Borrego Water District Board of Directors
Audit & Budget Standing Committee
June 06, 2023 @ 2:00 p.m.
806 Palm Canyon Drive
Borrego Springs, CA 92004

I. OPENING PROCEDURES

- **A.** Call to Order
- **B.** Committee Members Roll Call: President Dice, Director Moran
- **C.** Approval of Agenda
- **D.** Comments & Requests for Future Agenda Items (may be limited to 3 min)

II. ITEM FOR AUDIT & BUDGET COMMITTEE CONSIDERATION AND POSSIBLE ACTION

- **A.** Review of Fiscal Year 2022 Draft Audit – J. Clabaugh
- **B.** Discussion of Fiscal Year 2024 Budget CIP and Cash Reserves – G. Poole & J. Clabaugh

III. CLOSING PROCEDURE: Next Committee Meeting - TBA

AUDIT & BUDGET COMMITTEE AGENDA: June 06, 2023

All Documents for public review on file with the District's secretary located at 806 Palm Canyon Drive, Borrego Springs CA 92004. Any public record provided to a majority of the Board of Directors less than 72 hours prior to the meeting, regarding any item on the open session portion of this agenda, is available for public inspection during normal business hours at the Office of the Board Secretary, located at 806 Palm Canyon Drive, Borrego Springs CA 92004.

The Borrego Springs Water District complies with the Americans with Disabilities Act. Persons with special needs should call Geoff Poole at (760) 767 – 5806 at least 48 hours in advance of the start of this meeting, in order to enable the District to make reasonable arrangements to ensure accessibility.

If you challenge any action of the Board of Directors in court, you may be limited to raising only those issues you or someone else raised at the public hearing, or in written correspondence delivered to the Board of Directors (c/o the Board Secretary) at, or prior to, the public hearing.

Borrego Water District Board of Directors
Audit & Budget Standing Committee
June 06, 2023 @ 2:00 p.m.
806 Palm Canyon Drive
Borrego Springs, CA 92004
ITEM II. A.

June 05, 2023

To: Audit & Budget Committee

From: Jessica Clabaugh, Finance Officer

Subject: Fiscal Year 2022 Draft Audit Report Review

RECOMMENDED ACTION

Request Edits and/or Recommendation for Approval

ITEM EXPLAINATION

BWD has received the enclosed Draft Audit Report from Leaf & Cole, LP. Jessica will present a general overview and address any questions or discussion items that arise.

FISCAL IMPACT

None.

ATTACHMENTS

Attachment 1 – FY22 DRAFT Audit & Financial Statements

BORREGO WATER DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Leaf & Cole, LLP
Certified Public Accountants

BORREGO WATER DISRICT
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

TABLE OF CONTENTS

May ____, 2023

To the Honorable President and Members of the Board of Directors and Customers of the Borrego Water District:

State law requires that all general-purpose local governments and special districts publish each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The Annual Financial Report of the Borrego Water District (BWD; District) for fiscal year ended June 30, 2022 is hereby submitted as required by Leaf and Cole, LLP., a firm of licensed certified public accountants, who has audited the District's financial statements.

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

Management assumes full responsibility for the completeness and reliability of the information contained in this Transmittal Letter, the MD&A, the accompanying financial statements, and the Supplemental Schedules, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2022 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2022 are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this year's audit report.

PROFILE OF THE DISTRICT

The District was established in 1962 as a State of California special district (Water Code § 35565) to provide water and sewer services and flood risk management and gnat abatement for areas in the Borrego Springs community. The District acquired neighboring Borrego Springs Water Company in 1997 and in 2009 acquired Borrego Springs Park Community Services District. The present size of the District's service area is approximately 50 square miles. Borrego Springs is an unincorporated destination community of approximately 3,500 full-time and approximately 8,000 winter residents, located in a remote northeast corner of San Diego County, approximately 90 miles drive from San Diego and 87 miles drive from Palm Springs.

Borrego Springs is surrounded on all sides by the Anza-Borrego Desert State Park (the Park). The Park, which encompasses over 248,880 hectares (615,000 acres) in and around the Borrego Valley, was established in 1933 to protect this unique desert environment. The military presence of both the Army and Navy during World War II brought the first paved roads and electricity to Borrego Springs. After the war, developers subdivided the area, attempting to create a resort community by capitalizing on the tourism generated by the Park. The Park is the largest state park in California. It was designated as a National Natural Landmark in 1974 and a Biosphere Reserve in the 1980's by the United Nations.

The Park contains approximately 85% of State designated wilderness area within California and is approximately the size of Rhode Island. The Park attracts more than 500,000 visitors to the region on an average year. Borrego Springs can welcome more than a million visitors to its community on a super bloom year, as in the springs of 2017 and 2019. An economic study developed for the Anza-Borrego Foundation (ABF) estimates the revenue to the region generated by visitation to the Park during an average year is approximately $40 million annually (BBC Consulting, 2012).

Infrastructure

The District has 9 production wells with a replacement cost of approximately $1,500,000 each. These production wells are located primarily in the Central Management Area of the groundwater basin and are connected to approximately 100 miles of distribution lines. The District's water system serves approximately 2,059 residential, commercial, institutional, and irrigation customers. The District currently delivers approximately 1,600 acre-feet (521 million gallons) annually to its customers. The District also provides sewer and wastewater treatment services to approximately 830 customers located primarily in the Town Center, Club Circle and Rams Hill developments. The District's flood control authority is presently exercised only at Rams Hill. The estimated present replacement cost value of the District's water, sewer and wastewater treatment facilities infrastructure is approximately $95,000,000 in 2022 dollars.

Governance

A five-member board of directors work as a team to govern the affairs of the District. The board is elected at large by the registered voters residing within the District's boundaries, with vacant positions that occur between elections appointed by the existing board and during election years by the San Diego County Board of Supervisors if there is no competition for a seat on the board. The directors, who are elected or appointed, are residents and have similar concerns as their constituents.

