

ANNUAL COMPREHENSIVE FINANCIAL REPORT
OF THE
SAN BENITO COUNTY WATER DISTRICT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023



30 Mansfield Road
Hollister, CA 95023

PREPARED BY THE FINANCE DEPARTMENT
SAN BENITO COUNTY WATER DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023

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INTRODUCTORY SECTION



San Benito County Water District

30 Mansfield Road • P.O. Box 899 • Hollister, CA 95024-0899 • (831) 637-8218 • Fax (831) 637-7267

June 26, 2024

Members of the Board of Directors
San Benito County Water District

We are pleased to present the San Benito County Water District's (District) Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2023.

The report was prepared by the District in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the District. We believe that the data, as presented is accurate in all material respects and that it is presented in a manner designated to set forth fairly the financial position and results of operations of the District. Included are all the disclosures we believe are necessary to enhance understanding of the financial condition of the District.

McGilloway, Ray, Brown & Kaufman, Accountants and Consultants, have issued an unmodified ("clean") opinion on the San Benito County Water District's financial statements for the year ended June 30, 2023. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. As a complimentary document, the MD&A should be read in conjunction with this letter of transmittal.

MAJOR INITIATIVES AND PROGRAMS

Urban Area Water and Wastewater Master Plan

During this past year the District and San Juan Bautista continued work through the Memorandum of Understanding signed in FY2022-2023 to evaluate the possibility of adding San Juan Bautista to what was the Hollister Urban Area Water and Wastewater Master Plan, and will now be referred to as the Urban Area Water and Wastewater Master Plan. The intent of adding San Juan Bautista to the urban area planning effort is to investigate options to connect San Juan Bautista to the West Hills water treatment plant.

A contract was issued in FY22-23 to HDR Inc to prepare a Basis of Design Report (BOD) that would be the preliminary design for a connection to the West Hills Treatment Plant and a pipeline to convey water through San Juan Valley to San Juan Bautista. HDR has completed the BOD with the estimated cost of construction at \$7,691,000.

Also, still under consideration is San Juan Bautista's buy-in to the West Hills/Lessalt treatment capacity. Under an amendment to the original Water Supply and Treatment agreement between

the District, City of Hollister (COH), and Sunnyslope County Water District (SSCWD), San Juan Bautista (SJB) would be added as a 5% partner.

The District began exploring opportunities for grant funding to pay for some or all of the recommended near term projects identified in the plan. Grant applications were submitted for three grants in fall of 2022 and the District was awarded the DWR Integrated Regional Water Management Plan and Sustainable Groundwater Management grant for \$11.5 million, and USBR's Small Storage Grant for \$6.7 million both of which will be utilized in FY 24-25 and beyond to complete this project. The grants received will provide partial funding for the first phase of the recommended Aquifer Storage and Recovery Project. The update of San Benito Urban Area Water Supply and Treatment Master Plan has been updated to reflect the grant opportunities and was completed in March 2023.

Recycled Water Storage Facilities

The District continues to refine the operations and add new customers to the recycled water project. The completion of the storage facilities allows for 1,000 acre-feet of recycled water per year to be delivered, and nearly 100% of the recycled water produced between April – September of each year is available for use. The use of recycled water for agricultural purposes is particularly important in years of drought as imported water supply is limited.

Zebra Mussels

Infestation of Zebra Mussels within San Justo Reservoir has been documented since February 2008. Since then, the District, United States Bureau of Reclamation (USBR), and California Department of Fish and Game (DFG) have been working to develop an eradication plan to eliminate the mussels from the reservoir.

One of the key concerns with any water source with mussel infestation is that the mussels will eventually migrate to the conveyance systems (i.e. the Hollister Conduit, or San Felipe Distribution System). In March of 2009 zebra mussel infestation was confirmed in the Hollister Conduit.

The District continues to operate San Justo Reservoir (San Justo) as it has for the past 15 years seasonally raising and lowering water levels in San Justo to minimize Zebra Mussel populations taking advantage of the hypoxic water that develops in the reservoir each summer to help control the zebra mussel populations in the reservoir and distribution system. To date, visual inspections indicate that this has been effective. The District will continue to manage with operational modifications.

At this time there is no indication of when USBR will complete an eradication plan.

Pacheco Reservoir Expansion Project

The District was a participant in a Proposition 1 grant application with Santa Clara Valley Water District (SCVWD) and Pacheco Pass Water District (PPWD) for the expansion of the Pacheco Reservoir. In July of 2018, Department of Water Resource (DWR) announced the project would receive the full funding request of \$485 million. The total project cost is currently estimated to be approximately \$2.5 billion.

The project includes construction of a new earthen dam a short distance upstream from the existing dam and a pipeline to connect the dam to the existing Pacheco Conduit, a federal Central Valley Project pipeline that delivers water into Santa Clara and San Benito counties from the San Luis Reservoir. The Pacheco Reservoir Expansion Project would expand the reservoir from 6,000 to 140,000 acre-feet and deliver water supply, water quality, and ecosystem benefits to the region.

In June 2018, the Board approved a Memorandum of Agreement (MOA) with SCVWD that outlines the terms for moving forward with the project. Originally the MOA included 2 major agreements that needed to be completed within 2 years of the signing of the agreement, an allocation of benefits agreement and a provisional operating agreement. In addition, the MOA called for the District within the 2 years to determine its participation level ranging from 0% - 10%. It is now anticipated that the date for the allocation of benefits and operating agreement will be delayed. The District will continue to review its level of participation as the project moves forward.

Sustainable Groundwater Management Act (SGMA)

The District is recognized by DWR as the exclusive Groundwater Sustainability Agency (GSA) for the North San Benito Groundwater Basin.

The District has completed the development of the Groundwater Sustainability Plan (GSP). The District applied for and received a planning grant in the amount of \$830,336 to develop the plans for completing the State-required GSPs for these basins. Another round of funding was announced by DWR to assist with plan preparation. The District received an additional \$1.2 million to help with installation of additional monitoring wells and a Managed Aquifer Recharge project. The District has acquired access agreements and completed installation of the monitoring wells.

The North San Benito GSP was adopted by SBCWD and Valley Water GSA and was submitted to and approved by the California Department of Water Resources (DWR) on January 12, 2022. The 2022 GSP provides the basic information, analytical tools, and projects and management actions for continued groundwater management, guided by SGMA and by locally defined sustainability goals, objectives, and metrics. Annual reports continue to be submitted as required by the April 1 deadline. Per the SGMA regulations, a periodic evaluation of the GSP is expected to be completed by January 2027.

Future Water Supply Storage Options

Consistent with recommendations made in the recently completed Hollister Urban Area Water and Wastewater Master Plan Update, the District is working on an evaluation of local water storage alternatives for the future. Currently, the District is in negotiations the United States Bureau of Reclamation on the B.F. Sisk dam raise project that would add an additional 130,000 ac-ft of storage to San Luis Reservoir. Through the San Luis and Delta Mendota Water Authority the District would obtain up to 5000 ac-ft of the available storage. At a mid-point of construction estimated cost of \$1,100,000 the District's cost of the project would be approximately \$40,000,000. Funding for the project will be provided through the District's approved Capacity Fee of \$12,265 for each equivalent single family home built.

Reservoir Management Plans

In 2017, the District completed preparation of an operations planning tool to create annual plans for operation of Hernandez and Paicines Reservoirs and for re-diversion of Hernandez Reservoir releases to Paicines Reservoir at the San Benito River Diversion. 2018 marked the first year the operational planning tool was used to manage reservoir releases for groundwater recharge. This planning tool has been incorporated into the SGMA GSP. The District continues to use the Reservoir Management tools to manage the surface waters of San Benito County to augment groundwater supplies.

FINANCIAL MANAGEMENT

Rate Policy

The Board of Directors adopts water rates for groundwater and surface water deliveries. The District follows the Proposition 218 landowner notification, protest process and public hearings for the adoption of new or increased rates and charges related to groundwater and San Felipe Contract and Small Parcel customers.

Budgetary Control

The District is not required by statute to adopt a budget; however, it does so annually to outline the major elements of the forthcoming year's operating and capital plans and to allocate funding required for those purposes. Budget appropriations for major capital projects continue from year to year until the project is completed. A quarterly financial report is reviewed by the Board Finance Committee and reported to the Board of Directors.

Accounting Systems

The District's books and records are maintained on an enterprise basis, as it is the intent of the Board to manage the District's operations as a business, thus matching revenues against costs to provide water service and implement programs to control, manage and conserve water. Revenues and expenses are recorded on the accrual basis in the period in which revenue is earned or expenses are incurred.

Internal Controls

The District's management is responsible for establishing and maintaining a system of internal controls designed to safeguard the District's assets from loss, theft, or misuse and to ensure adequate accounting data are compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. 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 evaluation of costs and benefits requires estimates and judgments by management. The District's management believes that the current system of internal controls adequately safeguards the District's assets and provides reasonable assurance that accounting transactions are properly recorded.

AWARDS AND ACKNOWLEDGEMENT

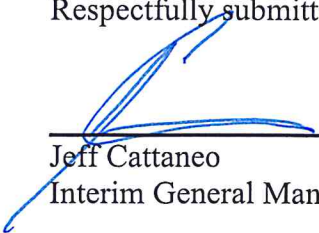
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2022. This is the tenth year that the District has been awarded a Certificate of Achievement. In order to be awarded a Certificate of Achievement, a District must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

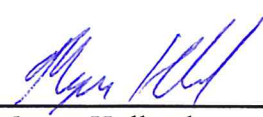
I would like to take this opportunity to thank the members of the San Benito County Water District's Board of Directors for their interest and support in the financial operations of the District. It is the responsible and progressive manner in which business is conducted that makes the District

successful. I would like to extend special recognition to the District Finance and Administrative staff for their commitment to excellence in financial reporting. In addition, I would also like to thank the District's auditors McGilloway, Ray, Brown & Kaufman for their significant technical contribution and assistance. It is the combined effort of all participants that resulted in the issuance of this financial report.

Respectfully submitted,



Jeff Cattaneo
Interim General Manager



Megan Holland
Manager of Administration, Finance & Business Services

DISTRICT PROFILE

DISTRICT FORMATION

The District has broad powers for the conservation and management of water (flood, surface, drainage, and ground water). The primary focus of the District is the management of water quantity and quality throughout San Benito County including, where appropriate, the development of local water supplies and the development and importation of water supplies from outside the County.

The District is a California Special District formed in 1953 by the San Benito County Water Conservation and Flood Control Act. At that time, the District merged with the Hollister Irrigation District, becoming the successor to the water rights, water facilities and land interests of the Hollister Irrigation District. The name was changed from San Benito County Water Conservation and Flood Control District to San Benito County Water District in 1988.

SERVICE AREA

The District encompasses all of San Benito County, with an area of approximately 1,400 square miles and a population of over 64,210 people. Residential communities served include: City of San Juan Bautista, City of Hollister, unincorporated urban areas surrounding Hollister and Tres Pinos.

The District provides water service and water related services through zones of benefit. Current zones of benefit are:

- District Administration (Zone 1)
- San Benito River System (Zone 3)
- San Felipe Project (Zone 6)
- Groundwater Sustainability Plan (Zone 7)

DISTRICT ORGANIZATION

A five-member Board of Directors (Board) governs the District. Board members are elected for four-year terms from divisions that are coterminous with the supervisory districts of San Benito County. Directors must be a resident of, and a registered voter in the division they represent. Members begin service in December of even numbered years.

To facilitate matters, most matters coming before the Board are first considered by one of its committees. Each committee then reports to the full Board, which makes the necessary decisions. There are ten standing committees:

- Finance
- Investment
- Administration
- Recycled Water
- Zone 3 Operations and Water Supply
- Zone 6 Operations and Water Supply
- Personnel
- Pacheco Reservoir Expansion
- San Felipe Division Activities
- Groundwater Sustainability Agency

Several ad-hoc committees exist for special purposes and meet on an as-needed basis.

In addition, Board members serve as the District representatives to the following Board of Directors and multi-agency committees:

- San Luis & Delta Mendota Water Authority (2 positions)
- Association of California Water Agencies-Joint Powers Insurance Authority
- Pajaro River Watershed Flood Prevention Authority
- Water Resources Association of San Benito County
- Urban Area Water and Wastewater Master Plan Governance Committee (2 positions)

An organizational chart of the District appears on page xii of the introductory section.

In 2014, the State of California passed the Sustainable Groundwater Management Act (SGMA). This law outlines new requirements and tools for ensuring the long-term sustainability of these critical sources of water supply. The District is the Groundwater Sustainability Agency (GSA) for the North San Benito Groundwater Basin. The District is cooperating with Santa Clara Valley Water District (SCVWD), which is the GSA for small portions of the Hollister and San Juan-basins within Santa Clara County. More information on SGMA can be found on the District's website (sbcwd.com/sustainable-groundwater-management).

WATER RESOURCES MANAGEMENT

The principal water available to water users is local Groundwater and imported Central Valley Project (CVP) water. Local surface supplies are primarily percolated into the groundwater basin for later recovery through pumping by individual users and domestic water suppliers. The imported water supply from the San Felipe Project is available for use within the defined zone of benefit. The system provides for direct delivery to agricultural and other rural properties and for centralized delivery to the Hollister area for urban use. Under District rules and regulations, available imported surface water is supplemental to groundwater and is allocated to users within the zone of benefit on an annual basis.

Groundwater use, within the North San Benito Groundwater Basin had exceeded the natural supply for decades and a state of overdraft (use exceeds basin's natural ability to replenish itself) existed. Due to the District's management activity which includes management of local surface water supply and the importation of CVP water, the groundwater basin had fully recovered by 2001. The drought beginning in 2007 put pressure on the groundwater basin but storage was sufficient to sustain demand. We will continue in a period of recovery as long as we continue to get an average of 20,000 acre-feet per year of imported water. If not, management activities will need to be modified. The current land uses, and the economy of San Benito County depend upon the water placed in groundwater storage and the water imported by the District. These conditions require careful management, data collection and analysis. The District maintains a groundwater and surface water quality database to support these efforts.

As a matter of practice, the Board of Directors has requested a groundwater report each year. The objective of this report is to conduct an audit of critical water resources and the actions taken to manage these resources, as well as making recommendations for management actions for forthcoming years. Public notice of this process is provided to encourage the participation of landowners and groundwater users.

In the 1950s, the San Benito River System was undertaken for storage and percolation of locally occurring surface water. The system was established to mitigate the overdraft in part of the San Benito portion of the Hollister-Gilroy Groundwater Basin. The Hernandez Dam was constructed and placed in operation in the early 1960s for the storage of locally occurring water. The District continues to operate this facility, as well as the Paicines Canal and Reservoir which was built in 1913 and rehabilitated in the early 1960s. The District holds water rights licenses from the State of California for Hernandez Dam and Reservoir, San Benito River and Dos Picachos Creek. These water rights permit the diversion and storage of surface water for percolation into the ground for later recovery and use. Water is released for percolation through the streambed at the San Benito River, Tres Pinos Creek, and a natural drainage adjacent to Dos Picachos Creek.

In the late 1970s, the San Felipe Project was initiated to correct the remaining overdraft in the San Benito County portion of the Hollister-Gilroy Groundwater Basin, to provide a water supply of appropriate quality, and to provide through conjunctive use an expanded water supply. The San Felipe Project's zone of benefit contains approximately 47,500 acres. The District has contracted with the United States on behalf of landowners for water service from the San Felipe Division of the federal CVP. The District and the landowners and water users within this zone of benefit are the beneficiaries of State of California water rights held by the United States. These water rights are subject to the continuing jurisdiction of the State of California. Water use is subject to federal laws and regulations and the terms and condition of the contracts between the United States and the District.

The original San Felipe Project was to provide a high-quality supplement to the local supplies to correct the groundwater overdraft, provide alternative supplies in certain areas with poor quality water (high Boron levels) and a firm long-term water supply. Since that original planning, the supply available to the District from the CVP has been significantly reduced as the CVP addresses water quality, endangered species, and the addition of fisheries as a principal purpose of the CVP. The District has undertaken a number of initiatives to identify projects and programs to ensure its supplies and restore reliability.

WATER SUPPLY

The District manages the federal contract with the United States Bureau of Reclamation (USBR) for delivery of water through the San Felipe unit of the Central Valley Project. The total federal contract entitlement is 43,800 acre-feet of water per year (35,550 acre-feet of Irrigation, 8,250 acre-feet of Municipal and Industrial). Based on availability of water the USBR allocates a percentage of the contract entitlement.

The local water supply consists of water rights for Hernandez Dam and Reservoir, the San Benito River system, and the Dos Picachos Creek. The use of the water from Hernandez and the San Benito River is for spreading and later recovery by pumping from wells. The Dos Picachos water is diverted from December through May for spreading and later recovery by pumping from wells.

The District has worked cooperatively for years with the County of San Benito, City of Hollister and Sunnyslope County Water District to implement recycled water use. Current recycled water use includes City of Hollister landscape irrigation. Since 2016, recycled water has also been delivered to agriculture users.

Additionally, from time to time, the District participates in transfers or purchases of water from other agencies.

WATER TREATMENT

With the execution of the Hollister Urban Area Water Supply and Treatment Agreement (HUWSTA) in 2013 by the District, the City of Hollister, and Sunnyslope County Water District, the District became the owner of the upgraded Lessalt Water Treatment Plant and began design and construction of the West Hills Water Treatment Plant which was completed in October 2017. This agreement marked the beginning of the District providing wholesale treated drinking water to the City of Hollister and Sunnyslope County Water District.

Groundwater in the Hollister Urban area is characterized by high mineralization, driving customers to utilize water softeners to mitigate the high hardness. As a part of the District's CVP contract, the District is entitled to up to 8,250-acre feet of M&I water annually. Completion of upgrades to Lessalt and construction of West Hills now allows the District to fully utilize its CVP M&I allocation each year. This directly benefits City of Hollister and Sunnyslope County Water District customers by delivering drinking water with significantly lower hardness which allows them to remove salt-based water softeners.

