
CalTrust Short-term fund	3,305,798	-	-	-	3,305,798
Certificate of Deposit	-	476,005	-	-	476,005
US Treasuries	5,997,560	-	2,483,920	-	8,481,480
US Agency Securities	2,489,450	4,634,072	233,093	4,463,370	11,819,985
Total investments	$ 29,833,426	$ 5,110,077	$ 2,717,013	$ 4,463,370	$ 42,123,886

G. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy and the actual rating as of year-end for each investment type.

		Minimum	Rating as of year end			
Investment type	Amount	legal rating	AA+	Aam	Aaf / S1+	Not rated
California Asset Management Program	$ 18,040,618	N/A	$ -	$ 18,040,618	$ -	$ -
CalTrust Short-term fund	3,305,798	N/A	-	-	3,305,798	-
Certificate of Deposit	476,005	A/A-1	-	-	-	476,005
US Treasuries	8,481,480	N/A	-	-	-	8,481,480
US Agency Securities	11,819,985	N/A	11,819,985	-	-	-
Total investments	$ 42,123,886		$ 11,819,985	$ 18,040,618	$ 3,305,798	$ 8,957,485

2. CASH AND INVESTMENTS (continued)

H. Concentrations of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer beyond that stipulated by the Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total District's investments are as follows:

Issuer	Investment type	Reported amount	Percentage of Portfolio
Federal Home Loan Bank Bond	US Agency Securities	$ 5,172,243	12.28%
Federal Home Loan Bank Notes	US Agency Securities	2,489,450	5.91%
Federal Home Loan Mortgage corporation	US Agency Securities	3,918,680	9.30%

3. FAIR VALUE MEASUREMENTS

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

Level 1: Investments reflect prices quoted in active markets;
Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and
Level 3: Investments reflect prices based on unobservable sources.

The District has the following fair value measurements as of June 30,2023:

Investments by Fair Value Level	Total	Fair Value Measurement Using Level 1	Level 2	Level 3
Certificate of Deposit	$ 476,005	$ -	$ 476,005	$ -
US Treasuries	8,481,480	-	8,481,480	-
US Agency Securities	11,819,985	-	11,819,985	-
Total investments by fair value level	20,777,470	$ -	$ 20,777,470	$ -
Investments not subject to the fair value hierarchy:				
California Asset Management Program	18,040,618			
CalTrust Short-term fund	3,305,798			
Total	$ 42,123,886			

4. COMPENSATED ABSENCES

The changes to compensated absences balances for the years ended June 30 were as follows:

	Balance July 1, 2022	Net Change	Balance June 30, 2023	Due within one year
Compensated absences	$ 89,403	$ 45,381	$ 134,784	$ 95,240

	Balance July 1, 2021	Net Change	Balance June 30, 2022	Due within one year
Compensated absences	$ 207,677	$ (118,274)	$ 89,403	$ 67,480

5. UNEARNED REVENUE

In 1993, the District entered into a lease agreement for the extraction of rock, sand, and gravel from Section 7 property within the Wash Plan area. The District received a $5,000,000 prepayment against future rentals and royalties on 12,000,000 tons of material to be earned when mining was initiated. The lease commencement date was December 31, 2002, but due to delays in the Wash Plan, the agreement was subsequently amended in 2003. This amendment linked the commencement of operations to the approval of the Wash Plan. The initial term of the lease is for ten years with four successive five-year renewal periods. The lease agreement requires a minimum annual rent of $1,000,000 after the initial prepayment is exhausted. In the event the lessee is unable to obtain necessary permits for operations within the Wash Plan area, the prepaid $5,000,000 would then become refundable without interest, upon a one-year notice.

The District entered into an agreement with another government in which the District received $36,875,000. The monies are obligated for capital construction projects for the anticipated habitat mitigation requirements for the Upper Santa Ana River Habitat Conservation Plan (River HCP). Please see the agreement for additional details.