The board members, who serve four-year staggered terms, are responsible for establishing the direction of the District through adopting policies and ordinances for the smooth running of the District; ensuring that sound fiscal policy exists; that management practices and controls are in place for accountability; adopting the annual budget; approving personnel policies and organizational structure; hiring the District's General Manager; and hiring other advisors to the board, such as the District's legal counsel, financial and other advisors, as may be required. The General Manager is responsible for carrying out the policies and ordinances approved by the District's board, for overseeing the day-to-day operations of the District, and for meeting the customer service and financial objectives set forth in the annual operating and capital improvements projects (CIP) budget approved by the board.

Groundwater Supply, Usage & Availability

The Borrego Springs Subbasin (Subbasin) of the Borrego Valley Groundwater Basin is located at the western-most extent of the Sonoran Desert. The Borrego Springs community overlying the Subbasin relies on local groundwater resources from the Subbasin as the sole source of municipal drinking water, domestic supply, and agricultural irrigation.

The California Department of Water Resources (DWR) has designated the 98-square-mile Subbasin as high priority and critically over drafted. Chronic lowering of groundwater levels in the Subbasin’s three aquifers has historically occurred and is ongoing. The critical overdraft annually exceeds the long-term sustainable yield of the Subbasin. Presently, there are no economically viable alternative sources of imported water supply.

The primary source of water to the Subbasin is surface water (storm water and ephemeral stream flow) that flows into the valley from adjacent mountain watersheds and infiltrates within the valley. The contributory watersheds are approximately 400 square miles (sq. mi) and much larger in area than the approximately 98 sq. mi (62,776 acres) Subbasin. Direct recharge by rainfall within the valley is very low compared to surface water inflows as the annual rainfall averages 5.8 inches per year (in/yr). Stream and flood flows from the adjacent watersheds provide the bulk of the water that enters the Subbasin.

The current hydrologic conceptual model for the aquifer system is that it consists of three unconfined aquifers; the upper, middle and lower aquifers. The upper and middle aquifers are the primary sources of groundwater currently and are typically comprised of unconsolidated sediments. However, with time, the upper aquifer has already become or is expected to become dewatered and the lower aquifer will become a more important source of water as overdraft continues. These three aquifers, Pleistocene (2.5 million years ago) to Holocene (11,700 years ago) era fossil water deposits, are the community's sole source of water. In modern times, the upper and middle aquifers have been the principle sources for groundwater pumping in Borrego Valley.

Since 1945, when large scale pumping began in the Borrego Springs area following World War II, the cumulative volume loss within the Subbasin (which accounts for both annual inflows and outflows) has been approximately 520,000 acre-feet (AF), equivalent to about one-third of the groundwater volume originally present.

At this time there are no plans to import water from outside the Borrego Valley due to the economic cost of a pipeline and the uncertainty of available and affordable imported supply from the Colorado River. Readers may consult the *Southeast California Regional Basin Study Evaluates Water Supply and Demand in Borrego, Coachella and Imperial Valleys* by the U.S. Bureau of Reclamation for more information. Importation of new supply from nearby groundwater basins has also been ruled out due to availability of potential adequate supply and cost. Readers may consult the *Borrego Spring Pipeline Feasibility Study: Final Report* by the U.S. Environmental Protection Agency – Region 9 (2012).

The net replenishment (natural recharge less outflows) of the basin of approximately 5,700 acre-feet per year (AFY) annually is based on historical data (1945-2015). During this period the actual annual natural net recharge was highly variable, fluctuating from less than 1,000 AFY during long dry periods to more than 25,000 AFY in exceptionally wet years.

The current rate of groundwater pumping produces an average annual basin storage change (overdraft) of approximately 13,000 AF of water per year based on estimated current withdrawal rates using evapotranspiration rates by crop type for agricultural and recreational withdrawals and municipal metered usage and the US Geological Survey’s (USGS) calculated average annual net replenishment rate. Based on the historical data from 66 years, groundwater levels have declined as much as 126 feet (average of nearly 2 feet per year) in the northern part of the Subbasin and about 87 feet (average of 1.3 feet per year) in the west–central part. In the southeastern part of the Subbasin where less groundwater has been pumped, groundwater levels have remained relatively stable during the same time period. At the current rate of use, the groundwater supply from the Subbasin is not sustainable.

Presently, the Subbasin is usefully divided into three Basin Management Areas (South, Central, North) based on differences in transmissivity (how fast groundwater flows from one area to the next) and water quality. Depending on the Management Area location, wells are often screened primarily in the three different aquifers of the basin and exhibit different water quality characteristics. Readers should review the USGS, *Hydrogeology, Hydrologic Effects of Development, and Simulation of Groundwater Flow in the Borrego Valley, San Diego County* (2015) for more complete information.

Sustaining groundwater use requires considering both water quantity and quality. As water levels continue to drop in the basin, water quality may also decline, which may require expensive additional advanced treatment for municipal uses. Thus, the cost of municipal water supply for municipal uses will likely continue to increase over time.

The District is not a member of the San Diego County Water Authority (SDCWA), the regional member of the Metropolitan Water District of Southern California (MWD) that imports supplemental water to San Diego County.

Sustainable Groundwater Management Act of 2014 (SGMA)

The overarching aim of SGMA is to establish and achieve a *sustainability goal* for the Subbasin through the development and implementation of a Groundwater Sustainability Plan (GSP) by the Groundwater Sustainability Agency (GSA) for the Subbasin or alternatively by a Watermaster implementing a *Physical Solution* under a court Stipulated Judgment. Both are valid options under SGMA. In enacting SGMA, the Legislature also set forth more specific purposes underlying the legislation, which include providing for sustainable management of groundwater, avoiding six designated *undesirable results* to groundwater resources that could occur without proper management, enhancing the ability of local agencies to take action to protect groundwater resources, and preserving the security of water rights to the greatest extent possible consistent with sustainable management of groundwater.

As defined by SGMA: "A basin is subject to critical overdraft when continuation of present water management practices would probably result in significant adverse overdraft-related environmental, social, or economic impacts." Thus, the intent of the GSP is to achieve long-term groundwater sustainability by restoring balance to (i.e., reaching *sustainability*) in the Subbasin no later than January 2040, as mandated by SGMA.