WATER RESOURCES ASSOCIATION OF SAN BENITO COUNTY

The Water Resources Association of San Benito County (WRASBC) operates under a Memorandum of Understanding (MOU) between the District, the City of Hollister, the City of San Juan Bautista, and Sunnyslope County Water District. The purpose of the organization is to promote water resource management in a coordinated, cooperative and cost-effective manner within the County. This is accomplished through implementation of public and special purpose educational programs, public communications, compilation of water resource data and frequent communication among the agencies regarding water management activities. WRASBC is reported as a fiduciary fund of the District who manages the staff and financial resources of the WRASBC.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**San Benito County Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

SAN BENITO COUNTY WATER DISTRICT
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2023

BOARD OF DIRECTORS

Sonny Flores
President, Division 5
Term Expires November 2024

Andrew Shelton
Vice President, Division 3
Term expires November 2024

Mark Wright
Director, Division 1
Term expires November 2026

Joe Tonascia
Director, Division 2
Term expires November 2024

Doug Williams
Director, Division 4
Term Expires November 2026

DISTRICT COUNSEL

Jeremy Liem
Pipal, Spurzem & Liem, LLP
Attorneys at Law

DISTRICT MANAGER

Jeff Cattaneo, P.E. (June 2022- January 2023)

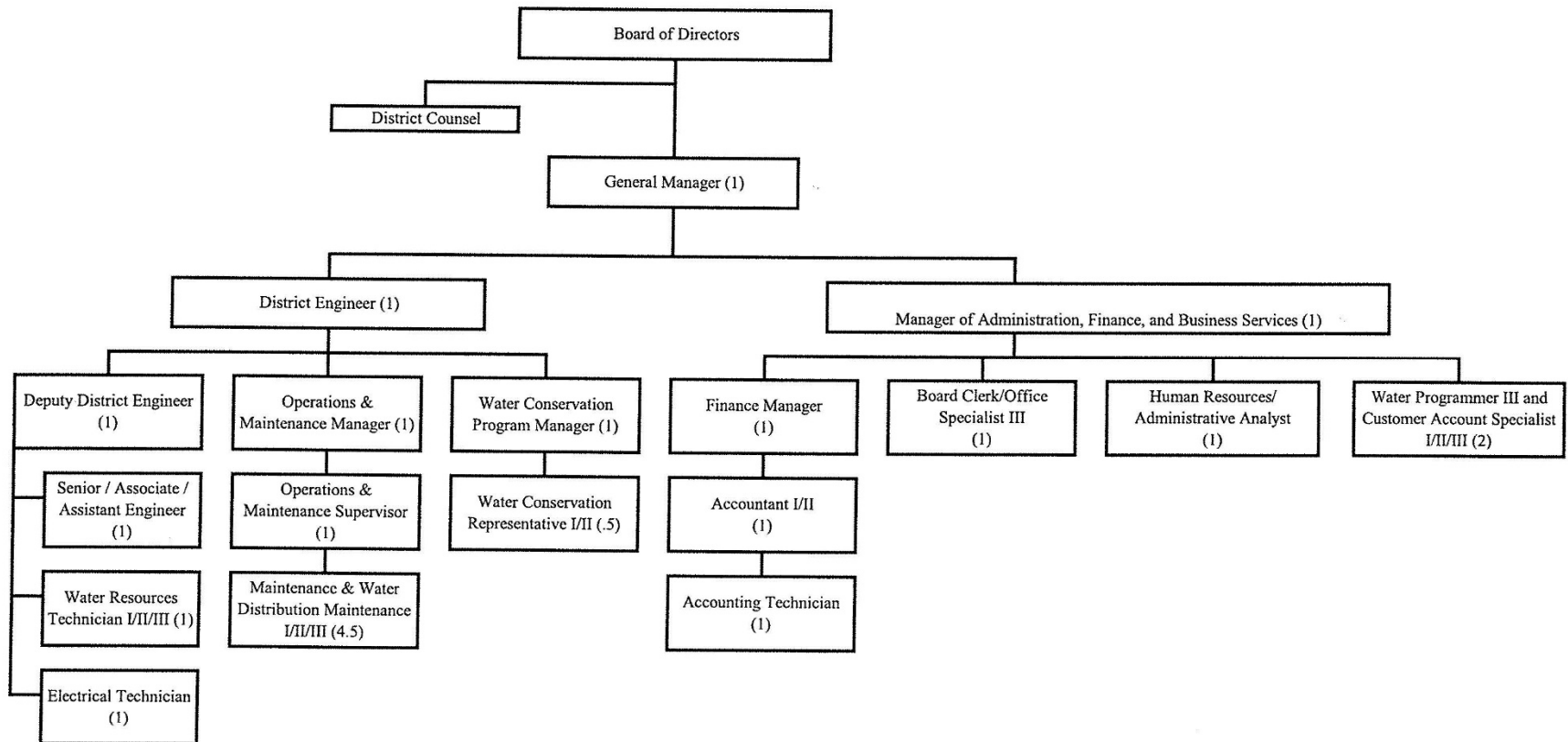
GENERAL MANAGER

Steve Wittry (January 2023- June 2023)

MISSION STATEMENT

The mission of the District is to preserve the economic and environmental wealth and well-being of San Benito County through the control, management and conservation of waters and the provision of water services in a practical, cost-effective and responsible manner.

SAN BENITO COUNTY WATER DISTRICT
Organizational Chart
June 30, 2023





McGilloway | Ray
Brown | Kaufman
ACCOUNTANTS AND CONSULTANTS

2511 Garden Road
Suite A180
Monterey, CA 93940
831-373-3337
Fax 831-373-3437

379 West Market Street
Salinas, CA 93901
831-424-2737
Fax 831-424-7936

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of San Benito County Water District
Hollister, California

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 San Benito County Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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.

Gerald Ray, CPA | Patricia Kaufman, CPA, CGMA | Smriti Shrestha, CPA

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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the District's retirement plan's proportionate share of the net pension liability (asset) and related ratios, schedule of the District's pension plan contributions, schedule of changes in the District's net Other Post-Employment Benefits (OPEB) liability, and schedule of the District's OPEB contributions, as identified in the accompanying table of contents, information 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 net position by zone and the schedule of revenues, expenses and changes in net position by zone. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule of net position by zone and the schedule of revenues, expenses and changes in net position by zone are the responsibility of management and 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 schedule of net position by zone and the schedule of revenues, expenses and changes in net position by zone are 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 annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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



McGilloway, Ray, Brown & Kaufman
Salinas, California
June 26, 2024

San Benito County Water District
Management's Discussion and Analysis
June 30, 2023

This section of the District's annual financial report presents our analysis of the District's financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the Financial Statements which follows this section.

FINANCIAL HIGHLIGHTS

- The net position at June 30, 2023 was \$149,458,357 which reflects an increase of \$5,523,199 from prior year.
- Operating revenue was \$8,561,579 and operating expenses including depreciation and amortization was \$15,896,639. Additionally, non-operating revenue was \$13,048,366, consisting primarily of tax assessments and grant revenue.
- Non-operating revenue increased \$1,662,669 and non-operating expenses decreased by \$378,406 which resulted in a \$1,284,263 net increase over prior year.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the San Benito County Water District's basic financial statements. The District's basic financial statements have three components: 1) Management's Discussion and Analysis, 2) Basic Financial Statements and 3) Notes to Financial Statements. In addition to the Basic Financial Statements, other supplementary information is provided for further information and analysis.

The Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements present both short- and long-term information about its activities.

The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and provides information about the nature and amount of investment in resources (assets) and the obligations to District creditors (liabilities). This statement provides the financial information to evaluate the capital structure of the District and to assess the liquidity and financial flexibility of the District. The difference between the assets, deferred outflows of resources, liabilities and deferred inflows of resources is shown as net position. Over time, increase or decrease in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position report all of the current year revenues and expenses. This statement reports the financial impact of the District's activities over the past year and can be used to determine whether the District has successfully recovered all of its costs through its user fees, charges and other revenues.

The Statement of Cash Flows is intended to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash as a result of operations, capital activities, and investments.

The Notes to the Financial Statements provide a description of the accounting policies used to prepare the financial statements and present material disclosure required by Generally Accepted Accounting Principles (GAAP) that are not otherwise present in the financial statements.

San Benito County Water District
Management's Discussion and Analysis
June 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT

Net Position

The following is the condensed Statement of Net Position for the fiscal years ended June 30, 2023 and 2022:

San Benito County Water District
Condensed Statement of Net Position
June 30, 2023 and 2022

	Fiscal Year Ended June 30,		Change	
	2023	2022	Amount	Percent
Current assets	\$ 81,655,226	\$ 72,706,645	\$ 8,948,581	12.3%
Other assets	24,874,527	27,046,248	(2,171,721)	-8.0%
Capital assets, net	75,997,796	77,113,610	(1,115,814)	-1.4%
Total Assets	182,527,549	176,866,503	5,661,046	3.2%
Deferred outflows of resources	3,189,374	4,453,387	(1,264,013)	-28.4%
Current liabilities	7,020,321	5,708,404	1,311,917	23.0%
Long-term liabilities	27,479,979	29,280,381	(1,800,402)	-6.1%
Total Liabilities	34,500,300	34,988,785	(488,485)	-1.4%
Deferred inflows of resources	1,758,266	2,395,947	(637,681)	-26.6%
Net Position:				
Net investment in capital assets	72,920,668	73,679,010	(758,342)	-1.0%
Restricted	30,618,767	27,219,448	3,399,319	12.5%
Unrestricted	45,918,922	43,036,700	2,882,222	6.7%
Total Net Position	\$ 149,458,357	\$ 143,935,158	\$ 5,523,199	3.8%

Net position increased in 2023 to \$149,458,357 up \$5,523,199 from fiscal year end 2022.

The increase in restricted net position reflects the contributions to restricted reserves for future repayment of the USBR Amendatory Contract (refer to Notes to Basic Financial Statements No. 14), capital asset replacement related to the Water Treatment plants per the Hollister Urban Area Water Supply and Treatment Agreement (HUWSTA), Reach 1 Facilities for major repair and replacements and the Other Post Employment Benefit Trust (OPEB).

Net investment in capital assets decreased by \$758,342. This is a direct result of the principal payments on the City National obligation and higher depreciation expense.

The change in current assets is \$8,948,581 which reflects a cash increase of \$5,549,272 of which \$3,399,319 is in restricted cash. Prepaid expenses decreased by \$23,341 and accounts receivable increased by \$211,360.

San Benito County Water District
Management's Discussion and Analysis
June 30, 2023

The decrease in long term liabilities is the net result of the payments received for unearned revenue related to the HUWSTA Contract and the decrease in the net pension liability.

At the end of the fiscal year 2023, the District had \$3,189,374 of Deferred Outflows of Resources and \$1,758,266 of Deferred Inflows of Resources. Deferred Outflows of Resources decreased by \$1,264,013 and Deferred Inflows of Resources decreased by \$637,681 over the prior year. The activity reflects changes in assumptions, expected and actual experience, changes in proportion and contributions to the District's pension and Other Post Employment Benefit (OPEB) plans. Additional information on the District's pension and OPEB plans can be found in Notes to Basic Financial Statements Nos. 10 and 12.

Revenues, Expenses and Changes in Net Position

The following is the Condensed Statement of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2023 and 2022:

San Benito County Water District Condensed Statement of Revenues, Expenses and Changes in Net Position June 30, 2023 and 2022				
	Fiscal Year Ended June 30,		Change	
	2023	2022	Amount	Percent
Revenues:				
Operating revenues	\$ 8,561,579	\$ 9,363,846	\$ (802,267)	-8.6%
Nonoperating revenues	13,048,366	11,385,697	1,662,669	14.6%
Total Revenues	<u>21,609,945</u>	<u>20,749,543</u>	<u>860,402</u>	<u>4.1%</u>
Expenses:				
Depreciation and amortization expense	(3,628,807)	(3,449,944)	(178,863)	5.2%
Operating expense	(12,267,832)	(6,674,273)	(5,593,559)	83.8%
Nonoperating expense	(190,107)	(568,513)	378,406	-66.6%
Total Expenses	<u>(16,086,746)</u>	<u>(10,692,730)</u>	<u>(5,394,016)</u>	<u>50.4%</u>
Change in Net Position	5,523,199	10,056,813	(4,533,614)	-45.1%
Net Position, Beginning of Year	<u>143,935,158</u>	<u>133,878,345</u>	<u>10,056,813</u>	<u>7.5%</u>
Net Position, End of Year	<u><u>\$ 149,458,357</u></u>	<u><u>\$ 143,935,158</u></u>	<u><u>\$ 5,523,199</u></u>	<u><u>3.8%</u></u>

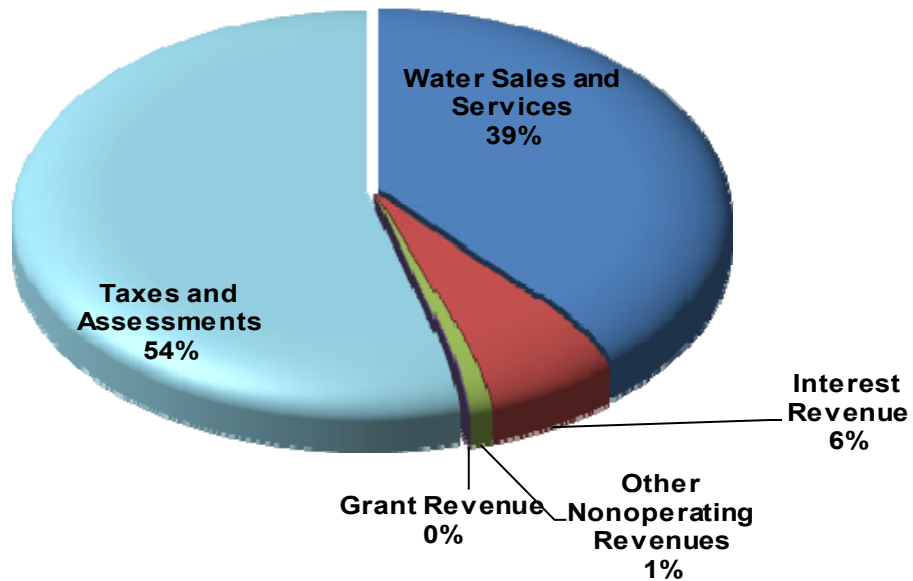
Operating revenue decreased by \$802,267.

Non-operating revenue reflects a increase of \$1,662,669 from prior year. The increase reflects both an increase in property tax revenue and an increase in interest revenue.

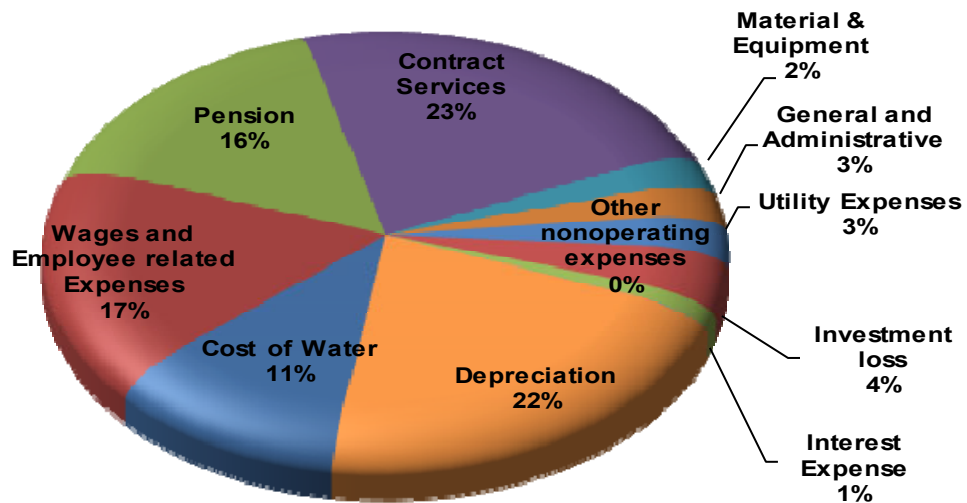
Total expenses decreased by \$5,394,016. Operating expenses increased by \$5,593,559 primarily due to an increase in pension and cost of water expenses. The non-operating expense decrease of \$378,406 is partially due to the reclassification of multi-year projects in FY 2022 reflecting smaller amount of them going forward.

The various operating and non-operating revenues are as follows:

SOURCES OF REVENUE Fiscal Year Ended 2023



EXPENSES Fiscal Year Ended 2023



San Benito County Water District
Management's Discussion and Analysis
June 30, 2023

Capital Assets

Capital assets include land and land rights, source of supply plant, pumping plant, transmission and distribution system, general plant, treatment plant and water rights. The change in general plant includes three District vehicles and a tractor. The increase in transmission and distribution plant includes replacement valves and upgrades to the District telemetry equipment and software. The pumping plant increase reflects pump repair work. The treatment plant change reflects the tracer study for West Hills. Other significant increases are in Water Rights. The Reach 1 Capital Improvement is part of the on-going project with Santa Clara Valley Water District (SCVWD) for major repairs and replacement of equipment at the Reach 1 facilities. The Central Valley Project (CVP) water rights reflect the portion of the payments on the Second Amendment of the USBR contract that are the capital costs for the San Felipe Division.

At June 30, 2023, the District had \$116,949,604 in capital assets with \$30,844,889 in accumulated depreciation and \$10,106,919 in accumulated amortization for a net amount of \$75,997,796 (refer to Notes to Financial Statements No. 6).

San Benito County Water District
Condensed Statement of Capital Assets
June 30, 2023 and 2022

	2023	2022	Change	
			Amount	Percent
Water rights				
Semitropic Water Storage	\$ 776,726	\$ 696,716	\$ 80,010	11.5%
Central Valley Project	19,035,625	17,227,135	1,808,490	10.5%
San Justo Reservoir	246,462	246,462	-	0.0%
Wright Rd Pipeline	830,850	830,850	-	0.0%
Reach 1 capital improvement	9,985,046	9,742,628	242,418	2.5%
Recycled Water Storage Pond	1,511,540	1,509,313	2,227	0.1%
USBR In-basin capital repayment	2,838,779	2,838,779	-	0.0%
Source of supply plant	3,002,139	2,982,546	19,593	0.7%
Transmission and distribution plant	21,277,505	20,982,261	295,244	1.4%
Pumping plant	10,271,242	10,243,832	27,410	0.3%
General plant	1,918,105	2,034,657	(116,552)	-5.7%
Treatment plant	44,379,200	44,341,598	37,602	0.1%
Land and land rights	876,385	876,385	-	0.0%
Total capital assets	116,949,604	114,553,162	2,396,442	2.1%
(Accumulated amortization)	(10,106,919)	(8,465,917)	(1,641,002)	19.4%
(Accumulated depreciation)	(30,844,889)	(28,973,635)	(1,871,254)	6.5%
Net capital assets	<u>\$ 75,997,796</u>	<u>\$ 77,113,610</u>	<u>\$ (1,115,814)</u>	<u>-1.4%</u>

San Benito County Water District
Management's Discussion and Analysis
June 30, 2023

Long Term Debt

The District had obtained financing in 2016 for capital improvements related to the HUWSTA and the Recycled Water projects for a total of \$5,500,000 with City National Bank. At the end of this fiscal year, the District's remaining obligation for this loan was \$3,077,128. Additional information can be found in Notes to Basic Financial Statements No. 8.

In February 2021, new debt was issued in the amount of \$2,905,000 to pay off the USBR In-Basin Capital obligation to be consistent with the WIIN Act. Additional information can be found in Notes to Basic Financial Statements No. 8 and 14.