6. CAPITAL ASSETS

Changes in capital assets for the year were as follows:

	Balance at July 1, 2022	Additions	Deletions	Balance at June 30, 2023
Capital assets not being depreciated:				
Land and land improvements	$ 4,162,862	$ 31,292	$ -	$ 4,194,154
Construction in progress	2,084,868	1,821,192	(28,224)	3,877,836
Total capital assets not being depreciated	6,247,730	1,852,484	(28,224)	8,071,990
Capital assets being depreciated:				
Structures and improvements	1,239,950	21,094	-	1,261,044
Improvements	307,035	1,429	-	308,464
Vehicles and equipment	235,891	-	(17,597)	218,294
Office equipment	168,186	66,812	(32,886)	202,112
Field equipment	328,660	-	(25,464)	303,196
Equipment	1,152,252	-	-	1,152,252
Recharge basins and facilities	330,192			330,192
Right to use - Lease asset	16,183	-	-	16,183
Right to use - subscriptions asset	11,066	14,368	-	25,434
Total capital assets being depreciated	3,789,415	103,703	(75,947)	3,817,171
Less accumulated depreciation:				
Buildings and improvements	(903,022)	(38,692)	-	(941,714)
Equipment	(577,235)	(61,743)	75,947	(563,031)
Recharge basins and facilities	(182,206)	(44,327)	-	(226,533)
Right to use - Lease asset	(2,312)	(3,083)	-	(5,395)
Right to use - subscriptions asset	(2,152)	(8,477)	-	(10,629)
Total depreciation and amortization	(1,666,927)	(156,322)	75,947	(1,747,302)
Net capital assets being depreciated	2,122,488	(52,619)	-	2,069,869
Net capital assets	$ 8,370,218	$ 1,799,865	$ (28,224)	$ 10,141,859

Depreciation expense was allocated as follows for the year ended June 30, 2023:

Depreciation expense:	
District operations	$ 110,909
Redlands Plaza (included in property expense)	33,853
Amortization expense	11,560
Total depreciation/amortization expense	$ 156,322

6. CAPITAL ASSETS (continued)

Changes in capital assets for the prior year were as follows:

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
Capital assets not being depreciated:				
Land and land improvements	$ 4,162,862	$ -	$ -	$ 4,162,862
Construction in progress	1,019,057	1,065,811	-	2,084,868
Total capital assets not being depreciated	5,181,919	1,065,811	-	6,247,730
Capital assets being depreciated:				
Structures and improvements	1,239,950	-	-	1,239,950
Improvements	307,035	-	-	307,035
Vehicles and equipment	235,891	-	-	235,891
Office equipment	146,947	21,239	-	168,186
Field equipment	322,707	5,953	-	328,660
Equipment	1,152,252	-	-	1,152,252
Recharge basins and facilities	330,192	-	-	330,192
Right to use - Lease asset	-	16,183	-	16,183
Right to use - subscriptions asset	-	11,066	-	11,066
Total capital assets being depreciated	3,734,974	54,441	-	3,789,415
Less accumulated depreciation:				
Buildings and improvements	(864,560)	(38,462)	-	(903,022)
Equipment	(524,523)	(52,712)	-	(577,235)
Recharge basins and facilities	(137,879)	(44,327)	-	(182,206)
Right to use - Lease asset	-	(2,312)	-	(2,312)
Right to use - subscriptions asset	-	(2,152)	-	(2,152)
Total accumulated depreciation	(1,526,962)	(139,965)	-	(1,666,927)
Net capital assets being depreciated	2,208,012	(85,524)	-	2,122,488
Net capital assets	$ 7,389,931	$ 980,287	$ -	$ 8,370,218

Depreciation expense was allocated as follows for the year ended June 30, 2022:

Depreciation expense:	
District operations	$ 82,574
Redlands Plaza (included in property expense)	52,927
Amortization expense	4,464
Total depreciation expense	$ 139,965

7. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District participates in one rate plan (one miscellaneous). 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, at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

7. DEFINED BENEFIT PENSION PLAN (continued)

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

	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-60	52-62
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.75%
Current required employer contribution rates	12.210%	7.470%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2023, were $122,291. The actual employer payments of $137,480 made to CalPERS by the District during the measurement period ended June 30, 2022, differed from the District's proportionate share of the employer's contributions of $254,709 by $117,229, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

Net Pension Liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

7. DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

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

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by entry age and service
Mortality Rate Table (1)	Derived using CALPERS' membership data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

(1) The mortality table used w as developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS w ebsite.