The County of San Diego and BWD entered into a Memorandum of Understanding (MOU) for forming a multi-agency Borrego Valley Groundwater Sustainability Agency (GSA) to develop a GSP for the Subbasin. The intent of this GSP was to meet the requirements of SGMA. To this end, the GSP includes the scientific and other background information about the Subbasin required by SGMA and its implementing regulations. The GSP was also intended to provide a roadmap for how sustainability is to be reached in the Subbasin by January 2040. Information regarding the GSP including stakeholder process is available from the County's website: *https://www.sandiegocounty.gov/content/sdc/pds/SGMA/borrego-valley.html*.

In October 2019, the County informed DWR of its decision to decline further participation as a GSA for the implementation phase of SGMA effective December 31, 2019. On January 30, 2020, pursuant to California Water Code (CWC) Sections 10733.6 and 10737.4, BWD submitted to DWR a proposed Stipulated Judgment including a groundwater management plan (GMP), constituting a *Physical Solution* for DWR's review and approval to serve as an alternative to a GSP for the Subbasin in compliance with SGMA. The pumpers of the Subbasin representing approximately 92% of annual extractions agreed to a Settlement of water rights also applied to the California Superior Court (Court) for a Stipulated Judgement (Judgement). This Stipulated Judgement was approved by the Court on April 8, 2021 under which the Subbasin pumpers have agreed to implement the *Physical Solution* under management of the newly formed Borrego Springs Watermaster.

Under the Stipulated Judgement, Annual Reports for the Borrego Springs Groundwater Subbasin have been prepared for submittal to the California State Department of Water Resources (DWR) as of April 1, 2020 per Article 7, Section 356.2—Annual Reports, of the California Code of Regulations.[1] These reports has been prepared on behalf of the stipulating parties to the groundwater rights adjudication for the Borrego Springs Groundwater Subbasin (Subbasin) (DWR Basin No. 7.024.01) of the Borrego Valley Groundwater Basin. GSA reports are available on the Watermaster website at www.borregospringswatermaster.com.

California's Ongoing Drought

Because the Borrego Valley relies solely on the Subbasin for its municipal, recreational, and farming irrigation uses, the California drought has produced no physical impairment of water supply for BWD and is not expected to do so in the near future. Although in 2017, the California drought was officially declared over, Borrego water users continue to make investments to use water more efficiently and to engage in water conservation programs. The desert environment provides an ongoing impetus to use water wisely.

Capital Improvements Program (CIP)

BWD updates its 10-year CIP project costs annually in consultation with its district engineer. Detail of the projects and costs incurred are included in BWD's annual budget.

Cyber Security Risk Management

BWD has a robust cybersecurity policy and engages in ongoing and periodic intrusion detection services performed by a the US Department of Homeland Security's Cyber Security and Infrastructure Agency(CISA). In addition, the District conducts regular staff trainings on various hacking schemes and has secured a robust Cyber Secuity Insurance Policy thru ACWA-JPIA.

Flood Risk Management

BWD has a flood risk reduction assessment policy and engages a professional engineering firm to periodically assess that BWD's flood risk reduction facilities at Rams Hill are maintained to meet the specific flood risk objectives for such facilities.

Groundwater Water Levels and Water Quality Changes Risk Management

There is a robust monitoring well network in Borrego Springs that includes over 50 wells for monitoring production, water quality and water levels. Manual groundwater level measurements are collected in the spring and fall of each year to track seasonal groundwater trends. Groundwater quality monitoring includes sampling, on average, 30 wells on a semi-annual basis to determine and track groundwater quality trends. Wells are monitored for potential contaminants of concern (COCs). The COCs include arsenic, fluoride, nitrate, sulfate and total dissolved solids (TDS). During recent years, BWD's well ID4-18 in the North Management area has shown an increasing trend in nitrate levels. Although still below drinking water standards, BWD continues to closely monitor water quality and is currently exploring avenues for future mitigation.

---

1 Title 23, Division 2, Chapter 1.5, Subchapter 2 of the California Code of Regulations, which is commonly referred to as the Groundwater Sustainability Plan Regulations (GSP Regulations).

COVID-19 Risk Management Policies

The national COVID-19 public health emergency presents a range of challenges, including ensuring level of service, assisting low-income customers, and assuring responsible financial management of the District. The BWD Board shares its customers' concerns about the coronavirus. What the District's primary public health responsibility is to continue providing safe water to drink and use, right from the tap. The District's treatment process effectively removes viruses, including COVID-19. BWD is testing the water it provides its municipal customers daily, weekly and monthly to assure it continues to meet federal and state drinking water standards. During the COVID period, BWD was subjected to Governor Gavin Newsom's shut-off moratorium (Executive Order N-42-20) and suspended all turn-offs for nonpayment, to ensure continued access to water for washing hands and cleaning. This moratorium expired in January of 2022 which allowed BWD to resume collection action thru shut-offs. As a consequence of the shut-off moratorium, BWD's customer receivables grew significantly during the COVID emergency period. The State was able to offer some relief to customers thru their COVID-19 Water Arrearages Grant program in which grant funds were applied as bill credits to water customers who were delinquent during the COVID-19 period. These funds were applied prior to the end of the fiscal year. Subsequently, the State issued BWD a Wastewater Arrearages Grant to provide credits for delinquent sewer accounts to be credited in Fiscal Year 2023.

BWD has cancelled all meetings or gatherings for non-essential purposes during this emergency, holding public meetings via the internet. BWD has implemented COVID protocols and protections in our lobby to protect the public and office staff, and implemented social distancing for our field staff. Additionally, all our staff have paid sick leave and if they have been exposed to the virus or are symptomatic are told to stay home from work.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Local Economy

Located in an arid desert climate, Borrego's present economy has been made possible by the overuse of groundwater supplies that have been depleted far faster than those supplies can be replenished. This is true of the agricultural, recreational and municipal water use sectors that bring on average 500,000 visitors to the Borrego Valley annually. Thus, uncertainty over the costs of long-term water supply, potential future costs for treating groundwater to meet safe drinking water quality standards due to the critical overdraft resulting in degraded water quality, and the economic impacts of meeting SGMA objectives for the Subbasin may be slowing investments for new development in the Valley.