In April 2021, new debt was issued in the amount of \$3,016,000 for the CalPERS Unfunded Accrued Liability to reduce the interest on the obligation long term. The payment made to CalPERS is reflected in Deferred Outflows of Resources and will reduce the District's pension liability in the next fiscal year. Additional information can be found in Notes to Basic Financial Statements No. 8 and 10.

San Benito County Water District
Condensed Statement of Long Term Debt
June 30, 2023 and 2022

	June 30, 2023	June 30, 2022	Change	
			Amount	Percent
City National Bank loan payable	\$ 3,077,128	\$ 3,434,600	\$ (357,472)	-10.4%
2021 Water Refunding Obligation				
Bond	2,563,000	2,734,000	(171,000)	-6.3%
2021 Taxable Revenue Obligation				
Bonds	2,630,001	2,794,000	(163,999)	-5.9%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

General Property Tax Revenue

The District's budget includes revenue from general property tax and San Felipe land tax. Changes to the expected tax revenue are considered in the budgeting process.

Interest Rates

The economic environment has provided some increase in interest rates over the last year. The District's investment income is affected by these rates and current economic conditions will be considered in the budgeting process.

Review of Zone 6 Rates and Charges

The Zone 6 process for the review of rates and charges and development of the annual budget considers the impact of the following:

1) Proposition 218

Agencies are subject to a statutory landowner notification and protest process for any rate increases. The District complies with this requirement. Rates have been approved for Zone 6 San Felipe water, Groundwater and Recycled Water through water year 2025-2026.

2) San Felipe Project Reach 1

The District, in conjunction with SCVWD has current and future financial obligations for the operation and maintenance costs of the San Felipe Project, Reach 1 facilities (all facilities from Pacheco Pumping Plant at San Luis Reservoir to the bifurcation structure at Casa de Fruta). In 2007, the District and SCVWD negotiated an agreement with the intent to clarify the business relationship between the two entities as it relates to the operations and maintenance of the Reach 1 facilities. This agreement provided for a review of the current conditions of the facilities, definition of a standard for operating conditions and development of a program to keep the facilities at that standard on an ongoing basis.

SCVWD has developed a comprehensive asset management plan for the ongoing maintenance and repair of the San Felipe Facilities. This asset management plan includes a schedule of future capital projects. The cost of the ongoing maintenance and repair and capital projects is considered in the budgeting and rate setting process.

Since 2007 when the initial condition assessment was done, the District has contributed close to \$9.8 million toward capital projects. This has included major repair of the regulating tank, the communication cable, rebuilding of several pumps (pumps described in the Statistical Section-Facilities) and replacement of the adjustable speed drives on 12 pumps. SCVWD also did a condition assessment of the Pacheco Conduit. The assessment resulted in the installation of new air valves, an acoustic monitoring system which listens for wire breaks and an additional valve at bifurcation. Additionally, the fire suppression system is being upgraded. The current asset management plan calls for an average of 1 pump repair each year at an approximate cost of \$1 million (District's share of \$220,000).

3) United States Bureau of Reclamation (USBR) Central Valley Project (CVP) Water Allocations

Annually, the USBR specifies to each of the contractors in CVP, the initial percentage of their water contract that will be delivered in the upcoming water year which begins March 1. In past recent years, due to the pumping restrictions in the Delta for the protection of endangered species and physical drought in the State, water delivery allocations had been reduced. Allocations also vary from year to year depending on hydrogeological conditions. For water year 2020-2021, the District received 20% of its Agricultural (AG) and 70% of its Municipal and Industrial (M&I) allocations. In 2021-2022, the District received 0% for AG and 25% of historic use for M&I. The USBR allocation for water year 2022-2023 to the District was 0% AG and 0% M&I. The M&I allocation may be adjusted by application for Public Health and Safety needs. The District includes consideration of these volumes in its rate reviews.

4) Zone 6 Groundwater Rates and San Felipe Distribution Rates

The rate base for groundwater rates includes the costs associated with managing the groundwater basin and the costs associated with percolation. Anticipated projects and program costs to address groundwater issues and other surface and groundwater management initiatives, including the Sustainable Groundwater Management Act (effective January 2016) are expected to be included in future rates and charges review. Groundwater rates are expected to increase as the District worked to recover from the groundwater impact of the drought through active percolation and the purchase of additional imported water to offset pumping.

San Felipe water rates are based on the operations and maintenance costs associated with the delivery of San Felipe water. These costs include the District's share of the operations and

San Benito County Water District
Management's Discussion and Analysis
June 30, 2023

maintenance costs for the USBR Central Valley Project, the San Luis & Delta-Mendota Water Authority (SLDMWA), and the San Felipe Reach 1 facility maintained by the SCVWD as well as the District's own operation and maintenance costs. The pass-through costs from other agencies are included in the District's cost of water, and can change as these agencies' O&M, capital and power expenses change. Current rates do not fully recover these operating expenses. The District aims to recover as much of the operating expense as possible through rates, however, given the changes in volume of water available through the CVP, the coverage ratio is subject to variability. Consideration of cost recovery from rates is included in the rates and charges review.

Raw water rates charged to the District's urban distribution customers (the City of Hollister and Sunnyslope County Water District) are considered wholesale rates, and are not subject to Proposition 218. The wholesale rates have been set for water year 2022-2023 to reflect the cost of additional water purchase required for the water treatment plant supply.

5) San Luis & Delta-Mendota Rewind Project

SLDMWA operates the Jones Pumping Plant on behalf of the USBR. The rewind of the six 22,500 horsepower pumps are part of current capital project for the SLDMWA. Each rewind is approximately \$6 million, and all South of Delta contractors, including the District must pay their respective share of the costs based on each agency's contract water deliveries. The first rewind was completed in May 2019 and the last unit is scheduled to be complete in May 2023.

6) B.F. Sisk Reservoir Raise Project

The USBR is working on a project to raise the level of the B. F. Sisk Reservoir (commonly known as San Luis Reservoir) for seismic safety purposes. SLDMWA is doing planning work to explore the possibility of a concurrent project of raising the dam an additional 10 feet to add additional storage space for South of Delta contractors who wish to participate. The District is a participant in the SLDMWA activity agreement that was executed in May of 2022.

7) Delta Mendota Canal Subsidence

Land subsidence has occurred in areas that surround the Delta Mendota Canal that has diminished the carrying capacity of the canal. Repair estimates are approximately \$500 million. SLDMWA is leading efforts to seek federal and state funding for the financing of these repairs. The District would need to pay its proportionate share of costs that are not funded by federal or state grants. The District relies on this canal in the delivery of its CVP water. The solution may have future impact on rates.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need any additional information, contact the District office.

San Benito County Water District
30 Mansfield Rd.
Hollister, CA 95023
Phone: (831) 637-8218
Fax: (831) 637-7267
www.sbcwd.com

FINANCIAL SECTION

San Benito County Water District
Statement of Net Position
June 30, 2023
(with prior year data for comparison purposes only)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash and investments	\$ 46,381,755	\$ 41,051,017
Receivables, net	3,376,657	3,165,297
Contract receivable - current portion	1,176,176	1,145,671
Prepaid expenses	101,871	125,212
Restricted cash and investments	30,618,767	27,219,448
Total current assets	<u>81,655,226</u>	<u>72,706,645</u>
Noncurrent assets:		
Net pension asset	-	1,849,819
Contract receivable-noncurrent portion	19,479,202	20,655,376
Development costs	5,395,325	4,541,053
Capital assets		
Water rights, net	22,279,330	21,787,187
Depreciable, net	52,842,081	54,450,038
Nondepreciable	876,385	876,385
Total noncurrent assets	<u>100,872,323</u>	<u>104,159,858</u>
Total assets	<u>182,527,549</u>	<u>176,866,503</u>
Deferred outflows of resources		
Deferred outflows of resources - pension activities	2,961,821	3,908,164
Deferred outflows of resources - OPEB	227,553	545,223
Total deferred outflows of resources	<u>3,189,374</u>	<u>4,453,387</u>

See accompanying notes to the basic financial statements.

San Benito County Water District
Statement of Net Position (continued)
June 30, 2023
(with prior year data for comparison purposes only)

	<u>2023</u>	<u>2022</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	2,854,586	1,404,883
Accrued wages, benefits and compensated absences	202,424	397,918
City National Bank loan payable - current portion	369,048	357,471
2021 Water Refunding Obligation Bond - current portion	174,000	171,000
2021 Taxable Revenue Obligation Bond - current portion	169,001	164,000
Due to other agencies	1,113,446	1,987,110
Contract customer water prepayments	961,640	80,351
Unearned contract revenue	1,176,176	1,145,671
Total current liabilities	<u>7,020,321</u>	<u>5,708,404</u>
Noncurrent liabilities:		
Net OPEB liability	10,052	267,375
Net pension liability	331,146	-
Deposits	101,500	87,500
City National Bank loan payable - noncurrent portion	2,708,080	3,077,129
2021 Water Refunding Obligation Bond - noncurrent portion	2,389,000	2,563,000
2021 Taxable Revenue Obligation Bond - noncurrent portion	2,461,000	2,630,000
Unearned contract revenue	19,479,201	20,655,377
Total noncurrent liabilities	<u>27,479,979</u>	<u>29,280,381</u>
Total liabilities	<u>34,500,300</u>	<u>34,988,785</u>
Deferred inflows of resources		
Deferred inflows of resources - pension activities	1,395,294	1,925,824
Deferred inflows of resources - OPEB	362,972	470,123
Total deferred inflows of resources	<u>1,758,266</u>	<u>2,395,947</u>
NET POSITION		
Net investment in capital assets	72,920,668	73,679,010
Restricted		
Revolving fund reserve requirement	75,000	75,000
Operation and maintenance reserves	4,395,222	4,144,537
Contract repayment reserves	20,872,875	18,277,576
Other Post Employment Benefit Trust	943,914	887,360
Contract replacement reserves	4,331,756	3,834,975
Unrestricted	45,918,922	43,036,700
Total net position	<u>\$ 149,458,357</u>	<u>\$ 143,935,158</u>

See accompanying notes to the basic financial statements.

San Benito County Water District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2023
(with prior year data for comparison purposes only)

	2023	2022
Operating revenue	\$ 8,561,579	\$ 9,363,846
Operating expenses:		
Cost of water	1,875,591	2,458,690
Wages and employee related expenses	2,770,615	2,304,705
Pension cost expense (gain)	2,596,779	(3,161,071)
Contract services	3,761,037	3,940,006
Material and equipment	398,527	353,798
General and administrative	425,823	358,387
Utility expenses	439,460	419,758
Depreciation and amortization	3,628,807	3,449,944
Total operating expenses	15,896,639	10,124,217
Operating loss	(7,335,060)	(760,371)
Nonoperating revenue (expenses):		
Taxes and assessments	12,058,062	10,521,329
Grant revenue	21,965	1,022,649
Other nonoperating revenues	220,136	211,747
Interest revenues	1,349,524	121,863
Investment loss	(601,321)	(491,891)
Interest expense	(184,837)	(192,647)
Other nonoperating expenses	(5,270)	(375,866)
Net nonoperating revenue (expenses)	12,858,259	10,817,184
Change in net position	5,523,199	10,056,813
Net position, beginning of year	143,935,158	133,878,345
Net position, end of year	\$ 149,458,357	\$ 143,935,158

See accompanying notes to the basic financial statements.

San Benito County Water District
Statement of Cash Flows
For The Year Ended June 30, 2023
(with prior year data for comparison purposes only)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from operations	\$ 10,680,764	\$ 9,296,693
Cash payments to suppliers for operations	(5,212,528)	(5,569,686)
Cash payments to employees for services and related expenses	(2,587,091)	(4,230,479)
Cash payments for general and administrative expenses	(425,823)	(358,387)
Cash payments to other agencies	<u>(1,743,313)</u>	<u>(248,952)</u>
Net Cash Provided by (Used for) Operating Activities	<u>712,009</u>	<u>(1,110,811)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Taxes and assessments collected	11,492,453	10,486,050
Grant revenue	<u>21,965</u>	<u>492,319</u>
Net Cash Provided by Non-Capital Financing Activities	<u>11,514,418</u>	<u>10,978,369</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(2,512,993)	(2,342,905)
Additions to preliminary survey and construction in progress	(854,272)	(1,216,250)
Principal paid on capital debt	(692,471)	(739,258)
Interest on long-term debt	<u>(184,837)</u>	<u>(192,648)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(4,244,573)</u>	<u>(4,491,061)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from cash and cash equivalents	1,349,524	121,863
Change in value of LAIF	(24,998)	(276,158)
Change in value of OPEB Trust	56,554	(144,610)
Sale/(Purchase) of investment	<u>(632,877)</u>	<u>(71,123)</u>
Net Cash Provided by (Used for) Investing Activities	<u>748,203</u>	<u>(370,028)</u>
Net Increase in Cash and Cash Equivalents	<u>8,730,057</u>	<u>5,006,469</u>
Balances, Beginning of Year		
Cash and cash equivalents	41,051,017	39,451,401
Restricted cash and cash equivalents	<u>27,219,448</u>	<u>23,812,595</u>
Balances, Beginning of Year	<u>68,270,465</u>	<u>63,263,996</u>
Balances, End of Year	<u><u>\$ 77,000,522</u></u>	<u><u>\$ 68,270,465</u></u>

See accompanying notes to the basic financial statements.

San Benito County Water District
Statement of Cash Flows (continued)
For the Year Ended June 30, 2023
(with prior year data for comparison purposes only)

	<u>2023</u>	<u>2022</u>
RECONCILIATION TO STATEMENT OF NET POSITION:		
Unrestricted cash and cash equivalents	\$ 46,381,755	\$ 41,051,017
Restricted cash and cash equivalents	<u>30,618,767</u>	<u>27,219,448</u>
Total Cash and Restricted Cash	<u>\$ 77,000,522</u>	<u>\$ 68,270,465</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (7,335,060)	\$ (760,371)
Adjustment to reconcile operating loss to net cash provided (used) for operating activities:		
Other nonoperating revenues (expenses)	214,866	(164,119)
Depreciation and amortization	3,628,807	3,449,944
Provision (recovery) for allowance for doubtful accounts	(2,169)	(7,051)
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivables	356,418	(766,726)
(Increase) decrease in contract receivable	1,145,669	1,101,589
(Increase) decrease in prepaid expenses	23,341	137,760
Increase (decrease) in payables and accrued expenses	576,039	895,277
Increase (decrease) in accrued wages and benefits	(195,494)	(56,820)
Increase (decrease) in other post employment benefits	(257,323)	(599,595)
Increase (decrease) in pension liabilities	2,180,965	(4,773,940)
Increase (decrease) in deposits	14,000	30,500
Increase (decrease) in customer water prepayments	881,289	(193,521)
Increase (decrease) in unearned contract revenue	(1,145,671)	(1,101,593)
Deferred outflows of resources - pension activities	946,343	(250,381)
Deferred outflows of resources - OPEB	317,670	57,580
Deferred inflows of resources - pension activities	(530,530)	1,863,252
Deferred inflows of resources - OPEB	<u>(107,151)</u>	<u>27,404</u>
Net cash provided (used) for operating activities	<u>\$ 712,009</u>	<u>\$ (1,110,811)</u>

See accompanying notes to the basic financial statements.

San Benito County Water District
Statement of Fiduciary Funds Net Position
June 30, 2023

	Water Resources Association Custodial Fund
ASSETS	
Cash and investments	\$ 586,037
Receivables	<u>246,300</u>
Total assets	<u>832,337</u>
LIABILITIES	
Accounts payable	<u>7,615</u>
Total liabilities	<u>7,615</u>
NET POSITION	
Restricted for the Water Resource Association	<u>824,722</u>
Total Net Position	<u><u>\$ 824,722</u></u>

See accompanying notes to the basic financial statements.

San Benito County Water District
Statement of Changes in Fiduciary Funds Net Position
For the Year Ended June 30, 2023

	Water Resources Association Custodial Fund
Addition:	
Agency contributions	\$ 367,151
Investment income	16,837
Total addition	<u>383,988</u>
Deductions:	
Contract services	198,158
Material and equipment	12,837
General and administrative	226,870
Total deductions	<u>437,865</u>
Change in net position	(53,877)
Net position, beginning of year	<u>878,599</u>
Net position, end of year	<u><u>\$ 824,722</u></u>

See accompanying notes to the basic financial statements.

San Benito County Water District

Notes to Basic Financial Statements

June 30, 2023

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The San Benito County Water District (District) is a water conservation and flood control special district governed by the San Benito County Water Conservation and Flood Control Act codified as Appendix 70 of the California Water Code.

The District is an independent and autonomous agency, governed by a five-member Board of Directors directly elected by electors in five divisions. The boundaries of each division are coterminous with those of the supervisory districts of the County. A director must be a resident of and a registered voter in the division they represent.

District zones are not distinct or separate units of government from the District and the financial operations and activities related to those zones of benefits are included within the District's financial statements as one legal entity. No separate financial statements are prepared for the individual zones of benefits.

The Water Resources Association custodial fund utilizes the accrual basis of accounting for reporting its assets and liabilities. The fund is used to account for receipts and disbursements associated with the Water Resources Association, which is administered, but not the liability of, the District

The accompanying supplementary information to the District's Financial Statements includes the financial activities of the District Administration (Zone 1), San Benito River System (Zone 3), and San Felipe Project (Zone 6) and the Ground Sustainability Plan (Zone 7). These zones were formed to undertake projects and provide water supply and related benefits to specific geographic areas within the District.

B. Basis of Accounting

The District's single enterprise fund (a business-type activity) and fiduciary fund are accounted for using the accrual basis of accounting. Revenue is recognized when earned, and expenses are recognized when they are incurred.

C. Accounting Principles

The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountant (AICPA).

D. Basis of Presentation and Measurement Focus

The District's single enterprise fund is accounted for on a cost of service or "economic resources" measurement focus. This means that assets and all activities are included on the statement of net position. Operating statements present increases (revenues) and decreases (expenses) in net total assets. The financial statements distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services for delivering water. Operating expenses include the cost of sales and services, general and administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses. Non-operating revenues include revenues from taxes and assessments that are general purpose and/or special purpose in nature. The Fiduciary fund is used to account for resources held for the benefit of parties outside of the District.

San Benito County Water District

Notes to Basic Financial Statements

June 30, 2023

E. Budgets

The District's Board of Directors annually adopts a capital and an operating budget for the ensuing fiscal year effective July 1 as a financial plan for the year. The budget is adopted by the governing Board as an operating plan. Although there is no legal requirement to report budgetary basis financial information in this report, the District's Board of Directors review performance to budget on a quarterly basis.

Debt Management Policy

The District adopted a debt management policy which outlines the purposes for which debt may be issued, methods of financing, and the acceptable structure and term of debt obligations.