Long-term expected rate of return

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

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

7. DEFINED BENEFIT PENSION PLAN (continued)

The expected real rates of return by asset class are as follows:

Asset Class	Assumed asset allocation	Real Return[1,2]
Global equity - cap-weighted	30.00%	4.54%
Global equity - non-cap-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%
Liquidity	-5.00%	(0.59%)
Total	100%	

[1] An expected inflation of 2.30% used for this period

[2] Figures are based on the 2021 Asset Liability Management study.

Change of Assumptions

Effective with the June 30, 2021, valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions

Discount Rate

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

7. DEFINED BENEFIT PENSION PLAN (continued)

Subsequent Events

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

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

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

Proportionate Share of Net Pension Liability (Asset)

As of June 30, 2023 and 2022, the District reported net pension liabilities for its proportionate share of the net pension liability (asset) of $231,088 and $(614,710), respectively.

	2023	2022
Total pension liability	$ 5,141,541	$ 4,629,789
Fiduciary net position	4,910,453	5,244,499
Net pension liability (asset)	$ 231,088	$ (614,710)

7. DEFINED BENEFIT PENSION PLAN (continued)

The following table shows the Plan's proportionate share of the net pension liability (asset) over the measurement period.

	Plan total pension liability	Plan fiduciary net position	Plan net pension liability (asset)
Balance at: 6/30/2021 (Valuation Date)	$ 4,629,789	$ 5,244,499	$ (614,710)
Balance at: 6/30/2022 (Measurement Date)	5,141,541	4,910,453	231,088
Net change during 2021-22	$ 511,752	$ (334,046)	$ 845,798

The District's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov. The District's proportionate share of the net pension liability for the Miscellaneous Plan as of the June 30, 2020, 2021 and 2022 measurement dates was as follows:

	2023	2022
Proportionate share - June 30, 2021		0.00999%
Proportionate share - June 30, 2022	-0.03237%	-0.03237%
Proportionate share - June 30, 2023	0.00494%	
Change	0.03731%	-0.04236%

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

The following presents the District's proportionate share of the net pension liability of the miscellaneous plan as of the measurement date, calculated using the discount rate of 6.90 percent, as well as what the net pension liability would be if it were calculated using a discount rates that are one percentage point lower or one percentage point higher than the current rate, for fiscal year ended June 30, 2023 and 2022:

June 30, 2023	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
District's net pension liability (asset)	$ 931,973	$ 231,088	$ (345,566)

June 30, 2022	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
District's net pension liability (asset)	$ (3,435)	$ (614,710)	$ (1,120,042)

7. DEFINED BENEFIT PENSION PLAN (continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for PERF C for the measurement period ending June 30, 2022 is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of the active employees) by 153,587 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members’ probability of decrementing due to an event other than receiving a cash refund.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2021), the District net pension liability/(asset) was $(614,710). For the measurement period ending June 30, 2022, and June 30, 2021 (the measurement dates), the District incurred a pension expense (credit) of $1,039,783 and $(1,030,221) respectively.

7. DEFINED BENEFIT PENSION PLAN (continued)

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	2023	
	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to the measurement date	$ 122,291	$ -
Difference in actual vs projected contributions	150,636	96,625
Changes in assumptions	23,680	-
Difference between expected and actual experience	1,533	-
Net difference between projected and actual earnings on pension plan investments	42,329	-
Changes in proportion	488,565	77,784
Totals	$ 829,034	$ 174,409

The amounts above are net of outflows and inflows recognized in the 2021-22 measurement period expense. Contributions subsequent to the measurement date of $122,291 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal year ending June 30,	Amount
2024	$ 207,817
2025	189,311
2026	109,316
2027	25,890
2028	-
Remaining	-

7. DEFINED BENEFIT PENSION PLAN (continued)

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	2022	
	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to the measurement date	$ 137,480	$ -
Difference in actual vs projected contributions	239,245	39,905
Changes in assumptions	-	68,933
Net difference between projected and actual earnings on pension plan investments	536,609	-
Changes in proportion	45,363	123,540
Totals	$ 958,697	$ 232,378

The District reported $137,480 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 in the upcoming fiscal year.