Under the Stipulated Judgement, a court order effective April 8, 2021, the Borrego Springs Watermaster was formed and is required to collect fees from all major pumpers of the basin according to their BPA (Baseline Pumping Allocation). For Water Year 2021 this amount was $48/Acre Foot and $20.30/Acre Foot for Water Year 2022. BWD's BPA is 2,581 Acre Feet per Year and restrictions are in place to limit the Districts pumping to only 645 Acre Feet by 2040. This means that the District will be required to purchase additional BPA, generally in the form of land with water rights, to meet existing demands of approximately 1,300 Acre Feet per year. The District has revised its revenue requirements to build reserves for BPA acquisition.

Borrego Springs is considered a Severely Disadvantaged Community (SDAC). A SDAC is defined as a community with a median household income (MHI) of less than 60% of the California statewide MHI. The Valley is also considered an Economically Distressed Area (EDA). An EDA is defined as a geographic area with a population of 20,000 or less with an annual MHI that is less than 85% of the California statewide MHI, and with at least one of the following conditions, as determined by the Department of Water Resources (DWR): a) financial hardship; b) unemployment rate at least 2% higher than the statewide average; or c) low population density.

In addition, the Borrego Water District has not been immune to the financial effects of the recent COVID-19 pandemic. In Fiscal Year 2021, customer receivables increased by about $144,000 over pre-pandemic levels. Staff has been working with individual customers and obtained grant funding from the State Water Resources Control Board, responsible to distribute about $1 Billion for accounts in arrears under the American Rescue Plan Act of 2021.

Previous Fiscal Years Spending by the District

The District has largely addressed the financial situation that was inherited from the 2007-2010 Board and general manager's decisions that between FY 2008 – FY 2011 spent more than $6.3 million of the District's $6.5 million cash reserves and potentially obligated the District to spend another $7.0 million for unfunded projects. These spending and future obligations resulted in the District no longer having the financial stability to obtain new debt to pay for necessary long-term capital improvement projects (CIP). With the cancellation of many of the future obligations incurred by the 2007 board, reduction of annual operating and maintenance (O&M) expenses by more than $1.2 million, careful cash flow management, and Proposition 218 approved rate increases during the period FY 2012-2021, the District then had sufficient annual cash flow and cash reserves by FY 2018 for necessary borrowing to issue $5.5 million in bonds to fund needed CIP for FY 2019-2021.

Due to historically low interest rates, in October of 2022, BWD was able to refinance the remaining principal of the $5.5 million Pacific Western Bond and issued an additional $3 million with Capitol One Public Financing. About $1.5 million is allocated to complete construction of new production well ID5-15 and to perform necessary rehab and repairs on various existing production wells. The remaining $1.5 million is held as cash on hand should an opportunity arise where the District can purchase additional BPA.

The District's Board believes timely investments in CIP are necessary to produce the lowest economic cost provision of municipal water, sewer and wastewater treatment services over the long term for the District's customers.

Environmental and Climate Changes

Decisions concerning land use, application to the land of substances that may contaminate groundwater, and the use of inadequate sureties for County grading permits in order to restore development-disturbed desert lands are some of the environmental changes that may cause additional costs for the District to provide potable municipal water to its customers. Additionally, with the advent of Anthropogenic Climate Disruption (climate change), the current scientifically accepted prognosis is for potentially greater future climate variability. Such variability may result in higher frequency of floods and longer periods of lower precipitation in the Park's watersheds that provide recharge to the Subbasin, and increased risk for wildfires due to longer, drier conditions. Thus, climate changes may introduce additional costs for the District to provide potable municipal water to its customers.

Long-Term Financial Planning

Through a coordinated strategic process, the Board has established a series of policies and plans to effectively meet the District's anticipated future revenue needs. The principles the District has adopted for maintaining revenue sufficiency and good credit include: (a) the active management and projection of monthly cash flow during the year; (b) holding operating and maintenance (O&M) expenditures to the annual budget; (c) minimal increases in salaries and benefits for employees; (d) refinancing of existing debt obligations where such refinancing would produce reductions in future long term cash obligations; (e) minimizing its reliance of operating cash flow to fund CIP; (f) the active development of state and federal grant opportunities for funding CIP and SGMA-related costs; (g) implementing annual water and sewer rate increases to increase cash flow and to accumulate cash reserves; (h) the maintenance of sufficient cash reserves to address emergency and environmental and climate change risk factors; and (i) pursuing regular proactive Proposition 218 5-year rate increase approvals.

The primary driver for the long-term financial viability of the District, as well as the economy of the Valley is the critical overdraft's potential impact on water quality (see section on Groundwater Supply, Usage & Availability above) and the need to relocate existing wells and add new wells as well production is impacted by water table declines due to the overdraft. Thus, to minimize its financial risk, the District plans to maintain financial stability and a good credit standing with the debt markets in order to accommodate raising future new debt for its municipal operations.

RELEVANT FINANCIAL POLICIES

Reserve Policy

The District has established a Reserve Funds Policy to anticipate and to prepare for future funding requirements as well as for unforeseen events. The Reserve Funds Policy establishes restricted and unrestricted reserves and describes the flow of funds to and from the various reserves. A copy of the District's updated and approved Reserve Funds Policy, along with the projected reserve funds targets, is available on the District's website as a component of the most recent fiscal year budget document.

Risk Management

The District is a member of the California Joint Powers Insurance Authority (JPIA). The JPIA pools for the first $500,000 of general, auto & public officials liability coverage and has purchased excess coverage up to $60 million. The JPIA provides coverage on repair or replacement against loss of District property caused by earthquake or flood of $20 million. The District also has a risk management policy that describes the policies, practices, and procedures for some of the District's more salient financial risks identified by staff and the Board.

Pension and Other Post-Employment Benefits

The District contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employees defined benefit pension plan for its personnel. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Additional information about the District's pension arrangements and post-employment benefits can be found in the notes to the financial statements.

Investment Policy

The Investment Policy establishes guidelines for the investment of available funds. The Investment Policy incorporates the Prudent Investor Standards. The primary objectives, in priority order, of the District’s investment activities are the following: 1) safety, 2) liquidity, and 3) yield. The District’s funds are invested in a variety of investments, in accordance with California government code, as described in the notes to the financial statements. The District minimizes interest rate risk by investing a greater portion of its funds in short term investments and minimizes credit risk by investing a majority of its funds diversified investment pools.