F. Joint Powers Agreements

The District is a participant in the Association of California Water Agencies, Joint Powers Insurance Authority (ACWA/JPIA) for the purpose of obtaining property and liability insurance. The District also participates in the San Luis Delta-Mendota Water Authority (SLDMWA) for the purposes of operating and maintaining a portion of the Central Valley Project.

G. New Accounting Pronouncements

The District applies all applicable Governmental Accounting Standards Board (GASB) pronouncements for certain accounting and financial reporting guidance.

The District implemented the following statements for the year ended June 30, 2023:

- ◆ GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for subscription-based information technology arrangements (SBITAs); (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The District has implemented this pronouncement for the fiscal year 2022-23 and has had no impact on the financial statements.
- ◆ GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective for periods beginning after June 15, 2022. The District has implemented this pronouncement for the fiscal year 2022-23 and has had no impact on the financial statements.

Pending Accounting Standards

GASB has issued the following statements which may impact the District's financial reporting requirements in the future:

- ◆ GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable,

San Benito County Water District

Notes to Basic Financial Statements

June 30, 2023

relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for periods beginning after June 15, 2023. The District has not yet determined the effect of the statement which would apply to the Districts fiscal year end June 30, 2024.

- ◆ GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for periods beginning after December 15, 2023. The District has not yet determined the effect of the Statement which would apply to the District's fiscal year end June 30, 2025.
- ◆ GASB Statement No. 102 – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The District has not yet determined the effect of the Statement which would apply to the District's fiscal year end June 30, 2025.

H. Cash and Investments

Cash and Cash Equivalents - Cash and cash equivalents consist of cash on hand, demand deposits, money market accounts, short-term investments with original maturities of three months or less from the date of acquisition and investments with Local Authority Investment Fund (LAIF) managed by the State of California. Deposits in LAIF are generally available for withdrawal on a next day basis and therefore considered cash equivalents.

For purposes of determining cash equivalents, the District has defined its policy concerning the treatment of short-term investments to include investments with a maturity of three months or less when purchased, as cash equivalents if management does not plan to reinvest the proceeds. Short-term investments that management intends to rollover into similar investments are considered part of the investment portfolio and are classified as investments.

Investments - All investments are stated at fair value, except for money market investments which have a remaining maturity of less than one year when purchased, which are stated at purchase price.

Under the provisions of the District's investment policy, and in accordance with Section 53601 of the California Government Code, the following investments are authorized:

- ◆ U.S. Treasury Obligations, or Federal Agency Securities
- ◆ FDIC Insured Certificates of Deposit
- ◆ Fully Collateralized Certificates of Deposit
- ◆ Commercial Paper, (rated in highest short-term ratings category)
- ◆ California's Local Agency Investment Fund
- ◆ Securities of the State of California, its agencies, or any local agency within the state
- ◆ Medium term corporate notes (rated "A" or better)
- ◆ Negotiable Certificates of Deposit (rated "A" or better)
- ◆ Shares of beneficial interest issued by diversified management companies that are money

San Benito County Water District

Notes to Basic Financial Statements

June 30, 2023

market funds registered with Securities and Exchange Commission (highest rating by at least 2 rating organizations)

- ◆ Registered Treasury Notes or Bonds of any of the other remaining 49 states
- ◆ Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7

Investment Held in Local Agency Investment Fund - The District participates in the LAIF, an investment pool managed by the State of California. LAIF has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as a result of changes in interest rates.

LAIF determines value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available.

The District valued its investments in LAIF as of June 30, 2023, by multiplying its account balance with LAIF times a fair value factor determined by LAIF value for all LAIF participants by total aggregate amortized cost.

I. Receivables

Receivables include amounts due from water utility customers as well as amounts due from property taxes, contracts, interest, and other receivables. An allowance for doubtful accounts is made annually. Receivables are reported net of the allowance for doubtful accounts.

J. Prepaid Expenses

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

K. Restricted Cash and Investments

Restricted cash and investments represent allocations of cash and investments that are a statutory or contractual requirements. The District has established various accounts to provide for specific activities in accordance with special regulations and restrictions placed by contracts, laws, or regulations of other governments. Specific detail on source of restrictions is provided in Note 9 – Net Position. Restricted resources are used first to fund expenses incurred.

L. Development Costs

Development costs consist of costs associated with construction in progress and other works in progress including the District's share of participation in multi-agency projects. The costs are capitalized and depreciated at the completion of construction in accordance with the District's Capital Asset Policy.

M. Capital Assets

Capital assets are defined by the District as property with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets with high portability (computer equipment, furniture, and shop equipment) are considered for capitalization at an individual cost of more than \$2,500.

Capital assets used in operations are depreciated using the straight-line method over their estimated useful lives. Assets that were placed in service during any fiscal year begin depreciation on the first day of the next fiscal year.

San Benito County Water District

Notes to Basic Financial Statements

June 30, 2023

The estimated useful lives are as follows:

Source of supply plant	25 - 75	Years
Transmission and distribution plant	20 - 75	Years
Pumping plant	7 - 10	Years
Treatment Plant	7 - 25	Years
General plant	5 - 10	Years

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are recorded at their acquisition value, market-based entry price on the date contributed. Maintenance and repairs are charged to operations when incurred.

Betterments and major improvements, which significantly increase values, change capacities, or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

The purpose of depreciation is to spread the cost of capital assets equitably among all beneficiaries over the life of these assets, so that each landowner's/customer's bill includes a pro rata share of the cost of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of depreciable capital assets.

Depreciation and amortization of all capital assets in service, excluding land, are charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation and amortization, is reported on the statement of net position as a reduction in the cost basis of the capital assets.

N. Water Rights

The District participates in various water storage and water rights agreements for imported surface water. These agreements are included in capital assets as water rights.

O. Compensated Absences – Accrued Vacation and Sick Leave Pay

The District's employment policy provides for the accumulation of earned vacation leave and vested sick leave. Due to the limited number of employees, the District has elected not to conduct actuarial assessments of sick leave. Vested or accumulated vacation and sick leave are recognized as an expense and a liability at the time the benefit vests. Accrued vacation and sick leave are reported as current liabilities on the statement of net position.

Maximum vacation accruals are based on years of service within the District. All full-time employees hired prior to July 1, 2020 are eligible for six (6) days of sick leave per fiscal year. All full-time employees hired on or after July 1, 2020 are eligible for twelve (12) days of sick leave per fiscal year. Unused sick leave may be carried over to the limit of 1,040 hours. Public Employees Retirement System (CalPERS)

The District offers two retirement plans to its employees. Employees hired before January 1, 2013 or hired after January 1, 2013 who met the definition of "Classic Member" as defined by CalPERS are members of the CalPERS Classic Plan. Employees hired after January 1, 2013 are members of the California Public Employees' Pension Reform Act Plan (PEPRA Plan).

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expenses, information about the fiduciary net position of the San Benito County Water District's California Public Employees' Retirement System (CalPERS)

San Benito County Water District

Notes to Basic Financial Statements

June 30, 2023

plans (Plans) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS finance office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 10 for the CalPERS Classic Plan disclosures.

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 (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

Unfunded Accrued Liability (UAL) Management Policy

A policy was adopted to address the management of the ongoing UAL associated with the District. The policy includes target funding objectives, strategies for minimizing the liability, and consideration of Additional Discretionary Payments during the budgeting process.

P. Other Post-Employment Benefits (OPEB)

The District provides post-employer retirement benefits to its employees to assist with future medical premium costs.

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. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes.

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

Valuation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

Q. Deferred Outflows/Inflows of Resources

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

- ◆ Deferred outflows of resources related to pensions are reported in the statement of net position as described further in Note 10.
- ◆ Deferred outflows of resources related to OPEB are reported in the statement of net position as described further in Note 12.

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

San Benito County Water District

Notes to Basic Financial Statements

June 30, 2023

- ◆ Deferred inflows of resources related to pensions are reported in the statement of net position as described further in Note 10.
- ◆ Deferred inflows of resources related to OPEB are reported in the statement of net position as described further in Note 12.

R. Net Position

The statement of net position reports all financial and capital resources. The difference between assets and liabilities is net position. The three components of net position are:

Net investment in capital assets, net of related debt – This component of net position consists of capital assets, including infrastructure, net of accumulated depreciation and amortization and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – This component of net position consists of constraints placed on the use of net positions by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This category represents net positions of the District that do not meet the definition of "Restricted net position" or "Net investment in capital assets, net of related debt."

S. Operating Revenue Recognition

Revenue from water sales is based on customer usage which is recognized on a monthly basis or when the customer is contractually obligated to pay, whichever comes first. Well permitting and other operating revenues are recognized at the time the service is provided.

T. Property Taxes and Assessments

Property taxes and assessments are collected by the County of San Benito and are payable by the taxpayer in two installments each year. The District recognizes property taxes and assessments as non-operating revenue in the fiscal year of levy.

The District levies the following voter-approved taxes and assessments:

- ◆ A land tax on behalf of San Felipe Division of the Central Valley Project (Zone 6). This tax is a per annum assessment based on the assessed valuation of land for properties within Zone 6.
- ◆ A standby charge for the availability of service from the San Felipe Distribution system on properties in the area of Zone 6 served by the pressurized distribution system. This per-acre charge is established annually by the Board of Directors.
- ◆ In addition to special purpose taxes and assessments, the District receives a portion of the County of San Benito general purpose tax, which is allocated to the District by the County.

U. Grants

In the normal course of operations, the District receives grant funds from Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits is not believed to be material.

San Benito County Water District

Notes to Basic Financial Statements

June 30, 2023

V. Amortization

The District has contracted with the United States Bureau of Reclamation (USBR) for water service and for operation and maintenance of certain works of the San Felipe Division of the federal Central Valley Project (CVP). A portion of the payments under this contract represent repayment of the capital cost associated with the San Felipe Division. The capital component is capitalized as Water Rights at the time it is paid and amortized using the straight-line method, over the remaining entitlement period. Current interest on this contract is expensed as it is paid and recorded in Cost of Water.

Capital projects related to the operations and maintenance of the San Felipe Division Reach I are capitalized, and the associated costs are amortized using the straight-line method, over the estimated useful life of the asset.

W. Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

X. Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2023 are classified in the accompanying financial statements as follows:

Cash and investments	\$ 25,014,133
Restricted cash and investments	30,619,127
Current investments	21,367,622
Total cash and investments	<u>\$ 77,000,882</u>

The bank balance and carrying value of the District's cash and investments, including restricted and designated balances, at June 30, 2023 were as follows:

	Restricted	Designated	Undesignated Unrestricted	Total
Petty Cash	\$ -	\$ -	\$ 200	\$ 200
Union Bank of California	-	-	4,006,961	4,006,961
Heritage Bank of Commerce	-	-	2,103,899	2,103,899
Local Agency Investment Fund	325,000	14,553,179	4,350,254	19,228,433
Union Banc Investment Services	28,778,301	-	21,367,622	50,145,923
Santa Clara Valley Water District (San Felipe- Reach 1 Reserve)	571,552	-	-	571,552
Other Post Employment Benefit Trust	943,914	-	-	943,914
Total	<u>\$ 30,618,767</u>	<u>\$ 14,553,179</u>	<u>\$ 31,828,936</u>	<u>\$ 77,000,882</u>

San Benito County Water District

Notes to Basic Financial Statements

June 30, 2023

Deposits - Cash balances held in banks are qualified as "public funds"; these funds must be FDIC insured or collateralized by the Depository at a rate of 110% and comply in all aspects with the provisions of Title 5, Division 2, Part 1, Chapter 4, Article 2 (commencing with Section 53630) of the Government Code.

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

	Value	Cost	0-3 Months
Petty cash	\$ 200	\$ 200	\$ 200
Union Bank of California	4,006,961	4,006,961	4,006,961
Local Agency Investment Fund	19,228,433	19,228,433	19,228,433
Heritage Bank of Commerce	2,103,899	2,103,899	2,103,899
Santa Clara Valley Water District	571,552	571,552	571,552
Other Post Employment Benefit Trust	943,914	538,223	943,914
Union Banc Investment Services	50,145,923	50,843,073	50,843,073
Total	<u>\$ 77,000,882</u>	<u>\$ 77,292,341</u>	<u>\$ 77,698,032</u>

Investments

The District has an investment policy that is overseen by the Investment Committee of the Board of Directors. The investment policy conforms to state law and guidelines and is based on prudent money management principles and practices.

Interest Rate Risk

Interest 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. As a means of limiting exposure to fair value losses arising from rising interest rates, the District's investment policy limits the maturity of investments not to exceed 5 years without authorization by the Board of Directors at least 3 months prior to the investment.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the preceding table that shows the distribution of the District's investment by maturity.

Concentration of Credit Risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments represent a concentration. At fiscal year end, the District had no concentration of credit risk investments.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the District and that the District will not be able to recover the value of its investments or collateral securities. Credit risk is mitigated by investing only in U.S. Treasury Obligations, Federal Agency securities and in other high-quality investments, and by diversifying the portfolio so that the failure of any issuer would not unduly harm the District's cash flow. The District diversifies its investments by security type and institution. The District only invests in those instruments

San Benito County Water District

Notes to Basic Financial Statements

June 30, 2023

that are considered very safe.

As of June 30, 2023, the District's investments with the Local Agency Investment Fund were not categorized as to custodial credit risk. The restricted cash for San Felipe Reach 1 Reserve of \$571,552 is held by Santa Clara Valley Water District within its General Fund.

Summarized below are the ratings of the District's cash and investments:

Issuers	Value	S&P	Moody's	Veribanc, Inc.	% of Total
Local Agency Investment Fund	\$ 19,228,433	NR	NR	NR	25.0%
Union Bank	4,006,961	A+/ST-2	Baa2	Green/***	5.2%
Heritage Bank	2,103,899	NR	NR	Green/***	2.7%
Santa Clara Valley Water District	571,552	NR	NR	NR	0.7%
Other Post Employment Benefit Trust	943,914	N/A	N/A		1.2%
UBC Investments	50,145,923	A+/ST-2	Baa2	Green/***	65.1%
Total	<u>\$ 77,000,682</u>				<u>100.0%</u>

*NR - denotes Not Rated

Green – denotes the institution's equity exceeds five percent of its assets and it was profitable during the most recent reporting quarter. Of the three color categories, this is the highest based on the criteria described.

*** - denotes institutions that have a Three Star rating.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are not in the possession of an outside party.

Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent having a fair market value of 105% of the District's cash on deposit. All of the District's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institution in the District's name in accordance with the California Government Code.

Investment in State Investment Pool

The District participates in the LAIF, an investment pool managed by the State of California. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. At June 30, 2023, the total fair value amount invested by all public agencies in LAIF is \$178.4 billion and managed by the State Treasurer. No amounts were invested in derivative financial products. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

San Benito County Water District

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June 30, 2023

Disclosures Related to Fair Value Measurement

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted price for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in markets that are inactive.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the District's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). The unobservable inputs are developed based on the best information available in the circumstances and may include the District's own data.

Deposits and withdrawals in governmental investment pools, such as LAIF, are made on the basis of \$1 and not fair value. Accordingly, the District's measured fair value of its proportionate share in these types of investments is based on uncategorized inputs not defined as a Level 1, Level 2, or Level 3 inputs.

The District had the following recurring fair value measurements as of June 30, 2023

<u>Investment Type</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S Treasury Notes	\$ 50,145,923	\$ -	\$ 50,145,923	\$ -

3. RECEIVABLES, NET

Receivables at June 30, 2023 consisted of the following:

Water utility customer receivables, net of allowance	\$ 545,793
Other operating receivables	1,742
Interest receivable	117,065
Property tax and assessment receivables	559,050
Grant receivables, net of retention	6,347
Agency receivables	2,146,660
Total receivables, net	<u>\$ 3,376,657</u>

The Water Utility Customer receivables above reflect an allowance for doubtful accounts in the amount of \$53,956.

Grant receivables are recorded net of retention. The District has one grant at June 30, 2023 that is expected to be complete in the next fiscal year.

San Benito County Water District

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Agency receivables are reimbursements due from other agencies for shared expenses per cooperative memorandum of understandings related to projects. These receivables represent the expenses for the fiscal year ended June 30, 2023 and are expected to be reimbursed in the next fiscal year.

4. CONTRACT RECEIVABLE

In August 2013, the District, Sunnyslope County Water District (SSCWD) and City of Hollister (COH) each approved the Hollister Urban Water Supply and Treatment Agreement (HUWSTA). The agreement defined the roles and terms of financing for the project which included the upgrade of Lessalt Water Treatment Plant, the design and construction of the West Hills Water Treatment Plant and associated pipelines. The District was to finance, build, own and operate the upgraded Lessalt Water Treatment Plant and the new West Hills Water Treatment Plant.

The District financed \$30 million of the project costs. The District contributed \$10 million in non-reimbursable funds, of which \$4 million was made available for the first tranche of financing and \$6 million was made available for the second tranche of financing. COH opted to use their share of the non-reimbursable funds to buy down the capital component. SSCWD used their share as rate stabilization which was applied to the finished water payments during the first years of operation. The District funded the first tranche of \$13 million on the effective date of the agreement. The second tranche of \$17 million was made available on May 1, 2015, to support the execution of a contract for construction of the West Hills Water Treatment Plant. In January 2016, the third tranche of financing for \$4 million was funded through a loan agreement with City National Bank.

The agreement calls for the District to recover this investment in the capital projects from the COH and SSCWD over a 15–30 year period through a capital component, including interest, in the finished water rate. At June 30, 2023, the tranches combined capital component is \$20,655,378. The current portion of the contract is \$1,176,176 and is reflected in current assets. The noncurrent portion of \$19,479,202 is reflected in noncurrent assets. The current unearned portion of the contract of \$1,176,176 is included as unearned contract revenue.