Payable to the Pension Plan

At June 30, 2023, the District reported a payable of $-0- for the outstanding amount of contributions to the pension plan required for the year then ended.

8. OTHER POST-EMPLOYMENT BENEFITS

General Information about the Plan

Plan Description

The District offers medical benefits to retired employees who satisfy the eligibility requirements. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any medical plan available through the District. The contribution requirements of eligible retired employees and the District are established and may be amended by the Board of Directors. The plan does not issue separate financial statements. The plan is an agent multiple-employer post-employment plan.

Employees Covered by Benefit Terms

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

	2023
Active plan members	10
Retirees and beneficiaries receiving benefits	2
Separated plan members entitled to but not yet receiving benefits	-
Total	12

Benefits and Contributions

The contribution requirements of plan members and the District are established and may be amended by the District. Contributions are calculated using the alternative measurement method. The District contributes 100% of the retiree and dependent up to the current maximum cost of $1,702 per month. For the fiscal year ended June 30, 2023, the District's cash contributions were $67,780 in payments to the trust. Other contributions included $35,076 in unreimbursed benefits paid and $31,868 in implicit contributions.

In fiscal year 2016, the District created a California Employer's Retiree Benefit Trust (CERBT) with California Public Employees Retirement System (CalPERS) for the purpose of prefunding obligations for past services.

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

Net OPEB Asset

The District's net OPEB asset was measured as of June 30, 2023 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation dated June 30, 2023. The data entered as economic assumptions and member data to calculate the actuarial present value of future benefits for each individual. This projection uses the assumed retirement age for members of the plan and the employer's portion of health insurance premiums for current retirees and spouses as a statistical base to forecast the cost of future benefits. The projections differentiate between members who are Medicare eligible and those who are not. Premiums are inflated using future insurance premium increase assumptions.

The assumed retirement age for active members and their spouses is adjusted to reflect any eligibility requirement, such as a vesting period, by entering an eligible retirement age in the member data for each active member.

The valuation was based on the following actuarial methods and assumptions:

Discount rate	6.05%
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.05%
Mortality	CalPERS 2021 Experience Study
Pre-retirement turnover healthcare trend rate	5.7% in 2022 fluctuating down to an ultimate level of 4.0 by 2076

Discount Rate

The expected long-term investment return assumptions were developed for each of the three asset allocation strategies using a building block approach based as well as taking into account the expected inflation rate, short- and long-term real return expectations, and the expected cash flows of a hypothetical large plan.

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected rate of return
Global equity	49%	6.80%
Fixed income	23%	1.40%
Treasury inflation protected securities	5%	0.60%
Real estate investment trusts	20%	5.40%
Commodities	3%	3.20%
	100%	

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

Changes in the Net OPEB Asset

The changes in the net OPEB asset for the Plan are as follows as of June 30, 2023:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c)= (a) - (b)
Balance at June 30, 2022			
(Valuation Date June 30, 2023)	$ 508,716	$ 553,877	$ (45,161)
Changes recognized for the measurement period:			
Service cost	28,640	-	28,640
Interest	32,752	-	32,752
Contributions - employer	-	134,724	(134,724)
Net investment income	-	38,196	(38,196)
Assumption changes	55,864	-	55,864
Plan experience	(82,450)	-	(82,450)
Investment experience	145,079	(1,986)	147,065
Benefit payments	(66,944)	(66,944)	-
Administrative expenses	-	(277)	277
Net Changes	112,941	103,713	9,228
Balance at June 30, 2023			
(Measurement Date June 30, 2023)	$ 621,657	$ 657,590	$ (35,933)