Internal Controls

The District is responsible for establishing and maintaining an internal controls structure designed to ensure that the District's assets are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled for the preparation of financial statements in conformity with GAAP. The internal structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that; 1) the cost of control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

Respectfully submitted,

Geoffrey Poole, General Manager

Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
Borrego Water District
806 Palm Canyon Drive
Borrego Springs, California 92004

Opinion

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Borrego Water District, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Borrego Water 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 Borrego Water District as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Borrego Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Borrego Water 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.

2810 Camino Del Rio South, Suite 200, San Diego, California 92108-3820
619.294.7200, 619.294.7077 fax, www.leaf-cole.com, leafcole@leaf-cole.com

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 Borrego Water 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, we well as evaluating 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 Borrego Water District 's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 42 - 44 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and schedules of assessed valuation 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.

San Diego, California
May ___, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of Borrego Water District (District) provides an overview of the District's financial activities for the years ended June 30, 2022 and 2021. Please read it in conjunction with the District's financial statements which begin on page 11.

Financial Statements

This discussion and analysis provides an introduction and a brief description of the District's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. The Borrego Water District operates as a public utility and maintains its accounting records in accordance with generally accepted accounting principles for a proprietary fund as prescribed by the Government Accounting Standards Board (GASB). The financial statements of the District report information about the District using accounting methods similar to those used by companies in the private sector. These statements offer short and long-term financial information about is activities. The District's financial statements include five components.

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows
- Notes to the Financial Statements
- Other Information

The statements of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the net difference reported as net position. Net position may be displayed in three categories:

- Net Investment in Capital Assets
- Restricted Net Position
- Unrestricted

The statements of net position provide the basis for computing rate of return, evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The statements of revenues, expense and changes in net position present information which shows how the District's net position changed during the year. The financial statements, except for the cash flow statements are prepared using the accrual basis of accounting, which means that revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of cash receipts or payments. The statements of revenues, expenses, and changes in net position measure the success of the District's operations over the past year and determines whether the District has recovered its costs through user fees and other charges.

The statements of cash flows provide information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating
- Noncapital financing
- Capital and related financing
- Investing

This statement differs from the statement of revenues, expenses and changes in net position because the statement accounts only for transactions that result in cash receipts or cash disbursements.

Financial Statements (Continued)

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

Other Information

In addition to the financial statements and accompanying notes, the financial statements also present certain required supplementary information, which follows the notes to the financial statements. This other information includes pension funding schedules.

Financial Highlights

During the fiscal years ended June 30, 2022 and 2021 , the following events impacted, or have the potential to impact, the finances of the District.

- Capital assets increased $1,122,965 at June 30, 2022 from June 30, 2021, which included improvements to Production Well #2 (ID5 - 15), Wastewater Treatment Plant, Bending Elbow Pipeline and Well 11 electric upgrade.
- During fiscal year 2022, the District earned grant revenue of $479,672 through funding provided in full or in part by the Clean Water State Revolving Fund through an agreement with the State Water Resource Control Board. The funding under the agreement is being used to rehabilitate and upgrade critical components of the District's wastewater treatment plant to comply with discharge requirements.
- Total operating revenues increased $385,356 principally in water sales and other income.
- Total operating expenses decreased $498,235 as a result of reduced administrative costs related to the groundwater basin under the stipulated agreement including consulting, pumping, and an air quality study.
- Nonoperating revenues exceeded non-operating expenses as grant income, property taxes and investment income exceeded interest expense and loss on disposal of capital assets.
- Cash and cash equivalents increased to $8,640,739 at June 30, 2022 from $6,336,015 at June 30, 2021. Proceeds from the new Installment Sale agreement were received as needed to fund capital projects. Restricted bond proceeds to fund future capital projects totaled $-0- and $63,620 at June 30, 2022 and 2021, respectively.

More information about the overall analysis of the District's financial position and results of operations is provided in the following sections.

Financial Analysis of the District

Net Position

The following is a summary of the District's statements of net position at June 30:

	2022	2021	Dollar Change	Percentage Change
Assets:				
Cash and cash equivalents	$ 8,640,739	$ 6,336,015	$ 2,304,724	36.37%
Capital assets	20,749,604	19,626,639	1,122,965	5.72%
Other assets	1,441,749	974,609	467,140	47.93%
Total Assets	30,832,092	26,937,263	3,894,829	14.46%
Deferred Outflows of Resources	246,556	321,550	(74,994)	(23.32)%
Liabilities:				
Current liabilities	1,424,249	1,254,216	170,033	13.56%
Noncurrent liabilities	9,062,791	7,352,849	1,709,942	23.26%
Total Liabilities	10,487,040	8,607,065	1,879,975	21.84%
Deferred Inflows of Resources	281,931	18,973	262,958	1,385.96%
Net Position:				
Net investment in capital assets	11,647,277	12,899,306	(1,252,029)	(9.71)%
Unrestricted	8,662,400	5,733,469	2,928,931	51.08%
Total Net Position	$ 20,309,677	$ 18,632,775	$ 1,676,902	9.00%

From the table above, net position increased by $1,676,902 from fiscal year 2021 to 2022. Net investment in capital assets decreased $1,252,029. As construction funds are spent, more of the long-term debt is allocated to net investment in capital assets. In addition, depreciation expense was exceeded by the amount spent on capital assets.