San Benito County Water District

Notes to Basic Financial Statements

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5. DEVELOPMENT COSTS

The District's development costs are the accumulated costs associated with construction in progress and other works in progress, including the District's portion of multi-agency projects. The District actively pursues grant funding for major projects. If applicable, grant proceeds associated with the following projects are reflected in non-operating revenue in the year in which the associated expense occurred. The work in progress at June 30, 2023 consisted of the following:

Preliminary survey and investigations:

Pacheco Reservoir Expansion	\$ 1,325,954
Sustainable Groundwater Management Act - SGMA	2,016,805
Future Water Supply Alternatives	382,345
Water Supply Evaluation	451,486
Pajaro Watershed Integrated Regional Water Management Plan	149,779
Zebra Mussel Control Study related to the Hollister Conduit	138,005
San Juan Wastewater Master Plan	204,917
Accelerated Drought Response Project	471,079
West Hills Vehicle Accident	229,443
Pajaro Watershed IRWMP	25,512
Total deferred charges	<u>\$ 5,395,325</u>

San Benito County Water District*Notes to Basic Financial Statements*

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6. CAPITAL ASSETS

The changes in capital assets of the District for the year ended June 30, 2023 are summarized as follows:

	Balance as of June 30, 2022	Current Year Activity		Balance as of June 30, 2023
		Additions	Dispositions	
Water rights				
Semitropic Water Storage	\$ 696,716	\$ 80,010	\$ -	\$ 776,726
Central Valley Project	17,227,135	1,808,490	-	19,035,625
San Justo Reservoir	246,462	-	-	246,462
Wright Rd Pipeline	830,850	-	-	830,850
Reach 1 capital improvement	9,742,628	242,418	-	9,985,046
Recycled Water Storage Pond	1,509,313	2,227	-	1,511,540
USBR In-basin capital repayment	2,838,779	-	-	2,838,779
Depreciable capital assets				
Source of supply plant	2,982,546	19,593	-	3,002,139
Transmission and distribution plant	20,982,261	295,244	-	21,277,505
Pumping plant	10,243,832	27,410	-	10,271,242
General plant	2,034,657	-	(116,552)	1,918,105
Treatment plant	44,341,598	37,602	-	44,379,200
Non-depreciable capital assets				
Land and land rights	876,385	-	-	876,385
Total capital assets	114,553,162	2,512,994	(116,552)	116,949,604
(Accumulated amortization)	(8,465,917)	(1,641,002)	-	(10,106,919)
(Accumulated depreciation)	(28,973,635)	(1,987,806)	116,552	(30,844,889)
Net capital assets	\$ 77,113,610	\$ (1,115,814)	\$ -	\$ 75,997,796

San Benito County Water District

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Amortization and depreciation expense was charged to projects for the year ended June 30, 2023 as follows:

	Balance as of June 30, 2022	Current Year Activity		Balance as of June 30, 2023
		Increase	Decrease	
Amortization				
Water Rights				
Central Valley Project	\$ (4,253,067)	\$ (864,892)	\$ -	\$ (5,117,959)
San Justo Reservoir	(146,442)	(24,647)	-	(171,089)
Wright Rd Pipeline	(83,085)	(13,846)	-	(96,931)
Reach 1 capital improvement	(3,562,629)	(486,455)	-	(4,049,084)
Recycled water-storage pond	(231,442)	(61,907)	-	(293,349)
USBR In-basin capital repayment	(189,252)	(189,255)	-	(378,507)
Total amortization	(8,465,917)	(1,641,002)	-	(10,106,919)
Depreciation				
Source of supply plant	(1,858,522)	(47,961)	-	(1,906,483)
Transmission and distribution plant	(10,913,816)	(364,895)	-	(11,278,711)
Pumping plant	(8,479,189)	(248,646)	116,552	(8,611,283)
General plant	(1,285,351)	(113,940)	-	(1,399,291)
Treatment plant	(6,436,757)	(1,212,364)	-	(7,649,121)
Total depreciation	(28,973,635)	(1,987,806)	116,552	(30,844,889)
Amortization and depreciation	\$ (37,439,552)	\$ (3,628,808)	\$ 116,552	\$ (40,951,808)

7. INVESTMENT IN JOINT VENTURES

The District participates in two joint ventures under Joint Powers Agreements (JPA) with the Association of California Water Agencies and the San Luis & Delta-Mendota Water Authority. The relationship between the District and the JPA's is such that the JPA's are not component units of the District for financial reporting purposes.

Association of California Water Agencies-Joint Powers Insurance Authority (ACWA-JPIA)

The ACWA-JPIA arranges for and provides property and liability insurance for its nearly 394 members. ACWA-JPIA is governed by a board consisting of a representative from each member district. The board controls the operations of ACWA-JPIA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board.

Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in ACWA-JPIA. Separate financial statements of ACWA-JPIA can be obtained by request to Finance Department, 2100 Professional Drive, Roseville, CA 95661.

San Luis & Delta-Mendota Water Authority (SLDMWA)

The SLDMWA operates and maintains a portion of the Central Valley Project (CVP) for its 27 members. SLDMWA is governed by a board consisting of representatives from each member district. The board controls the operations of the SLDMWA, including selection of executive management and approval of operation and maintenance budgets, independent of any influence by the member district beyond their representation on the board. Each member district pays

San Benito County Water District*Notes to Basic Financial Statements*

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membership dues proportionate to their United States Bureau of Reclamation (USBR) water contract entitlement and operation and maintenance costs based on conveyance rates established by the SLDMWA. Separate financial statements of SLDMWA can be obtained at P.O. Box 2157, Los Banos, CA 93635.

Condensed financial information of ACWA-JPIA and SLDMWA is as follows:

	September 30, 2023 ACWA-JPIA	February 28, 2022 SLDMWA
Total assets	\$ 288,462,503	\$ 110,196,857
Deferred Outflows of Resources	4,654,911	187,252
Total liabilities	(167,203,667)	(99,182,091)
Deferred Inflows of Resources	(5,200,835)	-
Net Position	<u>\$ 120,712,912</u>	<u>\$ 11,202,018</u>
Total revenues	\$ 248,013,664	\$ 193,650,307
Total expenditures	(240,084,673)	(194,307,491)
Net increase (decrease)	<u>\$ 7,928,991</u>	<u>\$ (657,184)</u>

8. LONG TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2023:

	June 30, 2022	Increases	Decreases	June 30, 2023	Due Within One Year
Direct Borrowing and Placement					
City National bank loan payable	\$ 3,434,600	\$ -	\$ 357,472	\$ 3,077,128	\$ 369,048
2021 Water Revenue Refunding Obligation Bonds (WIIN Act Project)	2,734,000	-	171,000	2,563,000	174,000
2021 Taxable Revenue Obligation Bonds (CalPERS UAL)	2,794,000	-	163,999	2,630,001	169,001
Total Direct Borrowing and Placement	<u>\$ 8,962,600</u>	<u>\$ -</u>	<u>\$ 692,471</u>	<u>\$ 8,270,129</u>	<u>\$ 712,049</u>

San Benito County Water District

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City National Bank Loan

In December 2015, the District entered into a loan agreement with Municipal Finance Corporation for the amount of \$5,500,000. This loan was immediately transferred to City National Bank. The loan is payable in quarterly installments for a term of 15 years beginning April 2016. The annual interest rate is 3.2% and is reflected as non-operating interest expense.

This financing is in support of capital projects related to the HUWSTA and Recycled Water. Repayment of the loan is from pledged future revenues. The outstanding principal balance at June 30, 2023 was \$3,077,128.

The District has no unused lines of credit with City National Bank or any other entity. The net revenues have been pledged as collateral for the City National Bank debt. The District must maintain a debt service coverage ratio of 1.15:1. Events of default include failure to make timely payments, violation of debt service covenant and bankruptcy. City National has the option to accelerate principal and interest payments as a remedy of default.

The following is a summary of principal maturities of City National Bank loan debt as of June 30, 2023:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 369,048	\$ 94,069	\$ 463,117
2025	381,000	82,117	463,117
2026	393,339	69,778	463,117
2027	406,078	57,039	463,117
2028	419,229	43,888	463,117
2029-2031	1,108,434	49,354	1,157,788
Total	<u>\$ 3,077,128</u>	<u>\$ 396,245</u>	<u>\$3,473,373</u>

2021 Water Revenue Refunding Obligation Bonds (WIIN Act Project)

On February 8, 2021, the Board authorized the issuance of Series 2021 Water Revenue Refunding Obligations in the amount of \$2,905,000. The closing was undertaken and consummated on February 24, 2021 with Zions Bancorporation, N.A. This financing funded the repayment of San Benito County's "in-basin" portion of the CVP capital costs pursuant to the Water Infrastructure Improvement of the Nations Act in the amount of \$2,838,779 and the issuance cost of \$66,221. The Bank purchased the obligations and had no present intent of reoffering the Obligations to the general public and intend to hold the Obligations as a portfolio investment. The loan is payable with annual principal and semi-annual interest payments at the rate of 2.02% for 15 years. Payments will begin in August 2021 and end February 2036. The outstanding principal balance as of June 30, 2023 was \$2,563,000.

San Benito County Water District*Notes to Basic Financial Statements*

June 30, 2023

Debt service requirements to maturity for 2021 Water Revenue Refunding Obligation Bonds (WIIN Act Project) are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 174,000	51,772	\$ 225,772
2025	178,000	48,257	226,257
2026	181,000	44,662	225,662
2027	185,000	41,006	226,006
2028	189,000	37,269	226,269
2029-2036	<u>1,656,000</u>	<u>153,924</u>	<u>1,809,924</u>
Total	<u>\$ 2,563,000</u>	<u>\$ 376,890</u>	<u>\$2,939,890</u>

2021 Taxable Revenue Obligations (CalPERS UAL)

The District is obligated to California State Public Employees' Retirement System (CalPERS) under a certain contract, by and between the District and CalPERS, as amended from time to time (the "CalPERS Contract"), to make contributions to CalPERS in exchange for CalPERS providing retirement benefits for its retirees. CalPERS determines, based on actuarial methods, a percentage rate of regular salary required to fund earned pension benefits. If the total amount of accumulated contributions is less than the total forecasted cost of earned pension benefits, the difference represents an Unfunded Accrued Liability (UAL). On April 14, 2021 the Board authorized the issuance of Series 2021 Taxable Revenue Obligations in the amount of \$3,016,000 with Resolution No. 2021-05 to fund the CalPERS UAL Prepayment project. The Obligation was financed with Sterling National Bank on April 29, 2021 in the amount of \$3,016,000 comprised of the CalPERS UAL payoff of \$2,945,976 and \$70,024 of issuance costs. The loan is payable with annual principal and semi-annual interest payments at the rate of 2.92% for 15 years beginning August 1, 2021. This funding reduced interest costs associated to the UAL. The outstanding principal balance as of June 30, 2023 is \$2,630,001.

Debt service requirements to maturity for 2021 Taxable Revenue Obligations (CalPERS UAL) are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 169,001	74,328	\$ 243,329
2025	174,000	69,320	243,320
2026	179,000	64,167	243,167
2027	184,000	58,867	242,867
2028	190,000	53,407	243,407
2029-2036	<u>1,734,000</u>	<u>210,298</u>	<u>1,944,298</u>
Total	<u>\$ 2,630,001</u>	<u>\$ 530,387</u>	<u>\$3,160,388</u>

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9. NET POSITION

Net position represents the difference between assets and liabilities. Designations of unrestricted net position represent the District Board of Director's intention for the use of resources. The net position amounts at June 30, 2023 were as follows:

Net investment in capital assets	<u>\$ 72,920,668</u>
Restricted:	
District Revolving Fund Reserve	75,000
Operation and Maintenance Reserves	
San Felipe-Hollister Conduit Reserve	250,000
San Felipe-Reach 1 Reserve	571,552
Reach 1 Major Repair - Replacement Reserve	3,573,670
USBR Contract Repayment - Rate Management Reserve	20,872,875
Other Post Employment Benefit Trust Reserve	943,914
Hollister Urban Area Project Water Treatment Facilities - Replacement Reserve	<u>4,331,756</u>
Total restricted	<u>30,618,767</u>
Unrestricted:	
Designated	
Reserved for Operations	3,111,837
Reserved for Capital Asset Replacement	3,985,877
Reserved for Capital Improvements	5,324,618
Reserved for Self-Insurance	100,000
Reserved for Water Supply	807,636
Reserved for Pacheco Reservoir	<u>1,223,211</u>
	<u>14,553,179</u>
Undesignated	<u>31,365,743</u>
Total unrestricted	<u>45,918,922</u>
Total net position	<u><u>\$ 149,458,357</u></u>

Restricted Net Position

Net position is restricted when constraints placed on their use are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. They are also restricted if their use is constrained by law through constitutional provisions or enabling legislation. There are no net positions restricted by enabling legislation.

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Restricted Net Position	Source of Restriction
District Revolving Fund Reserve	San Benito County Water Conservation and Flood Control District Act (Section 70-7).
San Felipe-Hollister Conduit Reserve	USBR Contract Central Valley Project-Contract Between the United States and San Benito County Water Conservation and Flood Control District for Water Service and for Operation and maintenance of Certain Works of the San Felipe Division (Contract # 8-07-20-W0130).
San Felipe Reach 1 Reserve	USBR San Felipe Division-Contract for the Transfer of the Operation and Maintenance of Certain San Felipe Division Facilities (Contract # 6-07-20-X0290): United States, Santa Clara Valley Water District, and San Benito County Water Conservation and Flood Control District.
USBR Contract Repayment Rate Management Reserve	Agreement Between Santa Clara Valley Water District and San Benito County Water District for Repayment and Management of San Felipe Division Facilities.
Reach 1 Major Repair and Replacement Reserve	Agreement Between Santa Clara Valley Water District and San Benito County Water District for Repayment and Management of San Felipe Division Facilities.
Hollister Urban Area Project Water Treatment Facilities-Replacement Reserve	Hollister Urban Area Water Supply and Treatment Agreement between the San Benito County Water District, City of Hollister, and Sunnyslope County Water District.
Other Post Employment Benefit Trust (OPEB) Reserve	Agreement Between San Benito County Water District and California Employee Retirement Benefit Trust.

10. EMPLOYEE RETIREMENT PLANS

A. *General Information about the Pension Plan*

Plan Description - All qualified employees are eligible to participate in the San Benito County Water District's (the District) Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment.

San Benito County Water District

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

	Miscellaneous	
	Classic	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	2.5%	2.0%
Required employee contribution rates	8.000%	6.750%
Required employer contribution rates	11.590%	7.590%

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. In addition to creating new retirement formulas for newly hired members, PEPRA also effectively closed all existing active risk pools to new employees.

Contribution Description - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The District's contributions were as follows:

	Fiscal Year Paid	
	2022/23	2021/22
Misc Classic	\$ 128,162	\$ 162,430
Misc PEPRA	51,825	39,813
Additional UAL	9,974	-
	<u>\$ 189,961</u>	<u>\$ 202,243</u>

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

As of June 30, 2023, the District reported net pension liabilities (assets) for its proportionate share of the net pension liability as of June 30, 2023 and 2022 were as follows:

	Proportionate Share of Net Pension Liability (Asset)	
	Fiscal Year Ended	
	June 30, 2023	June 30, 2022
District's Miscellaneous Plan	\$ 331,146	\$ (1,849,819)
Total Net Pension Liability (Asset)	<u>\$ 331,146</u>	<u>\$ (1,849,819)</u>

San Benito County Water District

Notes to Basic Financial Statements

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The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions for all participating employers, actuarially determined.

The District's proportionate share of the net pension liability as of June 30, 2023 and 2022 were as follows:

	Percentage Share of Plan		Change: Increase
	6/30/2023	6/30/2022	
Measurement date	6/30/2022	6/30/2021	
Percentage of Plan (PERF C) NPL	0.00708%	-0.03420%	0.04128%

For the year ended June 30, 2023, the District recognized pension expense of \$2,596,779. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,650	\$ 4,454
Changes of assumptions	33,933	-
Net difference between projected and actual earnings on pension plan investments	60,657	-
Change in employer proportion	1,385,393	1,070,069
Difference between the employer's contribution and the employer's proportionate share of contributions	1,285,227	320,771
Pension contributions subsequent to measurement date	189,961	-
Total	<u>\$ 2,961,821</u>	<u>\$ 1,395,294</u>

The deferred outflows of resources to contributions of \$189,961 were subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

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

Measurement Period Ended June 30,	Deferred Outflows (Inflows) of Resources
2024	\$ 553,280
2025	500,797
2026	285,389
2027	37,099
Total	<u>\$ 1,376,565</u>

San Benito County Water District

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Actuarial Methods and Assumptions used to determine Total Pension Liability - For the measurement period ended June 30, 2022 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021 total pension liability determined in the June 30, 2021 actuarial accounting valuation. The June 30, 2022 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in
Actuarial Assumptions	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table*	Derived using CalPERS's Membership Data for all Funds
Post Retirement Benefits Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

*Derived using CalPERS' Membership Data for all Funds. The morality rate includes 15 years of projected on-going mortality improvements using 80% of Scale MP 2020 published by the Society of Actuaries.

Change of Assumption – During fiscal year 2023, the discount rate used by CalPERS was revised from 7.15% to 6.90%.

Discount Rate – The discount rate used to measure the total pension liability for PERF C was 6.90 percent. 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.

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 as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set to equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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The expected real rates of return by asset class per the CalPERS' Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023 as followed:

Asset Class*	Assumed Asset Allocation	Real Return Years 1-10**
Global equity	42.00%	4.17%
Private equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	-5.00	-0.59

*In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

**An expected inflation of 2.30% used for this period

Amortization of Deferred Outflows and Deferred Inflows of Resources – Net Difference Between Projected and Actual Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earning on Pension Plan Investments is amortized over the remaining amortization periods. Net Difference Between Projected and Actual Investment Earning on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

Deferred Outflows of Resources and Deferred Inflows of Resources relating to Differences Between Expected and Actual Experience and Changes of Assumptions are amortized over the Expected Average Remaining Service Lifetime (EARSL) of members provided with pensions through the Plan determined as of the beginning of the related measurement period. The EARSL for PERF C for the June 30, 2022 measurement date is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of all 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.

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Notes to Basic Financial Statements

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Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the proportionate share of the net pension liability (asset) of the District's Plan as of the Measurement Date June 30, 2022, calculated using the discount rate of 6.90 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

	Discount Rate		
	5.90%	6.90%	7.90%
	(1% Decrease)	(Current Rate)	(1% Increase)
Measurement date		June 30, 2022	
Fiscal Year End		June 30, 2023	
Net Pension Liability (Asset)	\$ 2,044,029	\$ 331,146	\$ (1,078,133)

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

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

11. DEFERRED COMPENSATION PLAN

Employees of the District are eligible to participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code 457(b). Under the plan, employees may elect to defer a portion of their salaries before taxes.

The deferred compensation amount is not available for withdrawal by employees until termination of employment, death, disability, or financial hardship. Participants can elect to contribute up to 100% of their annual compensation, not to exceed limits established by the Internal Revenue Code.

The District has three deferred compensation plans created in accordance with Internal Revenue Code Section 457. The Small Business Job Protection Act of 1996 requires the establishment of a trust or similar vehicle to ensure that the assets of the Deferred Compensation Plans under the Internal Revenue Code 457 are protected and used exclusively for the benefit of Plan participants and/or their beneficiaries.

The 457 Plan assets totaling \$2,214,665 at June 30, 2023, consists of investments in mutual funds.

Financial institutions that administer the District's 457 Plans are as follows:

Valic	\$ 156,579
Mass Mutual	908,641
CalPERS	<u>1,149,445</u>
Total	<u><u>\$2,214,665</u></u>

San Benito County Water District

Notes to Basic Financial Statements

June 30, 2023

12. OTHER POST-EMPLOYMENT BENEFITS

A. *General Information about the OPEB Plan*

Plan Description: The District joined the Public Employees' Medical & Hospital Care Act (PEMHCA) in the year 2000 for its employees, offered through the California Public Employees' Retirement System (CalPERS). It is an agent multiple employer plan administered by CalPERS. The healthcare plan which provides medical insurance benefits to active and eligible retirees and their families accordance with memoranda of understanding with employee groups and adoption by the Board of Directors.