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

The changes in the net OPEB asset for the Plan are as follows as of June 30, 2022:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c)= (a) - (b)
Balance at June 30, 2021			
(Valuation Date June 30, 2021)	$ 476,227	$ 639,785	$ (163,558)
Changes recognized for the measurement period:			
Service cost	27,806	-	27,806
Interest	31,878	-	31,878
Contributions - employer	-	27,195	(27,195)
Net investment income	-	41,576	(41,576)
Investment experience	-	(127,173)	127,173
Benefit payments	(27,195)	(27,195)	-
Administrative expenses	-	(311)	311
Net Changes	32,489	(85,908)	118,397
Balance at June 30, 2022			
(Measurement Date June 30, 2022)	$ 508,716	$ 553,877	$ (45,161)

The following presents the net OPEB asset of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2023 and 2022:

2023	Discount rate -1%	Assumed discount rate	Discount rate +1%
Net OPEB liability/(asset)	$ 6,438	$ (35,933)	$ (74,309)

2022	Discount rate -1%	Assumed discount rate	Discount rate +1%
Net OPEB liability/(asset)	$ (16,020)	$ (45,161)	$ (74,594)

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB asset of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2023 and 2022:

2023	Healthcare cost trend -1%	Healthcare cost trend assumed	Healthcare cost trend +1%
Net OPEB liability/(asset)	$ (81,568)	$ (35,933)	$ 17,079

2022	Healthcare cost trend -1%	Healthcare cost trend assumed	Healthcare cost trend +1%
Net OPEB liability/(asset)	$ (77,499)	$ (45,161)	$ (7,687)

Net OPEB Plan Fiduciary Net Position

CalPERS issues a publicly available CERBT financial report that may be obtained from the CalPERS' website at www.calpers.ca.gov.

Changes in Assumptions

Trust long-term return / Discount rate	Decrease from 6.5% to 6.05%, reflecting updated long-term rates of return provided by CalPERS in March 2022 as applied to the projected future benefit cash flows under this plan.
Mortality assumptions	Assumed basic mortality rates were updated from those provided in the CalPERS 2017 experience study report to those provided in the CalPERS 2021 experience study report.
Healthcare trend	Updated the base healthcare trend scale from the Getzen Model 2021_b to Getzen Model 2023, as published by the Society of Actuaries.

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

Net OPEB Expense Related to Net OPEB Asset

For the fiscal year ended June 30, 2023 and 2022, the District recognized OPEB expense of $173,157 and $25,388 respectively. As of fiscal year ended June 30, 2023 and June 30, 2022, the District reported the following deferred outflows/inflows of resources related to its Net OPEB Asset:

2023	Deferred outflows of resources	Deferred inflows of resources
Changes in assumptions	$ 181,604	$ -
Differences between expected and actual experience	-	192,867
Net difference between projected and actual earnings on investments	38,052	-
Total	$ 219,656	$ 192,867

2022	Deferred outflows of resources	Deferred inflows of resources
Changes in assumptions	$ 156,016	$ -
Differences between expected and actual experience	-	140,671
Net difference between projected and actual earnings on investments	40,649	-
Total	$ 196,665	$ 140,671

The District reported $-0- as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the upcoming fiscal year. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized as OPEB expense as follows:

Fiscal year ending June 30,	Amount
2024	$ 7,087
2025	4,781
2026	25,852
2027	420
2028	22
Thereafter	(11,373)

9. LEASE AGREEMENTS

Royalties

The District is the lessor in various lease agreements, providing for the excavation and removal of rock, gravel, sand, and other materials from District property. Monthly payments are generally based on tonnage of materials removed, subject to annual minimum royalties of $550,000.

Leases Receivable

On July 1, 2021, the District entered into various leases as Lessor for the use of the Redlands Plaza ranging from 32 months to 98 months. An initial lease receivable was recorded in the amount of $700,754. As of June 30, 2023, the value of the lease receivable is $654,626. The lessees are required to make annual fixed payments of $132,873. The leases have an interest rates ranging from 0.593% to 1.983%. The value of the deferred inflow of resources as of June 30, 2023, was $603,956, and the District recognized lease revenue of $146,258 during the fiscal year. The lessees have 1 extension option, ranging from 36 to 60 months.