Revenues, Expenses and Change in Net Position

The following is a summary of the District's change in net position for the years ended June 30:

	2022	2021	Dollar Change	Percentage Change
Operating Revenues:				
Water sales	$ 3,957,289	$ 3,640,508	$ 316,781	8.70%
Sewer service charges	654,215	657,641	(3,426)	(.52)%
Availability charges	239,702	241,965	(2,263)	(.94)%
Watermaster reimbursements	102,499	101,313	1,186	1.17%
Other income	100,620	27,542	73,078	265.33%
Total Operating Revenues	5,054,325	4,668,969	385,356	8.25%
Operating Expenses:				
Water operations	1,468,224	1,602,132	(133,908)	(8.36)%
Depreciation	927,725	781,094	146,631	18.77%
Sewer operations	454,292	389,934	64,358	16.50%
Pumping	422,335	330,936	91,399	27.62%
General and administrative	416,005	1,092,178	(676,173)	(61.91)%
Treatment	36,017	26,559	9,458	35.61%
Total Operating Expenses	3,724,598	4,222,833	(498,235)	(11.80)%
Operating Income	1,329,727	446,136	883,591	198.05%
Nonoperating Revenues (Expenses):				
Nonoperating revenues	560,811	90,752	470,059	517.96%
Nonoperating expenses	(391,394)	(284,071)	(107,323)	(37.78)%
Nonoperating Revenues (Expenses), Net	169,417	(193,319)	362,736	187.64%
Income Before Contributions	1,499,144	252,817	1,246,327	492.98%
Capital Contributions	177,758	234,716	(56,958)	(24.27)%
Change in Net Position	1,676,902	487,533	1,189,369	243.96%
Net Position at Beginning of Year	18,632,775	18,145,242	487,533	2.69%
Net Position at End of Year	$ 20,309,677	$ 18,632,775	$ 1,676,902	9.00%

A closer examination of the source of changes in net position reveals that the District's operating revenues increased by $385,356 in fiscal year 2022. Watermaster reimbursements received were offset by increases in water sales, sewer service charges and other income. Nonoperating expenses, increased $107,323 due to a increase in interest expense. Operating expenses, exclusive of depreciation decreased $644,866 in fiscal year 2022 due to administrative costs under the Stipulated Agreement, including consulting, pumping and an air quality study.

Capital Assets

Capital assets consist of the following at June 30:

	2022	2021	Dollar Change	Percentage Change
Land	$ 693,702	$ 833,702	$ (140,000)	(16.79)%
Flood control facilities	4,287,340	4,287,340	-	-
Sewer facilities	6,497,895	6,497,895	-	-
Water facilities	16,778,661	15,375,760	1,402,901	9.12%
General facilities	1,006,881	1,006,881	-	-
Telemetry system	46,459	46,459	-	-
Equipment and furniture	994,406	778,200	216,206	27.78%
Vehicles	687,297	687,297	-	-
Construction in progress	3,471,988	2,900,405	571,583	19.71%
Fallowed water credits	932,050	932,050	-	-
Water rights - ID #4	185,000	185,000	-	-
Total Assets	35,581,679	33,530,989	2,050,690	6.12%
Less: Accumulated depreciation	(14,832,075)	(13,904,350)	(927,725)	6.67%
Net Capital Assets	$ 20,749,604	$ 19,626,639	$ 1,122,965	5.72%

The net additions to capital assets for fiscal year 2022 totaled $1,122,965. Significant capital asset additions include improvements to Well #2,Wastewater Treatment Plant, Bending Elbow Pipeline and Well 11 electric upgrade.

Long-Term Debt

The following is a summary of long-term debt at June 30:

	2022	2021	Dollar Change	Percentage Change
2018 Installment Purchase Agreement	$ -	$ 4,613,000	$ (4,613,000)	(100.00)%
2021 Installment Purchase Agreement	7,508,930	-	7,508,930	-
Promissory Note 2018A	1,532,000	1,725,000	(193,000)	(11.19)%
Promissory Note 2018B	396,800	518,337	(121,537)	(2.45)%
Total Long-Term Debt	$ 9,437,730	$ 6,856,337	$ 2,581,393	37.65%

The District increased its debt outstanding by $2,581,393 for fiscal year 2022 by refinancing the 2018 Installment Purchase Agreement and entering into the 2021 Installment Purchase Agreement.

Economic Factors and Future Year's Budget and Rates

The District's Board of Directors and management considered many factors when setting the fiscal year 2022 - 2023 budget, user fees and charges. The District attempts to balance revenues with operating expenses that have increased due to inflationary factors, such as cost of living, cost to provide water, and insurance coverage.

These indicators were taken into consideration when adopting the District's budget for the fiscal year 2022 - 2023. The budget has been structured to contain costs, but at the same time, contiue the District's philosophy of providing the highest levels of service and continue efforts towards securing a sustainable water supply for the community.

On July 27, 2021, the District's Board of Directors approved Proposition 218 compliant rate increases for FY 2022 - 2026 that include a change in rate structure resulting in a 5% increase in water revenues and no increase for sewer revenues for fiscal year 2022, followed by a 5% increase in water revenues and a 4% increase in sewer revenues annually on July 1, through fiscal year 2026. The changes in water rate structure shifted a greater financial burden to high water users while resulting in lower rates for single family homes using a conservative amount of water. While the District previously charged commodity rates for two tiers, the recent changes have created three tiers where tier one is intended to include enough water for domestic use of a single family (0 to 7 units), tier two reflects single family usage plus average desert irrigation (8 to 22 units) and tier three reflects usage outside of what is considered necessary and conservative to a residental dwelling (more than 22 units). Tier three rates are intended to fund the future purchase of supplemental water supply to meet municipal needs.

The initial rate change was effective October 1, 2021 and was reflected on November 2021 billings. Subsequent increases are annually on July 1st, reflected in the August billings.

On June 22, 2021, the District's Board of Directors approved the FY 2022 budget that anticipates Capital Improvement Program (CIP) project's spending of approximately $22,000,000 through FY 2029-30. The Board has engaged the District's financial advisors to develop a financing plan and the District's municipal advisors to conduct a Cost of Service study to determine the feasibility and funding plan for these necessary CIP projects. Borrego Water District does not budget for depreciation, but prefers to budget for actual capital assets using the internally generated 10 year Capital Improvement Budget.