The plan information is as follows:

<u>Fiscal Year End</u>	<u>June 30, 2023</u>
Plan type	Agent Multiple Employer
Other Post Employment Benefit Trust	Yes
Special funding situations	No
Nonemployer contributing entities	No

Benefits and Eligibility: The District provides PEMHCA post-retirement healthcare benefits to all full-time employees who retire directly from the District after the age of 55 years and with 5 years of CalPERS service. The Minimum Employer Contribution amount is prescribed by Government Code Section 22892 of the PEMHCA. It was originally established as a specific dollar value with specified increases from calendar years 2004 through 2008. Starting in calendar year 2009, the calculated adjustments were based upon the medical care component of the Consumer Price Index-Urban (CPI-U) which is consistent with CalPERS. At that time, the District opted for the unequal method of distribution. In 2023, the District was required to pay 100% of the minimum required contribution which is \$151.

In addition, the District provides supplemental contributions to all employees who retire directly from the District combined with a regular service retirement through CalPERS. Employees must be at least 55 years of age and have a minimum 10 years of District service at retirement.

The District's monthly supplemental contributions are as follows:

<u>Number of District Service Years</u>	<u>Age at Retirement</u>		
	<u>55</u>	<u>60</u>	<u>65</u>
10 - 14	\$100	\$130	\$195
15 - 19	\$135	\$180	\$270
20+	\$175	\$232	\$348

All eligible retirees will receive the supplemental contribution regardless of PEMHCA enrollment.

In lieu of the above, the District Manager is eligible for a \$500 monthly supplemental contribution.

San Benito County Water District

Notes to Basic Financial Statements

June 30, 2023

Employees Covered: As of the June 30, 2021 actuarial valuation, the following current and former employees were covered by the benefit terms:

June 30, 2023 Fiscal Year End June 30, 2022 Measurement Date	Covered Employees
Inactive employees currently receiving benefit payments	9
Inactive employees entitled to but not yet receiving benefit payments	6
Active employees	21
Total employees	36

Contributions: The District pay's benefits on a pay-as-you-go basis. For the fiscal year ended June 30, 2023, the District's cash benefit payments were \$31,761, administrative costs of \$133, and implied subsidy payments of \$6,570, resulting in total payments of \$38,464.

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

OPEB Liability: As of the June 30, 2022 measurement date, the District's total OPEB liability were as follows:

Fiscal Year Ended Measurement Date	6/30/2023 6/30/2022	6/30/2022 6/30/2021
Total OPEB liability (TOL)	\$ 897,313	\$ 838,035
Fiduciary Net Position (FNP)	887,261	570,660
Net OPEB Liability (NOL)	\$ 10,052	\$ 267,375
Funded Status (FNP/TOL)	98.9%	68.10%

San Benito County Water District*Notes to Basic Financial Statements*

June 30, 2023

Changes in the OPEB Liability: The changes in the total OPEB liability for the District Plan are as follows:

<u>Changes in Total OPEB Liability</u>	<u>Total OPEB Liability</u>
Balance at June 30, 2022 (Measurement Date June 30, 2021)	\$ 838,035
Service cost	37,939
Interest	53,736
Benefits	-
Actual vs. expected experience	-
Changes of assumptions	-
Employer contributions*	-
Employee contributions	-
Benefit payments**	(32,397)
Administrative expenses	-
Net changes	59,278
Balance at June 30, 2023 (Measure Date June 30, 2022)	<u>\$ 897,313</u>

* As of measurement date a trust has been established but no contributions have been made and no funding policy established for future contributions.

** Included \$22,528 cash benefit payments and \$4,910 subsidy benefits payments by the District.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the fiscal year ended June 30, 2023, the District recognized OPEB credit of \$8,342 as well as a contribution reduction the Net OPEB Liability in the amount of \$257,325. As of fiscal year ended June 30, 2023, the District reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings	\$ -	\$ 93,782
Differences between expected and actual experience	39,709	269,190
Changes of assumptions	149,378	-
Employer contributions made after measurement date*	38,466	-
Total	<u>\$ 227,553</u>	<u>\$ 362,972</u>

Deferred outflows of resources in the amount of \$38,466 related to contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2024.

San Benito County Water District

Notes to Basic Financial Statements

June 30, 2023

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

Fiscal Year Ended June 30,	Deferred (Inflows) of Resources
<u>2024</u>	\$ (42,144)
2025	(35,797)
2026	(37,531)
2027	(36,948)
2028	(20,090)
Thereafter	<u>(1,375)</u>
Total	<u>\$ (173,885)</u>

Recognition of Deferred Outflows and Deferred Inflows of Resources: To smooth market volatility, gains and losses related to changes in total OPEB liability and fiduciary net position are recognized over five years. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

San Benito County Water District

Notes to Basic Financial Statements

June 30, 2023

Actuarial Methods and Assumptions Used to Determine the OPEB Liability: The District's net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021 to determine the June 30, 2023 total OPEB liability, based on the following actuarial methods and assumptions:

Significant Actuarial Assumptions and Methods used for Total OPEB Liability:

Fiscal Year End	June 30, 2023
Measurement Date	June 30, 2022
Valuation Date	June 30, 2021
Funding Policy	Ad hoc, Full ADC payment or equivalent assumed.
Actuarial value of Assets	Investment gains and losses spread over a 5-year period, not to be less than 80% nor more than 120% of market value
Discount rate	6.25%, net of investment expenses, CERBT Strategy #1
General Inflation	2.50% per annum
Mortality	CalPERS 2000-2019 experience study
Retirement	CalPERS 2000-2019 experience study
Disability	CalPERS 2000-2019 experience study
Termination	CalPERS 2000-2019 experience study
Mortality Improvement Scale	Mortality projected fully generational with Scale MP-2021
Salary increases	Aggregate - 2.75% per annum Merit - tables from CalPERS 2000-2019 experience study
Medical trend	Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Kaiser) - 4.60% for 2023, decreasing to an ultimate rate of 3.75% in 2076
PEMHCA minimum increase	4.00% per annum
Healthcare participation	Actives: 100% for supplemental contribution Actives: 40%-90% for PEMHCA contribution based on age & service at retirement Retirees: 100% if currently covered
Change of assumptions	None
Changes of benefit terms	None

San Benito County Water District

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Discount Rate: The discount rate used to measure the total OPEB liability was 6.25%. 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 and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all prior periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis: The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.25%) in measuring the Total OPEB Liability.

	Discount Rate		
	5.25%	6.25%	7.25%
	(1% Decrease)	(Current Rate)	(1% Increase)
Measurement date		June 30, 2022	
Fiscal Year End		June 30, 2023	
Total OPEB liability	\$ 123,170	\$ 10,052	\$ 85

Medical Trend Sensitivity Analysis: The following presents the total OPEB liability (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, 202:

	Medical Trend		
	(1% Decrease)	(Current Trend)	(1% Increase)
Measurement date		June 30, 2022	
Fiscal Year End		June 30, 2023	
Total OPEB liability	\$ (59,330)	\$ 10,052	\$ 96,984

13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. In an effort to manage its risk exposure, the District is a member of Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA).

The ACWA/JPIA is a risk-pooling self-insurance authority, created under provisions of California Government Code Section 6500 et seq. As part of this service, risk management guidelines are established and regularly reviewed by ACWA/JPIA. The District performance has been reviewed as satisfactory.

The District has a program of self-insurance for comprehensive and collision on the vehicles owned by the District. At June 30, 2023, self-insurance reserves were \$100,000.

San Benito County Water District

Notes to Basic Financial Statements

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The District has the following insurance policies:

Coverage	Deductible	Coverage Limit (in thousands)
General liability	N/A	Ranging from \$5,000 to \$55,000
Cyber Liability	N/A	Ranging from \$3,000 to \$5,000
Auto liability	N/A	Ranging from \$5,000 to \$20,000
Public officials liability	N/A	Ranging from \$5,000 to \$20,000
Property		
Buildings, personal property, and fixed equipment	\$5,000	\$500,000
Mobile equipment	\$2,500	\$500,000
Boiler and machinery	\$25,000/\$50,000	\$100,000 per occurrence
Crime	\$1,000	Ranging from \$1 to \$100
Workers' Compensation	N/A	Ranging from \$0 - \$2,000

There have been no significant reductions in any insurance coverage, nor have there been any insurance related settlements that exceeded insurance coverage during the past three fiscal years.

14. CONTINGENCIES AND COMMITMENTS

United States Bureau of Reclamation Water Supply Contract

On April 10, 1978, the District entered into a contract with the United States Bureau of Reclamation (USBR) for water service from the San Felipe Division of the Federal Central Valley Project (CVP). The CVP water service contract provides for both agricultural and municipal and industrial (M&I) water deliveries to the District up to a total maximum annual entitlement of 43,800 acre-feet per year.

Second Amendment to the Contract with USBR for Water Service

The District in partnership with the Santa Clara Valley Water District (SCVWD) negotiated a USBR Water Supply Contract Renewal in accordance with the USBR implementation of the Central Valley Project Improvement Act (CVPIA) and the 1997 Binding Agreement to Negotiate between the USBR and the District. The District also negotiated an amendment to its 1978 contract meeting the minimum requirements of the CVPIA to assure a continuing water supply in the event the renewal contract could not be signed, was delayed, or invalidated by legal action.

On March 28, 2007, the District signed the second amendment to USBR contract. This amended contract provided for a fixed repayment obligation and repayment schedule for the specific San Felipe facilities that serve the District.

San Benito County Water District

Notes to Basic Financial Statements

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The agreement calls for fixed semi-annual payments to the USBR due on January 1 and July 1 each year as illustrated below:

<u>Fiscal Year(s)</u>	<u>Semi-Annual Payment</u>	<u>Annual Obligation</u>
2007-2016	\$ 696,076	\$1,392,152
2017-2026	971,076	1,942,152
2027-2036	3,492,303	6,984,606

The total commitment, including capital and interest components, of the repayment contract is \$98.9 million. The remaining estimated capital commitment as of June 30, 2021 is \$68.9 million. This allocation is based on the USBR plant-in-service costs for San Felipe Division facilities that are specifically for service to the District (Hollister Conduit including the San Juan Lateral, San Justo Reservoir) and the District share of San Felipe Reach 1 facilities. The SCVWD and the District partnership basis of negotiation with the USBR, including negotiation of the capital cost allocation and repayment schedule, required a subsequent agreement between SCVWD and the District. That agreement, referred to as Agreement for Repayment and Management of San Felipe Division Facilities, was negotiated and adopted by the District's Board of Directors on January 3, 2007. As part of that agreement, SCVWD and the District agreed to share the use of the existing uncommitted capacity of the San Felipe Reach 1 facilities. The capital costs for the uncommitted capacity are included in SCVWD's repayment schedule to the USBR until 2036. The District has an option to exercise its right to retain its proportionate share of the use of the Reach 1 uncommitted capacity if it reimburses SCVWD \$4,130,709 by September 30, 2036. Interest will accrue at the 5-year Treasury note rate beginning November 2026.

Amended and Restated Contract Between the United States and San Benito County Water District (WIIN ACT Contract)

On December 16, 2016, the 114th Congress of the United States of America enacted the Water Infrastructure Improvements for the Nation Act (Pub. L. 114-322, 130 Stat. 1628) (WIIN Act). Section 4011(a)(1)(A) of the WIIN Act provides that, upon request of the contractor, the Secretary of the Interior shall convert any water service contract entered into under section (e) of the Reclamation Project Act of 1939 (53 Stat. 1195) to a repayment contract under section 9(d) of that Act (53 Stat. 1195). A repayment contract has the advantages that it is permanent and, once the remaining capital obligation, including San Felipe Division Facilities, is fully satisfied, lands within the contractor's service area are no longer subject to acreage limitation and full cost pricing of water. The contract will continue as long as the contractor continues to pay the applicable contractual charges. Additionally, the WIIN Act earmarks the accelerated payment of outstanding CVP capital costs from converted repayment contracts to an account that will be used by Reclamation to partially fund development of additional water storage projects, some of which may benefit the District.

Notwithstanding the conversion of a water service contract to a repayment contract under the WIIN Act, the conversion does not increase entitlement to CVP water deliveries. Instead, the repayment contracts are still subject to the same water entitlements, and the same CVP contract shortage provisions and policies that exist today. Reclamation will adhere to its existing process for determining water allocations based upon annual hydrological conditions and requirements to support environmental and water quality protections to the Delta and its tributaries. The repayment contract will also not change the facilities used or the manner in which water is distributed to the contractor.

San Benito County Water District

Notes to Basic Financial Statements

June 30, 2023

On October 28, 2020 the Board of Directors: (1) adopted Resolution No. 2020-17, A Resolution of the Board of Directors of the San Benito County Water District Authorizing the Filing of a Notice of Exemption from the California Environmental Quality Act for Approval of and Authorization to Execute the Amended and Restated Contract Between the United States and San Benito County Water District for Water Service, Facilities Repayment, and for Operation and Maintenance of Certain Works of the San Felipe Division; and (2) authorize District Counsel to file a validation action for the Repayment Contract which was filed November 9, 2020 and the validation judgement was granted by the Superior Court of San Benito County on February 16, 2021.

The Amended and Restated Contract between the United States and San Benito County Water District was entered into on January 22, 2021.

On February 8, 2021, the Board authorized the issuance of Series 2021 Obligations in the amount of \$2,905,000. The closing was undertaken and consummated on February 24, 2021. This financing funded the repayment of San Benito County's "in-basin" portion of the CVP capital costs pursuant to the Water Infrastructure Improvement of the Nations Act. (Refer to Note 8)

Future CVP Rates

Future CVP operations and maintenance rate increases are probable. Current USBR CVP rate policies and practices provide for annual rate determinations and through the supporting information provide the basis for determining those rates.

San Juan Water Supply Program

The District and City of San Juan Bautista (CSJB) entered into a Memorandum of Understanding (MOU) on February 24, 2021 to undertake the development of a comprehensive Water Supply Plan (WSP) for importing drinking water from the West Hills Treatment Plant. This WSP shall identify alternatives to achieve the agreed upon objectives at the lowest practical lifecycle cost and earliest practical time. The WSP will include a feasibility phase(s) and an implementation plan phase(s). Additionally, the District and CSJB agreed that the District will front the cost of the feasibility phase with an initial budget of \$180,000. Should the CSJB decide to move forward to implementation, the cost of the feasibility phase will be rolled into the final project cost. Should the CSJB decide not to move forward to implementation, CSJB will reimburse the District for all monies expended on the WSP within one hundred and eighty (180) days from such decision, and all obligations of the District to provide a surface water solution to the CSJB will have been satisfied.

Legal Challenges to Pumping Restriction in the Delta

Through its membership fees in the San Luis & Delta-Mendota Water Authority, the District participates in the cost of the ongoing legal challenges related to the biological opinions that limit the pumping in the Delta.

Zebra Mussel Infestation in San Justo Reservoir

The San Justo Reservoir, owned by USBR, is operated by the District to provide agricultural and municipal and industrial water to its customers in San Benito County. In February 2008, zebra mussels were discovered in the reservoir. The presence of zebra mussels in the Hollister Conduit and the San Felipe Distribution system has been confirmed since that time. Zebra mussels are an invasive species which attach themselves to hard substrate, thus posing a significant threat to both the ability of the District to effectively operate the reservoir as they can clog intake

San Benito County Water District

Notes to Basic Financial Statements

June 30, 2023

structures and pipelines, as well as to the reservoir's ecology. They could also spread to other water bodies. In order to continue operating the reservoir for water supply purposes and to prevent the further invasion of the water systems, the zebra mussels must be either eradicated or significantly controlled.

To achieve any solution, significant coordination among many government agencies is required to identify and implement the optimum eradication strategy. The eradication strategy must also include measures to prevent future re-infestation. Zebra Mussels have never been eradicated from a reservoir; therefore, the District's financial obligation is not known at this time.

The USBR is developing an eradication plan for the reservoir, conduit, and distribution system in cooperation with the California Department of Water Resource (DWR), the California Department of Fish and Wildlife (CDFW) and the District. Final plans and specifications are being developed by the USBR. As part of the plan, payment responsibilities will have to be negotiated.

Hollister Urban Area Agreement for Operation and Maintenance Services

In August 2013, the District and SSCWD each approved the Hollister Urban Area Agreement for Operation and Maintenance Services. This agreement establishes SSCWD as the contract operator for the Lessalt Water Treatment Plant and the West Hills Water Treatment Plant. This agreement was established for a term of 5 years with options to renew for subsequent terms of 5 years. The contract was renewed August 2018 for an additional 5-year term. Payments for the operations for the treatment plants are reflected in Contract Services. The recovery of these costs from the retailers (SSCWD and COH) are captured as a component of the finished water rates.

Pacheco Reservoir Expansion Project

The Pacheco Reservoir Expansion project includes construction of a new earthen dam a short distance upstream from the existing dam and a pipeline to connect the dam to the existing Pacheco Conduit, a federal Central Valley Project pipeline that delivers water into Santa Clara and San Benito Counties from the San Luis Reservoir. The participating agencies are the District, SCVWD and Pacheco Pass Water District. The project would expand the reservoir from 6,000 to 140,000 acre-feet and deliver water supply, water quality, and ecosystem benefits to the region. In June 2018, the Board approved a Memorandum of Agreement (MOA) with SCVWD that outlines the terms for moving forward with the project.

Originally the MOU included 2 major agreements that needed to be completed within 2 years of the signing of the agreement, an allocation of benefits agreement and a provisional operating agreement. In addition, the MOA called for the District within the 2 years to determine its participation level ranging from 0% - 10%. It is now anticipated that the date for the allocation of benefits and operating agreement will be delayed. More importantly, upon completion and execution of a side letter to the MOU the District anticipates having until the start of construction to determine the level of participation desired. The District will continue to review its level of participation as the project moves forward.

In July 2018, the Department of Water Resources announced that the Pacheco Reservoir Expansion project will receive the full funding request of \$485 million through a Proposition 1 grant naming SCVWD as grantee. Additional federal and state funding will be pursued as the project moves forward. The total project cost is currently estimated to be approximately \$2.5 billion.

San Benito County Water District

Notes to Basic Financial Statements

June 30, 2023

Litigation

The District is subject to various legal proceedings and claims that arise in the ordinary course of business. The District would pursue or defend cases vigorously through trial unless facts develop which warrant an attempt to seek an out-of-court settlement. As of June 30, 2022, the District had the following pending litigation:

United States Bureau of Reclamation (Defendant) v. Center for Biological Diversity

On May 21, 2021, San Benito County Water District, along with other CVP contractors holding WIIN Act contracts (See Note 14) were named as additional defendants in a lawsuit challenging that the United States erred in entering into converted contracts under the WIIN Act without National Environment Policy Act (NEPA) and the Endangered Species Act (ESA) compliance. The CVP contractors are working collectively in their response to this litigation.