On July 1, 2021, the District entered into a 360-month lease as Lessor for the use of the Cemex - Orange Street Plant Site. An initial lease receivable was recorded in the amount of $972,121. As of June 30, 2023, the value of the lease receivable is $928,272. The lessee is required to make annual fixed payments of $48,000. The lease has an interest rate of 2.741%. The value of the deferred inflow of resources as of June 30, 2023, was $895,740, and District recognized lease revenue of $32,474 during the fiscal year.

Lease Receivable	Balance at July 1, 2022	Additions	Deletions	Balance at June 30, 2023	Due within one year
Redlands Plaza	$ 638,602	$ 141,176	$ (125,152)	$ 654,626	$ 132,204
Cemex - Orange Street Site	950,497	-	(22,225)	928,272	22,842
Total Lease Receivable	$ 1,589,099	$ 141,176	$ (147,377)	$ 1,582,898	$ 155,046

Deferred Inflow of Resources	Balance as of July 1, 2022	Additions	Reductions	Balance as of June 30, 2023
Redlands Plaza	$ 613,198	$ 137,016	$ (146,258)	$ 603,956
Cemex - Orange Street Site	928,214	-	(32,474)	895,740
Total Deferred Inflow of Resources	$ 1,541,412	$ 137,016	$ (178,732)	$ 1,499,696

10. LEASE AND SUBSCRIPTION LIABILITY

The following amounts of lease/subscription liability were outstanding as of June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due within one year
Lease Liability	$ 16,326	$ -	$ (3,559)	$ 12,767	$ 3,598
Subscription Liability	-	14,368	(4,686)	9,682	4,789
Total	$ 16,326	$ 14,368	$ (8,245)	$ 22,449	$ 8,387

Lease liability

On September 15, 2021, the District entered into a 63-month lease as Lessee for the use of a Xerox printer. An initial lease liability was recorded in the amount of $17,113. As of June 30, 2023, the value of the lease liability is $12,767. The District is required to make annual fixed payments of $3,720. The lease has an interest rate of 1.10%. The value of the right to use asset as of June 30, 2023 of $16,183 with accumulated amortization of $5,395 is included with lease asset on the Capital assets note.

Subscription liability

On August 12, 2022, the District entered into a 36-month subscription for the use of ESRI - ArcGIS software. An initial subscription liability was recorded in the amount of $14,368. As of June 30, 2023, the value of the subscription liability is $9,682. The District is required to make annual fixed payments of $5,000. The subscription has an interest rate of 2.18%. The value of the right to use asset as of June 30, 2023 of $14,368 with accumulated amortization of $4,789 is included with subscription asset on the Capital assets note.

11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is insured for a variety of potential exposures and is a member of the ACWA Joint Powers Insurance Authority. The following is a summary of the insurance coverage carried by the District as of June 30, 2023:

- *General, Auto and Public Official Liability:* pooled self-insured up to $5 million per claim with excess purchased insurance up to $55 million. None of the policies has a deductible;
- *Property*: pooled self-insured up to $100,000 per claim with excess purchased insurance up to $500 million. The property policy has a deductible of $1,000 for real and personal property and mobile equipment. Licensed vehicles and trailers have a $500 deductible. Boiler and machinery deductibles vary in accordance with the type of property;
- *Crime, Computer Fraud, Forgery, and Dishonesty Coverage*: pooled self-insured up to $100,000 per claim with a $1,000 deductible;

11. RISK MANAGEMENT (continued)

- *Workers' Compensation*: pooled self-insured up to $2 million per accident or employee by disease with excess from $4 million to statutory requirements; and
- *Cyber Liability*: $5 million per claim, $5 million aggregate.

12. GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

The GASB has issued several pronouncements prior to June 30, 2023, that have effective dates that may impact future financial presentations.

GASB Statement No. 100, Accounting Changes and Error Corrections – The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101 – Compensated Absences: The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

13. COMMITMENTS AND CONTINGENCIES

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.

14. PRIOR PERIOD ADJUSTMENT

The District's beginning net position for the year ended June 30, 2022, was restated to $11,499,959 due to the implementation of GASBS No. 96, *Subscription Based IT Arrangements*.