Fiscal Year 2022 Actual vs. Fiscal Year 2023 Budget

			Variance	
	2023 Budget	2022 Actual	Dollar	Percentage
Revenues:				
Operating revenue	$ 5,078,745	$ 5,054,325	$ 24,420	.48%
Nonoperating revenue	75,000	560,811	(485,811)	(86.63)%
Capital contributions	-	177,758	(177,758)	(100.00)%
Total Revenue	5,153,745	5,792,894	(639,149)	(11.03)%
Expenses:				
Operating expenses	4,420,750	3,724,598	696,152	18.69%
Non-operating expenses	244,759	391,394	(146,635)	37.46%
Total Expenses	4,665,509	4,115,992	549,517	13.35%
Change in Net Position	$ 488,236	$ 1,676,902	$ (1,188,666)	(70.88)%

Economic Factors and Future Year's Budget and Rates (Continued)

On April 8, 2021, the Superior Court approved the Stipulated Judgment which defines Basin water rights for each pumper producing two acre feet or more in the Basin and imposes a "physical solution" regarding Basin management including use of Basin storage space, overseen by the Superior Court. Under the Sustainable Goundwater Management Act (SGMA), a Stipulated Judgment can serve as an "alternative" to a Groundwater Sustainability Plan (GSP) mandated by SGMA. The judgment allows the District to recover approximately $300,000 in GSP development costs, and includes an obligation to pay along with other pumpers approximately $30/acre-foot annually for extractions from the Basin, and the District will likely be required to obtain some amount of supplemental water supply to meet municipal needs beginning in five years or sooner, if available.

Contacting the District's Financial Manager

This financial report is designed to give ratepayers, customers, investors, and creditors a general overview of the District's finances and to demonstrate the District's accountability for the money it receives and the stewardship of the facilities it maintains. If you have questions about this report or need additional information, contact Geoff Poole, General Manager, or Jessica Clabaugh, Fiscal Officer at the Borrego Water District, 806 Palm Canyon Drive, Borrego Springs, California, 92004 or by telephone at (760) 767-5806.

BORREGO WATER DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Current Assets: (Notes 1 and 2)		
Cash and cash equivalents	$ 8,350,601	$ 6,231,095
Accounts receivable - Water and sewer, net	713,444	696,827
Accounts receivable - Watermaster reimbursements	121,847	113,275
Accounts receivable - Wastewater treatment plant upgrade grant	405,746	-
Accrued interest receivable	3,873	1,685
Property tax receivable	2,752	2,604
Inventory	159,525	129,396
Prepaid expenses	34,562	30,822
Total Current Assets	9,792,350	7,205,704
Noncurrent Assets: (Notes 1, 2, 3 and 4)		
Restricted Assets:		
Cash and cash equivalents	290,138	104,920
Total Restricted Assets	290,138	104,920
Capital Assets:		
Nondepreciable capital assets	5,282,740	4,851,157
Depreciable capital assets, net	15,466,864	14,775,482
Total Capital Assets	20,749,604	19,626,639
TOTAL ASSETS	30,832,092	26,937,263
DEFERRED OUTFLOWS OF RESOURCES: (Notes 1 and 6)		
Deferred outflows related to refunding	45,266	65,384
Deferred outflows related to pensions	43,396	114,071
Deferred outflows related to pension contributions	157,894	142,095
Total Deferred Outflows of Resources	246,556	321,550

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

BORREGO WATER DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2022 AND 2021

	2022	2021
LIABILITIES		
Current Liabilities: (Notes 1 and 5)		
Accounts payable	$ 152,597	$ 564,989
Accrued interest payable	58,108	64,742
Deferred revenue	64,332	-
Customer deposits	290,138	41,300
Current portion of noncurrent liabilities	859,074	583,185
Total Current Liabilities	1,424,249	1,254,216
Noncurrent Liabilities: (Notes 1, 5 and 6)		
Notes payable, net of current portion	8,687,019	6,359,800
Compensated absences	72,241	57,765
Net pension liability	303,531	935,284
Total Noncurrent Liabilities	9,062,791	7,352,849
Total Liabilities	10,487,040	8,607,065
DEFERRED INFLOWS OF RESOURCES: (Notes 1 and 6)		
Deferred inflows related to pensions	281,931	18,973
Commitments and Contingencies (Notes 6 and 7)		
NET POSITION:		
Net investment in capital assets	11,647,277	12,899,306
Unrestricted	8,662,400	5,733,469
Total Net Position	$ 20,309,677	$ 18,632,775

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

BORREGO WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Operating Revenues:		
Water sales	$ 3,957,289	$ 3,640,508
Sewer service charges	654,215	657,641
Availability charges	239,702	241,965
Watermaster reimbursements	102,499	101,313
Other income	100,620	27,542
Total Operating Revenues	5,054,325	4,668,969
Operating Expenses:		
Water operations	1,468,224	1,602,132
Pumping	422,335	330,936
Water treatment	36,017	26,559
Sewer operations	454,292	389,934
General and administrative	416,005	1,092,178
Depreciation	927,725	781,094
Total Operating Expenses	3,724,598	4,222,833
Operating Income	1,329,727	446,136
Nonoperating Revenues (Expenses):		
Grant revenue	479,672	-
Property taxes	72,848	71,486
Investment income	8,291	18,766
(Loss) Gain on disposal of capital assets	(54,437)	500
Interest expense	(336,957)	(284,071)
Total Nonoperating Revenues (Expenses)	169,417	(193,319)
Income Before Contributions	1,499,144	252,817
Capital Contributions	177,758	234,716
Change in Net Position	1,676,902	487,533
Net Position at Beginning of Year	18,632,775	18,145,242
NET POSITION AT END OF YEAR	$ 20,309,677	$ 18,632,775

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

BORREGO WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash Flow From Operating Activities:		
Cash received from customers	$ 4,899,943	$ 4,450,140
Cash received from watermaster reimbursements	102,499	101,313
Cash payments to suppliers for goods and services	(1,573,835)	(2,260,736)
Cash payments to employees for services and benefits	(1,511,939)	(1,045,595)
Customer deposits	248,838	-
Other operating cash receipts	164,952	27,542
Net Cash Provided by Operating Activities	2,330,458	1,272,664
Cash Flows From Noncapital Financing Activities:		
Receipts from property taxes	72,700	72,451
Net Cash Provided by Noncapital financing Activities	72,700	72,451
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(2,625,778)	(2,257,930)
Proceeds from sale of capital assets	85,563	500
Proceeds from long term debt	7,508,930	-
Principal paid on long-term debt	(4,927,537)	(623,538)
Interest paid on long-term debt	(323,473)	(269,850)
Capital contributions	177,758	234,716
Net Cash Used in Capital and Related Financing Activities	(104,537)	(2,916,102)
Cash Flows From Investing Activities:		
Investment income	6,103	24,546
Net Cash Provided by Investing Activities	6,103	24,546
Net Increase (Decrease) in Cash and Cash Equivalents	2,304,724	(1,546,441)
Cash and Cash Equivalents at Beginning of Year	6,336,015	7,882,456
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 8,640,739	$ 6,336,015