15. SUBSEQUENT EVENTS

Events occurring after June 30, 2023 have been evaluated by Management for possible recognition or disclosure to the financial statements as of June 26, 2024 which is the date the financial statements were available to be issued.

Redistricting

On December 14, 2021, the County Board of Supervisors approved the required new map of the County election divisions based on the latest census data. Because the District's election divisions are coterminous with the County Board of Supervisors, the District's divisions have changed consistent with the County.

REQUIRED SUPPLEMENTARY INFORMATION

San Benito County Water District
Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)
and Related Ratios as of Measurement Date
Cost Sharing Defined Benefit Pension Plan
As of June 30, 2023
Last 10 Years^

	Fiscal Year End								
	06/30/23	06/30/22	06/30/21	06/30/20	06/30/19	06/30/18	06/30/17	06/30/16	06/30/15
Measurement Date	06/30/22	06/30/21	06/30/20	06/30/19	06/30/18	06/30/17	06/30/16	06/30/15	06/30/14
District's proportion of the net pension liability	0.00287%	0.03420%	0.02688%	0.02626%	0.02558%	0.02521%	0.02495%	0.02503%	0.02119%
District's proportionate share of the net pension liability (asset)	\$ 331,146	\$(1,849,819)	\$2,924,121	\$2,690,997	\$2,464,949	\$2,499,912	\$2,158,673	\$1,718,231	\$1,318,536
District's covered payroll*	\$1,968,717	\$ 1,915,571	\$1,845,948	\$1,842,615	\$1,670,981	\$1,509,491	\$1,312,916	\$1,441,464	\$1,546,276
District's proportionate share of the net pension liability (asset) as a percentage of covered payroll	16.82%	-96.57%	158.41%	146.04%	147.52%	165.61%	164.42%	119.20%	85.27%
Plan's fiduciary net position as a percentage of the plan's total pension liability (asset)	76.68%	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%

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

* For the year ending on the measurement date.

San Benito County Water District
Schedule of the District's Pension Plan Contributions
For the Fiscal Year Ended June 30, 2023
Last 10 Fiscal Years^

Contributions for the fiscal year ended	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Actuarially determined contribution	\$ 189,961	\$ 202,243	\$ 388,036	\$ 345,789	\$ 296,138	\$ 251,731	\$ 221,668	\$ 199,675	\$ 217,870
Contributions in relation to the actuarially determined contribution	189,961	202,243	3,334,012	345,789	296,138	251,731	221,668	199,675	217,870
Contribution deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,945,976)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll*	\$ 1,890,351	\$ 1,968,717	\$ 1,915,571	\$ 1,845,948	\$ 1,842,615	\$ 1,670,981	\$ 1,509,491	\$ 1,312,916	\$ 1,441,464
Contributions as a percentage of covered payroll	10.05%	10.27%	174.05%	18.73%	16.07%	15.06%	14.68%	15.21%	15.11%

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

* For the fiscal year ending on the date shown

San Benito County Water District
Schedule of Changes in the District's Net OPEB Liability
and Related Ratios as of Measurement Date
For The Year Ended June 30, 2023
Last 10 Years^

	Fiscal Year End	Fiscal Year End	Fiscal Year End	Fiscal Year End	Fiscal Year End	Fiscal Year End
	06/30/23	06/30/22	06/30/21	06/30/20	06/30/19	06/30/18
Measurement Date	6/30/22	06/30/21	06/30/20	06/30/19	06/30/18	06/30/17
Changes in total OPEB liability						
Service cost	\$ 37,939	\$ 35,860	\$ 72,508	\$ 55,171	\$ 57,105	\$ 65,374
Interest	53,736	60,015	45,054	44,813	40,634	33,922
Actual and expected experience	-	(123,455)	-	(12,951)	-	-
Changes in assumption	-	26,083	(452,724)	53,239	(43,017)	(114,363)
Actual benefits payments	(32,397)	(27,438)	(25,169)	(31,531)	(28,194)	(35,539)
Changes in benefits terms	-	-	-	-	-	-
Net changes in total OPEB liability	59,278	(28,935)	(360,331)	108,741	26,528	(50,606)
Total OPEB liability - beginning	838,035	866,970	878,599	1,118,561	1,092,033	1,142,639
Total OPEB liability - ending	<u>\$ 897,313</u>	<u>\$ 838,035</u>	<u>\$ 518,268</u>	<u>\$ 1,227,302</u>	<u>\$ 1,118,561</u>	<u>\$ 1,092,033</u>
Changes in plan fiduciary net position						
Expected return at beginning of year	\$ -	\$ -	n/a	n/a	n/a	n/a
Employer contributions	493,773	565,698	n/a	n/a	n/a	n/a
Nonemployer contributing entity contributions	-	-	n/a	n/a	n/a	n/a
Employee contributions	-	-	n/a	n/a	n/a	n/a
Net investment income	(144,497)	32,493	n/a	n/a	n/a	n/a
Benefit payments	(32,397)	(27,438)	n/a	n/a	n/a	n/a
Administrative expenses	(278)	(93)	n/a	n/a	n/a	n/a
Net changes in plan fiduciary net position	316,601	570,660	n/a	n/a	n/a	n/a
Plan fiduciary net position - beginning	570,660	-	n/a	n/a	n/a	n/a
Plan fiduciary net position - ending	<u>\$ 887,261</u>	<u>\$ 570,660</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
Net OPEB liability						
Total OPEB liability	\$ 897,313	\$ 838,035	\$ 518,268	\$ 1,227,302	\$ 1,118,561	\$ 1,092,033
Plan fiduciary net position	\$ 887,261	\$ 570,660	\$ -	\$ -	\$ -	\$ -
Net OPEB liability	\$ 10,052	\$ 267,375	\$ 518,268	\$ 1,227,302	\$ 1,118,561	\$ 1,092,033
Net OPEB liability funded percentage	98.9%	68.1%	0.0%	0.0%	0.0%	0.0%
Covered employee payroll *	\$ 2,179,647	\$ 2,179,647	\$ 2,051,887	\$ 1,970,238	\$ 2,030,312	\$ 1,825,805
Net OPEB liability as a percent of covered-employee payroll	0.46%	12.27%	25.26%	62.29%	55.09%	59.81%

^ Fiscal year 2018 was the 1st year of implementation, therefore, only six years are shown.

* For the year ending on the measurement date.

San Benito County Water District
Schedule of Employer OPEB Contributions
As of June 30, 2023
Last 10 Years

Contributions for the fiscal year ended:	06/30/23	06/30/22	06/30/21	06/30/20	06/30/19	06/30/18
Actuarially determined contribution **	\$ 29,456	\$ 70,172	\$ 110,767	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	38,464	493,773	565,698	25,227	31,603	35,683
Contribution deficiency (excess)	<u>\$ (9,008)</u>	<u>\$ (423,601)</u>	<u>\$ (454,931)</u>	<u>\$ (25,227)</u>	<u>\$ (31,603)</u>	<u>\$ (35,683)</u>
District's covered payroll *	\$ 2,249,877	\$2,179,647	\$2,189,677	\$1,970,238	\$2,030,312	\$1,825,805
Contributions as a percentage of covered-employee payroll	1.71%	22.65%	25.83%	1.28%	1.56%	1.95%

^ Fiscal year 2018 was the 1st year of implementation, therefore only six years are shown.

* For the fiscal year ended on the date shown.

** As of fiscal years 2018, 2019, & 2020, the Trust was not established and no funding policy was established for future contributions.

SUPPLEMENTARY INFORMATION

San Benito County Water District
Schedule of Net Position by Zone
June 30, 2023

	District Administration	District Zone 3	District Zone 6	District Zone 700	Total
ASSETS					
Current assets:					
Cash and investments	\$ 2,159,144	\$ 5,285,370	\$ 38,507,682	\$ 429,559	\$ 46,381,755
Receivables, net	4,663	14,968	3,340,502	16,524	3,376,657
Contract receivable - current portion	-	-	1,176,176	-	1,176,176
Prepaid expenses	5,516	39,590	55,328	1,437	101,871
Restricted cash and investments	37,757	56,635	30,524,375	-	30,618,767
Total current assets	<u>2,207,080</u>	<u>5,396,563</u>	<u>73,604,063</u>	<u>447,520</u>	<u>81,655,226</u>
Noncurrent assets:					
Contract receivable - noncurrent portioin	-	-	19,479,202	-	19,479,202
Due from other zones	342,577	-	-	(342,577)	-
Development costs	-	-	3,378,520	2,016,805	5,395,325
Capital assets, net	152,662	1,073,636	74,771,498	-	75,997,796
Total noncurrent assets	<u>495,239</u>	<u>1,073,636</u>	<u>97,629,220</u>	<u>1,674,228</u>	<u>100,872,323</u>
Total assets	<u>2,702,319</u>	<u>6,470,199</u>	<u>171,233,283</u>	<u>2,121,748</u>	<u>182,527,549</u>
Deferred Outflows of Resources					
Deferred outflows of resources - pension activities	150,773	152,817	2,661,561	(3,330)	2,961,821
Deferred outflows of resources - OPEB	5,799	6,894	214,080	780	227,553
Total Deferred Outflows of Resources	<u>156,572</u>	<u>159,711</u>	<u>2,875,641</u>	<u>(2,550)</u>	<u>3,189,374</u>

San Benito County Water District
Schedule of Net Position by Zone (continued)
June 30, 2023

	District Administration	District Zone 3	District Zone 6	District Zone 700	Total
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	3,738	8,508	2,833,889	8,451	2,854,586
Accrued wages, benefits and compensated absences	11,411	11,400	179,609	4	202,424
City National Bank loan payable - current portion	-	-	369,048	-	369,048
2021 Water Refunding Obligation Bond - current portion	-	-	174,000	-	174,000
2021 Taxable Revenue Obligation Bond - current portion	7,496	8,881	152,624	-	169,001
Due to other agencies	-	-	1,092,446	21,000	1,113,446
Contract customer water prepayments	-	-	961,640	-	961,640
Unearned contract revenue	-	-	1,176,176	-	1,176,176
Total current liabilities	22,645	28,789	6,939,432	29,455	7,020,321
Noncurrent liabilities:					
Net OPEB liability	(31,389)	(567)	40,730	1,278	10,052
Net Pension liability	(27,222)	13,809	336,884	7,675	331,146
Deposits	89,500	-	12,000	-	101,500
City National Bank loan payable -noncurrent portion	-	-	2,708,080	-	2,708,080
2021 Water Refunding Obligation Bond - noncurrent portion	-	-	2,389,000	-	2,389,000
2021 Taxable Revenue Obligation Bond - noncurrent portion	109,136	129,316	2,222,548	-	2,461,000
Unearned contract revenue	-	-	19,479,201	-	19,479,201
Total noncurrent liabilities	140,025	142,558	27,188,443	8,953	27,479,979
Total liabilities	162,670	171,347	34,127,875	38,408	34,500,300
Deferred Inflows of Resources					
Deferred inflows of resources - pension activities	80,809	76,698	1,239,654	(1,867)	1,395,294
Deferred inflows of resources -OPEB	21,647	19,967	321,937	(579)	362,972
Total deferred inflows of resources	102,456	96,665	1,561,591	(2,446)	1,758,266
NET POSITION					
Net investment in capital assets	152,662	1,073,636	71,694,370	-	72,920,668
Restricted	112,757	56,635	30,449,375	-	30,618,767
Unrestricted	2,328,346	5,231,627	36,275,713	2,083,236	45,918,922
Total net position	\$ 2,593,765	\$ 6,361,898	\$ 138,419,458	\$ 2,083,236	\$ 149,458,357

San Benito County Water District
Schedule of Revenues, Expenses and Changes in Net Position by Zone
For the Year Ended June 30, 2023

	District Administration	District Zone 3	District Zone 6	District Zone 700	Total
Operating revenue	\$ 32,854	\$ 2,397	\$ 8,040,487	\$ 485,841	\$ 8,561,579
Operating expenses:					
Cost of water	-	-	1,875,591	-	1,875,591
Wages and employee related expenses	133,807	150,727	2,471,638	14,443	2,770,615
Pension cost expense (gain)	148,271	128,848	2,310,522	9,138	2,596,779
Contract services	27,468	35,972	3,600,762	96,835	3,761,037
Material and equipment	5,248	10,791	380,189	2,299	398,527
General and administrative	45,861	55,984	323,040	938	425,823
Utility expenses	2,981	1,871	434,608	-	439,460
Depreciation and amortization	6,697	45,188	3,576,922	-	3,628,807
Total operating expenses	370,333	429,381	14,973,272	123,653	15,896,639
Operating (loss) income	(337,479)	(426,984)	(6,932,785)	362,188	(7,335,060)
Nonoperating revenue (expenses):					
Taxes and assessments	329,650	677,732	11,050,680	-	12,058,062
Grant revenue	-	-	-	21,965	21,965
Other nonoperating revenues	3,800	42	216,294	-	220,136
Interest revenues	60,512	136,583	1,159,504	(7,075)	1,349,524
Investment loss	(14,048)	(31,995)	(550,242)	(5,036)	(601,321)
Interest expense	(3,512)	(4,161)	(177,164)	-	(184,837)
Other nonoperating expenses	1,132	66	(6,468)	-	(5,270)
Net nonoperating revenue (expenses)	377,534	778,267	11,692,604	9,854	12,858,259
Change in net position	40,055	351,283	4,759,819	372,042	5,523,199
Net position, beginning of year	2,553,710	6,010,615	133,659,639	1,711,194	143,935,158
Net position, end of year	\$ 2,593,765	\$ 6,361,898	\$ 138,419,458	\$ 2,083,236	\$ 149,458,357

STATISTICAL SECTION

San Benito County Water District

Index to Statistical Section

This part of the District's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statement, note disclosures, and required supplemental information says about the District's overall financial health.

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Financial Trends - These schedules contain information to help the reader understand how the District's financial performance and well-being have changes over time.

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Revenue Capacity - These schedules contain information to help the reader assess the District's most significant local revenue source.

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Debt Capacity - These schedule present information to help the reader assess the affordability of the District's current level of outstanding debt and the District's ability to issue additional debt in the future.

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San Benito County Water District

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net investment in capital assets	\$ 29,457,762	\$ 37,185,847	\$ 34,299,203	\$ 35,373,195	\$ 72,109,187	\$ 72,194,916	\$ 71,861,508	\$ 74,439,791	\$ 73,679,010	\$ 72,920,668
Restricted	27,316,844	28,132,497	22,223,966	12,561,409	14,757,227	17,153,942	20,332,324	23,812,594	27,219,448	30,618,767
Unrestricted	31,975,236	27,346,003	38,457,517	54,153,120	22,067,172	28,149,841	34,288,935	35,625,960	43,036,700	45,918,922
Total net position	\$ 88,749,842	\$ 92,664,347	\$ 94,980,686	\$ 102,087,724	\$ 108,933,586	\$ 117,498,699	\$ 126,482,767	\$ 133,878,345	\$ 143,935,158	\$ 149,458,357

◇ Data Source: San Benito County Water District Finance Department

San Benito County Water District
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating Revenue	\$3,903,177	\$2,843,275	\$5,714,866	\$7,210,567	\$10,677,462	\$11,534,728	\$12,052,072	\$12,233,531	\$9,363,846	\$8,561,579
<u>Operating Expenses:</u>										
Cost of water	2,535,865	1,872,250	4,697,854	4,506,623	3,278,371	3,474,081	3,368,026	3,204,849	2,458,690	1,875,591
Wages & employee related expenses	2,443,690	2,748,269	2,084,974	2,451,033	2,854,759	2,825,785	3,128,107	2,555,810	(856,366)	5,367,394
Contract services	893,818	1,165,888	1,469,829	1,849,021	2,701,406	2,907,748	3,232,028	3,635,982	3,940,006	3,761,037
Material and equipment	198,497	186,493	158,580	258,287	358,395	326,308	277,170	614,992	353,798	398,527
General and administrative	217,000	179,793	233,644	196,956	285,786	303,641	322,773	337,464	358,387	425,823
Utility expenses	199,557	272,634	302,785	355,717	517,546	580,358	561,454	448,758	419,758	439,460
Depreciation and amortization	1,080,366	1,114,107	1,633,108	1,738,224	1,800,724	2,823,117	2,991,941	3,115,945	3,449,944	3,628,807
Total operating expenses	7,568,793	7,539,434	10,580,774	11,355,861	11,796,987	13,241,038	13,881,499	13,913,800	10,124,217	15,896,639
Operating income (loss)	(3,665,616)	(4,696,159)	(4,865,908)	(4,145,294)	(1,119,525)	(1,706,310)	(1,829,427)	(1,680,269)	(760,371)	(7,335,060)
<u>Nonoperating revenue (expenses):</u>										
Taxes and assessments	5,806,963	6,359,153	6,789,691	7,547,080	8,164,379	8,752,057	9,260,128	9,826,204	10,521,329	12,058,062
Grant revenue	202,919	4,086,989	663,741	651,555	404,940	407,141	1,020,720	1,435,394	1,022,649	21,965
Other nonoperating revenues	214,385	225,935	1,317,254	225,204	234,969	276,288	221,042	209,932	211,747	220,136
Interest and investment revenues	167,755	114,279	193,973	265,996	483,673	941,831	971,618	328,711	121,863	1,349,524
Investment gain or loss	(45,309)	(719)	10,467	(57,699)	(33,434)	136,503	185,336	(218,881)	(491,891)	(601,321)
Interest expense	-	(1,462)	(88,419)	(168,121)	(158,306)	(148,435)	(138,244)	(127,722)	(192,647)	(184,837)
Loss on disposal of assets	-	-	-	-	-	-	-	(50,999)	-	-
Capital contributions to other Government	-	(724,648)	-	-	-	-	-	-	-	-
Other nonoperating expenses	(130,928)	(71,701)	(1,704,460)	(611,683)	(389,043)	(93,962)	(707,105)	(2,326,792)	(375,866)	(5,270)
Net nonoperating revenue (expenses)	6,215,785	9,987,826	7,182,247	7,852,332	8,707,178	10,271,423	10,813,495	9,075,847	10,817,184	12,858,259
<u>Capital Contribution:</u>										
Capital contribution	2,866,656	250,000	-	3,400,000	-	-	-	-	-	-
Capital contributions	2,866,656	250,000	-	3,400,000	-	-	-	-	-	-
Change in net position	5,416,825	5,541,667	2,316,339	7,107,038	7,587,653	8,565,113	8,984,068	7,395,578	10,056,813	5,523,199
<u>Prior period adjustment:</u>										
Pension liabilities	-	(1,627,162)	-	-	-	-	-	-	-	-
OPEB liabilities	-	-	-	-	(741,791)	-	-	-	-	-
Change in net position, adjusted	\$5,416,825	\$3,914,505	\$2,316,339	\$7,107,038	\$6,845,862	\$8,565,113	\$8,984,068	\$7,395,578	\$10,056,813	\$5,523,199