REQUIRED SUPPLEMENTARY INFORMATION

San Bernardino Valley Water Conservation District
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date
Last 10 Fiscal Years *

Measurement Date	Employer's Proportion of the Collective Net Pension Liability (Asset)[1]	Employer's Proportionate Share of the Collective Net Pension Liability (Asset)	Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability (Asset) as a percentage of the Covered Payroll	Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability (Asset)
6/30/2014	0.00892%	$ 555,348	$ 502,836	110.44%	83.03%
6/30/2015	0.01083%	743,026	553,862	134.15%	77.63%
6/30/2016	0.00239%	206,530	577,644	35.75%	93.94%
6/30/2017	0.00268%	266,161	689,423	38.61%	92.52%
6/30/2018	0.00248%	238,734	709,190	33.66%	93.48%
6/30/2019	0.00316%	324,184	758,985	42.71%	91.75%
6/30/2020	0.00387%	421,265	979,060	43.03%	90.14%
6/30/2021	-0.01137%	(614,710)	1,071,333	-57.38%	113.28%
6/30/2022	0.00200%	231,088	1,138,890	20.29%	95.51%

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

[1] Proportion of the net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

San Bernardino Valley Water Conservation District
Schedule of Contributions – Pension Plan
Last 10 Fiscal Years *

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	$ 52,231	$ (52,231)	$ -	$ 553,862	9.43%
6/30/2016	88,829	(88,829)	-	577,644	15.38%
6/30/2017	69,418	(69,418)	-	689,423	10.07%
6/30/2018	69,728	(69,728)	-	709,190	9.83%
6/30/2019	78,252	(78,252)	-	758,985	10.31%
6/30/2020	119,349	(119,349)	-	979,060	12.19%
6/30/2021	146,727	(534,129)	(387,402)	1,071,333	13.70%
6/30/2022	137,480	(137,480)	-	1,138,890	12.07%
6/30/2023	122,291	(122,291)	-	1,141,439	10.71%

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

Notes to Schedule:

Changes in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2021 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.There were no assumption changes for 2021. For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

San Bernardino Valley Water Conservation District
Schedule of Changes in the Net OPEB Liability and Related Ratios
Last 10 Fiscal Years *

	Measurement period					
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability						
Service Cost	$ 28,640	$ 27,806	$ 26,395	$ 25,626	$ 41,893	$ 40,871
Interest	32,752	31,878	32,727	30,837	18,117	13,313
Plan experience	(82,450)	-	(50,909)	-	(165,000)	-
Changes in assumptions	55,864	-	6,665	-	245,741	-
Changes in benefit terms	145,079	-	-	-	-	-
Benefit payments	(66,944)	(27,195)	(31,485)	(24,824)	-	-
Net change in Total OPEB Liability	112,941	32,489	(16,607)	31,639	140,751	54,184
Total OPEB Liability - beginning	508,716	476,227	492,834	461,195	320,444	266,260
Total OPEB Liability - ending (a)	621,657	508,716	476,227	492,834	461,195	320,444
Plan Fiduciary Net Position						
Contribution - employer	134,724	27,195	31,485	168,356	218,507	37,767
Net investment income	36,210	(85,597)	137,991	15,439	22,971	4,900
Benefit payments	(66,944)	(27,195)	(31,485)	(24,824)	-	-
Administrative expenses	(277)	(311)	(282)	(184)	(126)	(35)
Net change in Plan Fiduciary Net Position	103,713	(85,908)	137,709	158,787	241,352	42,632
Plan Fiduciary Net Position - beginning	553,877	639,785	502,076	343,289	101,937	59,305
Plan Fiduciary Net Position - ending (b)	657,590	553,877	639,785	502,076	343,289	101,937
Net OPEB Liability (Asset) - ending (a) - (b)	$ (35,933)	$ (45,161)	$ (163,558)	$ (9,242)	$ 117,906	$ 218,507
Plan fiduciary net position as a percentage of the total OPEB liability	105.78%	108.88%	134.34%	101.88%	74.43%	31.81%
Covered employee payroll	$ 1,078,491	$ 1,219,699	$ 1,114,100	$ 970,271	$ 758,985	$ 707,053
Net OPEB liability as a percentage of covered employee payroll	-3.33%	-3.70%	-14.68%	-0.95%	15.53%	30.90%

* Historical information is required only for measurement periods for which GASB No. 75 is applicable. GASB No. 75 was implemented in the fiscal year ended June 30, 2018 with a measurement date of June 30, 2018.