◇ Data Source: San Benito County Water District Finance Department

San Benito County Water District
Operating Revenue by Category
Last Ten Fiscal Years
(accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Water Sales - San Felipe	\$ 2,688,416	\$ 1,457,159	\$ 3,550,238	\$ 2,833,717	\$ 3,401,130	\$ 3,317,804	\$ 3,821,575	\$ 3,678,907	\$ 1,146,099	\$ 724,825
Power Charge - San Felipe	302,321	166,730	188,700	585,253	1,097,962	779,389	499,693	395,631	116,567	115,297
Water Sales - Recycled Water	-	-	13,594	52,362	69,620	73,602	101,640	89,632	111,516	116,336
Power Charge - Recycled Water	-	-	4,297	16,711	18,932	21,810	29,704	23,908	31,072	34,996
Finished Water Sales - Treatment Plant	593,291	871,995	1,634,856	3,320,073	5,796,193	6,912,136	7,214,188	7,513,573	6,636,645	6,364,657
Service & Demand (Rural Systems)	13,881	18,960	19,320	19,680	20,520	21,000	21,000	1,750	-	-
Energy Charge (Rural Systems)	-	-	-	-	-	-	-	-	-	-
Transfers & Exchanges	4,089	3,611	2,819	3,195	3,461	3,240	3,412	3,531	3,865	2,401
Groundwater Charges	229,559	230,898	227,656	277,578	236,194	306,734	276,797	433,162	602,545	490,831
Well Permit Fees	20,468	20,390	11,003	10,348	10,001	45,068	43,845	37,508	52,784	32,874
Groundwater Management Fees	-	-	-	-	-	-	-	-	482,653	485,842
Other Operating Revenue	51,151	73,532	62,383	91,650	23,449	53,945	40,218	55,929	180,100	193,520
	<u>\$ 3,903,177</u>	<u>\$ 2,843,275</u>	<u>\$ 5,714,866</u>	<u>\$ 7,210,567</u>	<u>\$ 10,677,462</u>	<u>\$ 11,534,728</u>	<u>\$ 12,052,072</u>	<u>\$ 12,233,531</u>	<u>\$ 9,363,846</u>	<u>\$ 8,561,579</u>

◇ Data Source: San Benito County Water District Finance Department

San Benito County Water District
Water Rates
San Felipe Distribution System
Last Ten Fiscal Years

Water Year Ended February 28	Agricultural Rate	Municipal & Industrial Rate	Power Charge by Subsystem					Standby & Availability Per Acre
			2	6H	9L	9H	All Others	
			Per Acre Foot					
2015	\$170.00	\$238.00	\$41.55	\$30.15	\$44.35	\$94.30	\$23.10	\$6.00
2016	\$179.00	\$247.00	\$42.75	\$31.05	\$45.70	\$97.15	\$23.80	\$6.00
2017	\$272.00	\$363.00	\$123.10	\$75.65	\$109.95	\$162.55	\$66.05	\$6.00
2018	\$191.00	\$363.00	\$126.80	\$77.90	\$113.25	\$167.45	\$68.05	\$6.00
2019	\$209.00	\$363.00	\$130.60	\$80.25	\$116.65	\$172.45	\$70.10	\$6.00
2020	\$254.00	\$404.00	\$80.45	\$39.30	\$88.15	\$130.30	\$33.70	\$6.00
2021	\$265.00	\$415.00	\$82.85	\$40.45	\$90.80	\$134.20	\$34.75	\$6.00
2022	\$274.00	\$424.00	\$85.35	\$41.50	\$93.55	\$138.25	\$35.75	\$6.00
2023	\$274.00	\$424.00	\$85.35	\$41.50	\$93.55	\$138.25	\$35.75	\$6.00
2024	\$294.00	\$753.00 (1)	\$40.20	\$40.20	\$94.00	\$94.00	\$40.20	\$6.00

◇ Data Source: San Benito County Water District Finance Department

◇ Water Year - March through February

(1) 2024 Municipal & Industrial Rate includes \$100 water reliability charge

San Benito County Water District
Principal Land Taxpayers (San Benito County Water District - Zone 6)

2022-2023			
Taxpayer	Rank	Assessed Land Valuation	Percentage of Total Assessed Land Value
San Juan Oaks LLC	1	\$ 38,030,852	1.02%
ET Hollister LLC	2	25,000,000	0.67%
AG Essential Housing CA 2 LP	3	23,459,940	0.63%
Clearist Park Inc a Calif Corp	4	19,632,263	0.53%
Rosati-Hollister LP	5	19,498,600	0.52%
Dobler Ranches LP a Calif Ltd Part	6	15,166,139	0.41%
Award Homes Inc a CA Corp	7	14,672,351	0.39%
Property Reserve Inc	8	13,666,850	0.37%
Century Communities of CA LLC	9	12,650,000	0.34%
Filice Enterprises LP a CAL LP	10	10,740,495	0.29%
Assessed Largest Land Taxpayers		192,517,490	5.15%
Assessed Land Value for Other Land Taxpayers		<u>3,544,158,370</u>	
Total Assessed Land Value for Zone 6 Land Taxpayers		<u><u>\$3,736,675,860</u></u>	

◇ Data Source: San Benito County Assessor's Office - County Tax Roll 2022

◇ San Benito County Water District Zone 6 San Felipe Project Land Tax is \$.25 per \$100

2013-2014			
Taxpayer	Rank	Assessed Land Valuation	Percentage of Total Assessed Land Value
Property Reserve Inc.	1	\$ 28,776,835	1.57%
Award Homes Inc.	2	13,000,000	0.71%
Dobler Ranches LP	3	12,994,621	0.71%
K&S Market Inc.	4	12,085,183	0.66%
Anderson, Larry W-Georgeann N.	5	11,388,227	0.62%
Filice Enterprises LP	6	8,566,658	0.47%
Granite Rock Co. #29381	7	7,786,277	0.43%
Roberts, Janet P. Family Trust	8	6,115,976	0.33%
San Juan Oaks LLC	9	5,487,864	0.30%
Christopher D. & Sons a Gen. Part.	10	5,490,643	0.30%
Assessed Largest Land Taxpayers		111,692,284	6.11%
Assessed Land Value for Other Land Taxpayers		<u>1,716,683,434</u>	
Total Assessed Land Value for Zone 6 Land Taxpayers		<u><u>\$1,828,375,718</u></u>	

◇ Data Source: San Benito County Assessor's Office - County Tax Roll 2013

**San Benito County Water District
District Debt
Last Ten Fiscal Years**

	<u>Capital Lease</u>	<u>DHCCP (1)</u>	<u>City National Bank (2)</u>	<u>Zions Bancorporation (3)</u>	<u>Sterling National Bank (4)</u>	<u>Total Debt</u>	<u>Population (5)</u>	<u>Debt per Capita</u>
2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	56,219	\$ -
2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	56,452	\$ -
2016	\$ -	\$ -	\$ 5,355,867	\$ -	\$ -	\$ 5,355,867	56,624	\$ 94.59
2017	\$ -	\$ -	\$ 5,060,619	\$ -	\$ -	\$ 5,060,619	56,879	\$ 88.97
2018	\$ -	\$ -	\$ 4,755,808	\$ -	\$ -	\$ 4,755,808	57,088	\$ 83.31
2019	\$ -	\$ -	\$ 4,441,126	\$ -	\$ -	\$ 4,441,126	62,296	\$ 71.29
2020	\$ -	\$ -	\$ 4,116,253	\$ -	\$ -	\$ 4,116,253	62,353	\$ 66.02
2021	\$ -	\$ -	\$ 3,780,858	\$ 2,905,000	\$ 3,016,000	\$ 9,701,858	63,526	\$ 152.72
2022	\$ -	\$ -	\$ 3,434,601	\$ 2,734,000	\$ 2,794,000	\$ 8,962,601	65,479	\$ 136.88
2023	\$ -	\$ -	\$ 3,077,128	\$ 2,563,000	\$ 2,630,001	\$ 8,270,129	65,666	\$ 125.94

- (1) San Luis Delta Mendota Water Agency; Delta Habitat, Conservation and Conveyance Plan (DHCCP)
- (2) City National Bank; Hollister Urban Area Tranche 3 and Recycled Water Loan
- (3) Zions Bancorporation, N.A.; USBR In-Basin Capital Payoff
- (4) Sterling National Bank; CalPERS UAL Payoff
- (5) State of California, Department of Finance (<http://dof.ca.gov/forecasting/demographics/estimates-e1/>)
San Benito County

◇ Data Source: San Benito County Water District Finance Department

**San Benito County Water District
Demographics and Economic Statistics
Last Ten Fiscal Years**

Year	County of San Benito					
	Population	Personal Income	Per Capita	School Enrollment	Unemployment	
	(1)	(2)	Personal Income	(3)	Rate (4)	
2014	(5)	56,219	\$ 2,424,642,000	\$ 43,129	11,206	10.1%
2015	(5)	56,452	\$ 2,691,239,000	\$ 47,673	11,166	7.6%
2016	(5)	56,624	\$ 2,870,816,000	\$ 50,700	11,114	7.1%
2017	(5)	56,879	\$ 3,096,482,000	\$ 54,440	11,164	6.8%
2018	(5)	57,088	\$ 3,235,448,000	\$ 56,675	11,253	5.8%
2019	(5)	62,296	\$ 3,470,822,000	\$ 55,715	11,438	5.1%
2020	(5)	62,353	\$ 3,894,963,000	\$ 62,466	11,545	4.8%
2021	(5)(7)	63,526	\$ 4,143,744,000	\$ 65,229	11,427	7.6%
2022	(6)	65,479	\$ 4,169,135,000	\$ 63,671	11,897	4.2%
2023	(6)	65,666	not available	not available	11,901	5.9%

◇ Data Sources:

- (1) State of California, Department of Finance (<http://dof.ca.gov/forecasting/demographics/estimate-e1/>)
- (2) Bureau of Economic Analysis (<http://www.bea.gov>)
- (3) Ed-data (<http://www.ed-data.org/county/San-Benito>)
- (4) U.S. Bureau of Labor Statistics (<http://www.bls.gov>)
- (5) These population estimates incorporate 2010 census counts
- (6) These population estimates incorporate 2020 census counts
- (7) Personal Income and Per Capita Personal Income for 2021 were revised as of April 24, 2024.

◇ The District encompasses all of San Benito County, with an area of approximately 1,400 square miles. Residential communities served include: City of San Juan Bautista, City of Hollister, unincorporated urban areas surrounding Hollister and Tres Pinos.

◇ Personal Income and Per Capita Personal Income for 2023 were not available as of April 24, 2024.

San Benito County Water District
Principal Employers, San Benito County

Company	2013			2022			2023		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
	not available			not available			not available		

San Benito County Water District
Central Valley Project - San Felipe Division
Water Deliveries to San Benito County
(1988-2023)
(Totals in Acre Feet)

Water Year Ended February 28	Total Delivered Through Reach 1 Bifurcation	Water Year Ended February 28	Total Delivered Through Reach 1 Bifurcation
1988	12,399	2009	17,288
1989	11,992	2010	8,810
1990	21,678	2011	17,456
1991	21,512	2012	22,200
1992	7,121	2013	19,597
1993	11,242	2014	14,256
1994	28,661	2015	8,834
1995	12,631	2016	3,171
1996	29,652	2017	13,397
1997	28,482	2018	23,635
1998	35,702	2019	22,651
1999	16,143	2020	22,599
2000	21,647	2021	17,813
2001	24,525	2022	6,049
2002	20,625	2023	3,505
2003	24,381		
2004	26,039		
2005	24,705		
2006	22,501		
2007	24,750		
2008	22,718		

- ◇ Data Source: San Benito County Water District Bifurcation Delivery Summary
- ◇ 1 Acre Foot = 325,851 gallons
- ◇ Water Year = March through February

**San Benito County Water District
Number of Employees by Department
Last Ten Fiscal Years**

For Fiscal Year Ended	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Administration & Finance	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 3/5	6 3/5	6 3/5	6 3/5	8
Engineering	3	3	3	3	3	4	4	4	4	5
Water Office	2	2	2	2	2	2	2	2	2	2
Operations & Maintenance	7 1/2	7 1/2	7 1/2	6 1/2	6 1/2	5 1/2	6 1/2	6 1/2	6 1/2	6 1/2
Water Conservation	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
	20 1/2	20 1/2	20 1/2	19 1/2	19 1/2	19 3/5	20 3/5	20 3/5	20 3/5	23

◇ Data Source: San Benito County Water District Finance Department, Authorized Staffing List

**San Benito County Water District
Operating Indicators by Function/Program
(2014-2023)**

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Well Applications Processed	166	135	77	64	50	56	54	48	77	43
Number of Open Reservoirs	3	3	3	3	3	3	3	3	3	3
Active Capacity of Open Reservoirs (in Acre Feet)	30,935	30,935	30,935	30,935	30,935	30,935	30,935	30,935	30,935	30,935
San Felipe Water Usage (1)										
Agricultural (Acre Feet)	12,688	7,070	3,339	4,277	15,224	13,515	12,653	12,183	4,824	457
Municipal & Industrial (Acre Feet)	2,575	1,434	2,060	2,128	2,902	4,442	4,723	4,727	2,814	1,797
Groundwater Usage (2) (4)										
Agricultural (Acre Feet)	24,174	20,930	29,229	28,107	17,294	20,437	16,428	17,369	23,298	23,929
Municipal & Industrial (Acre Feet)	5,972	6,738	5,202	5,241	5,071	4,396	3,241	3,418	5,115	5,816
Number of Vehicles										
Regular Fleet	11	11	11	11	11	13	13	15	18	14
Heavy Equipment/Vehicles	4	4	4	4	4	4	4	4	5	4
Transmission / Distribution Facilities										
Number of Pumping Stations	4	4	4	4	4	4	4	4	4	4
Number of Pumps	20	20	20	20	20	20	20	20	20	20
Number of Subsystem Valve & Control Structures	9	9	9	9	9	9	9	9	9	9
Number of Percolation Valve & Control Structures	3	3	3	3	3	3	4	4	4	4
Miles of Pipeline Maintained by District (approx.)										
Hollister Conduit	17	17	17	17	17	17	17	17	17	17
San Juan Lateral	2	2	2	2	2	2	2	2	2	2
San Felipe Subsystem	150	150	150	150	150	150	150	150	150	150
Recycled Water Pipeline (3)			2	2	2	2	2	2	2	2

◇ Data Source: San Benito County Water District Finance Department

◇ Fiscal Year totals unless noted otherwise

◇ 1. Central Valley Project year - March through February (e.g., 2023 represents March 2022 through February 2023)

◇ 2. Groundwater year - October through September (e.g., 2023 represents October 2021 through September 2022)

◇ 3. Recycled Water Pipeline constructed in 2016

◇ 4. 2022 Groundwater Usage amount for Municipal & Industrial was revised

San Benito County Water District
Operating Indicators by Function/Program (continued)
(2014-2023)

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Federal Water Supply Contract (1)										
100% Total Contract Entitlement - 43,800 Acre Feet										
Annual Allocation Consisting of:										
Irrigation Contract (in Acre Feet)	7,649	-	-	1,778	35,550	17,775	20,663	8,760	-	-
Municipal & Industrial Contract (in Acre Feet)	3,889	2,778	2,063	4,538	8,250	6,188	8,250	5,775	2,063	2,063
Number of Customer Accounts										
Groundwater Wells										
Agricultural (active)	417	431	432	449	450	453	455	462	470	481
Agricultural (inactive)	209	208	210	210	208	208	205	205	205	205
Domestic (active)	660	673	692	709	721	723	731	739	733	732
Domestic (inactive)	176	176	176	175	175	176	176	176	175	177
San Felipe										
Agricultural Contract	509	515	582	564	565	567	554	567	563	575
Municipal & Industrial Contract	78	78	78	91	87	93	71	66	68	70
Small Parcel	460	455	392	397	393	391	425	411	415	409
Rural Water System	10	10	10	10	10	10	10	N/A	N/A	N/A
Recycled Water	-	-	36	36	36	36	36	36	36	36
Water Treatment Plants	1	1	1	2	2	2	2	2	2	2
Raw Water Provided (in Acre Feet)	1,206	1,178	1,864	2,060	3,177	4,323	4,590	4,084	2,382	1,920

◇ Data Source: San Benito County Water District Finance Department

◇ Fiscal Year totals unless noted otherwise

◇ 1. Central Valley Project year - March through February (e.g., 2023 represents March 2022 through February 2023)

San Benito County Water District
Facilities

United States Bureau of Reclamation Facilities

The District is responsible for operation and maintenance of the following United States Bureau of Reclamation project facilities:

District operated and maintained:

San Justo Reservoir:

10,300 acre-feet capacity

Outlet - 60 inch pipe, 0.84 miles, capacity of 85 cfs

Hollister Conduit:

54 and 60 inch pipe, 17.03 miles, capacity of 93 cfs

San Juan Lateral:

42 inch pipe, 2.11 miles, capacity of 45 cfs

Facilities operated and maintained in conjunction with Santa Clara Valley Water District

San Felipe Reach 1:

Pacheco Pumping Plant-

approximately 300 ft lift, 12 pumps, total capacity of 600 cfs with a total installed horsepower of 24,000

Pacheco Tunnel-114 inch pipe, 5.23 miles, capacity of 480 cfs.

Pacheco Conduit---120 inch pipe, 7.93 miles, capacity of 480 cfs.

San Benito County Water District Facilities:

San Felipe Distribution System:

4 Pumping Stations (consist of 20 pumps with a total capacity of 132 cfs, and total installed horsepower of 2,800)

9 Subsystem Valve and Control Structures, total capacity of 196 cfs.

4 Percolation Valve and Control Structures, total capacity of 39 cfs.

San Felipe Subsystem Pipelines (diameters range from 6 to 36 inches; approximately 150 miles)

Recycled Water Pipeline:

14 inch pipe, 2.0 miles, capacity of 4,000 gpm

Water Treatment Plants:

Lessalt Water Treatment Plant

West Hills Water Treatment Plant

San Benito River System:

Hernandez Reservoir Capacity: Total: 30,000 ac. ft.

Flood Control: 11,500 ac. ft.

Active Capacity: 17,300 ac. ft.

Paicines Reservoir 3,335 ac. ft. capacity

Paicines Canal (50 cfs) approx. 8 miles

Paicines Canal Diversion Facilities

(Milton Diversion Dam, Hill Gate, and Sand Gate-50 cfs)

Dos Picachos Diversion (capacity of 4.75 cfs)

◇ Data Source: San Benito County Water District Engineering Department