Historical information is required only for measurement periods for which GASB 75 is applicable.
Future years' information will be displayed up to 10 years as information becomes available.

San Bernardino Valley Water Conservation District
Schedule of Contributions – OPEB
Last 10 Fiscal Years *

	Fiscal year					
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Actuarially Determined Contribution	$ 23,051	$ 22,508	$ 22,311	$ 43,693	$ 54,851	$ 37,767
Contributions in Relation to the Actuarially Determined Contribution	134,724	(27,195)	(31,485)	(168,356)	(218,507)	(37,767)
Contribution Deficiency (Excess)	$ (111,673)	$ (4,687)	$ (9,174)	$ (124,663)	$ (163,656)	$ -
Covered Payroll	$ 1,078,491	$ 1,219,699	$ 1,114,100	$ 970,271	$ 758,985	$ 707,053
Contributions as a Percentage of Covered Payroll	12.49%	2.23%	2.83%	17.35%	28.79%	5.34%

Notes to Schedule:

Change in Benefit Terms : None

Change in Assumptions :

Trust long-term return / Discount rate: Decrease from 6.5% to 6.05%.

Mortality assumptions: Assumed basic mortality rates were updated from those provided in the CalPERS 2017 experience study report to those provided in the CalPERS 2021 experience study report.

Healthcare Trend: Updated the base healthcare trend scale from the Getzen Model 2021_b to Getzen Model 2023, as published by the Society of Actuaries.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level % of payroll
Amortization period	30 years remain
Asset valuation method	Market value of assets
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.05%
Mortality	CalPERS 2021 experience study
Pre-retirement turnover healthcare trend rate	10% / 6.8% Pre/Post- Medicare in 2024 fluctuating down to an ultimate level of 3.9% by 2075.
Mortality improvement	MacLeod Watts Scale 2022
Medical trend	Getzen model which was published by the Society of Actuaries.

*Historical information is required only for measurement periods for which GASB No. 75 is applicable. GASB No. 75 was implemented in the fiscal year ended June 30, 2018 with a measurement date of June 30, 2018

SUPPLEMENTARY INFORMATION

San Bernardino Valley Water Conservation District
Schedule of Operating Revenues and Expenses
For the year ended June 30, 2023 (with comparative data for 2022)

	2023	2022
Operating revenues		
Groundwater assessments		
Groundwater charge assessments - combined	$ 1,513,837	$ 1,351,966
Operating agreements		
Enhanced recharge agreement	464,629	431,811
Services to other agencies	36,000	30,000
Total operating revenues	2,014,466	1,813,777
Operating expenses		
District operations		
Professional services	587,145	423,092
Field operations	168,252	112,749
Utilities	23,257	23,007
Salaries/staff	1,142,302	1,050,995
Benefits	1,323,797	(820,648)
Total District operations	3,244,753	789,195
Regional programs		
Regional programs LAFCO contribution	57	2,419
Total regional programs	57	2,419
General and administrative		
Directors' fees and expenses	101,264	109,440
Staff travel and education	27,825	15,640
Insurance	43,740	32,062
Other administrative	191,129	393,483
Total general and administrative	363,958	550,625
Total operating expenses	3,608,768	1,342,239
Operating income (loss) before depreciation and amortization	(1,594,302)	471,538
Depreciation expense	110,909	101,648
Amortization expense	11,560	4,464
Total depreciation and amortization	122,469	106,112
Operating income (loss)	$ (1,716,771)	$ 365,426

REPORT ON INTERNAL CONTROL AND COMPLIANCE

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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*

Independent Auditor's Report

Board of Directors
San Bernardino Valley Water Conservation District
Redlands, 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, and the State Controller's *Minimum Audit Requirements for California Special Districts,* the financial statements of the San Bernardino Valley Water Conservation District (District), and the related notes to the financial statements, and have issued our report thereon dated November 16, 2023.

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP.

November 16, 2023
San Bernardino, California