(Continued)

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

BORREGO WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Reconciliation of Operating Income to Net		
Cash Provided by Operating Activities:		
Operating income	$ 1,329,727	$ 446,136
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Depreciation	927,725	781,094
Change in assets and liabilities:		
Accounts receivable - Water and sewer, net	(16,617)	(87,899)
Accounts receivable - Watermaster reimbursements	(8,572)	(2,075)
Inventory	(30,129)	(9,815)
Prepaid expenses	(3,740)	(1,962)
Deferred outflows related to pension	70,675	11,139
Deferred outflows related to pension contributions	(15,799)	47,240
Accounts payable	22,696	32,626
Deferred revenue	64,332	-
Customer deposits	248,838	-
Compensated absences	36,191	31,223
Net pension liability	(631,753)	44,152
Deferred inflows related to pensions	262,958	(19,195)
Grant revenue	73,926	-
Net Cash Provided by Operating Activities	$ 2,330,458	$ 1,272,664
Cash and Cash Equivalents:		
Financial Statement Classification		
Cash and cash equivalents	$ 8,350,601	$ 6,231,095
Restricted cash and cash equivalents	290,138	104,920
Total Cash and Cash Equivalents	$ 8,640,739	$ 6,336,015
Supplemental Disclosure of Cash Flow Information		
Capital assets included in increase in accounts payable	$ (435,088)	$ 435,088
Amortization of deferred outflows related to refunding	$ 20,118	$ 20,118

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

BORREGO WATER DISTRICT
STATEMENTS OF FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash	$ 713,929	$ 678,426
Total Assets	713,929	678,426
NET POSITION		
Held in trust for the benefit of residents		
of Community Facilities District 2017-01	$ 713,929	$ 678,426

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

BORREGO WATER DISTRICT
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
ADDITIONS		
Property taxes and assessments	$ 855,614	$ 848,219
Interest	196	19
Total Additions	855,810	848,238
DEDUCTIONS		
Debt service	804,023	507,335
Outside professional services	11,884	14,927
Trust fees	4,400	4,400
Total Deductions	820,307	526,662
Change in Net Position	35,503	321,576
Net Position at Beginning of Year	678,426	356,850
NET POSITION AT END OF YEAR	$ 713,929	$ 678,426

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

Note 1 - Organization and Significant Accounting Policies:

Organization

Borrego Water District (the "District") was established in 1962 pursuant to section 35565 of the California Water Code to provide water, sewer, flood control and gnat abatement services to properties in the District. The District is governed by a five member board of directors that are elected at-large by the registered voters residing in the boundaries of the District. The District has nine active wells and approximately 90 miles of distribution lines. In addition, the District provides sewer and wastewater services primarily in the Town Center, Club Circle, and Rams Hill Development.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Cod. Sec. 2100 "Defining the Financial Reporting Entity". The District is the primary government unit. Component units are those entities, which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the District.

The Borrego Water District Public Facilities Corporation (the Corporation) was organized in May 1996 under the nonprofit Public Benefit Corporation Law of the State of California to render assistance to the Borrego Water District and any Special Districts which are governed by the Board of Directors of the Borrego Water District with respect to providing various public facilities or services to or for the benefit of the District. The District has accounted for the Corporation as a blended component unit. Despite being legally separate, the Corporation is so intertwined with the District that the Corporation is in substance part of the District's operations. Accordingly, the Corporation is included within the financial statements of the District.

Significant Accounting Policies

A summary of the District's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Method of Accounting

The District utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, the statements of net position and the statements of revenues, expenses and changes in net position have been prepared using the economic resources measurement focus and the accrual basis of accounting.

The District uses a fiduciary fund to account for amounts that it collects and distributes on behalf of Community Facility District 2017-01.

Capital assets may be constructed by private developers and then dedicated to the District, which is then responsible for their future maintenance. These facilities are recorded as capital contributions when they pass inspection by the District and the estimated costs are capitalized.

The District has not elected to apply the option allowed in GASB Cod. Sec. P80.103, "Proprietary Fund Accounting and Financial Reporting" and as a consequence will continue to apply GASB statements and interpretations.

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The District recognizes revenues from water sales, sewer service charges, availability charges, and other income when they are earned. Operating activities generally result from providing services and producing and delivering goods. As such, the District considers fees received from water sales, sewer services and availability charges to be operating revenues. Taxes and assessments are recognized as revenues based upon amounts reported to the District by the County of San Diego.

Accounts Receivable - Watermaster Reimbursement

Pursuant to the State of California adopting the Sustainable Groundwater Management Act (SGMA) in 2014, all parties who pump groundwater from the Borrego Springs Groundwater Subbasin, entered into an agreement (Settlement Agreement) that establishes a physical solution to bring sustainability to the Critically Over-drafted Subbasin. In accordance with the Settlement Agreement, the signing parties agreed to share costs associated with preparation of a Groundwater Sustainability Plan (GSP). The majority of the costs associated with the Settlement Agreement are reimbursed thru the signing parties. The District recognized watermaster reimbursement revenue totaling $102,499 and $101,313 for the years ended June 30, 2022 and 2021, respectively. Accounts receivable - watermaster reimbursement totaled $121,847 and $113,275 at June 30, 2022 and 2021, respectively.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. The allowance for doubtful accounts receivable totaled $131,641 and $195,638 at June 30, 2022 and 2021, respectively.

Taxes and Assessments

Property taxes and assessments are billed by the County of San Diego to property owners. The District's property tax calendar for the fiscal year ended June 30, 2022 and 2021 was as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment - November 1
	Second Installment - February 1
Delinquent Date:	First Installment - December 10
	Second Installment - April 10

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Taxes and Assessments - (Continued)

The County collects the taxes from the property owners and remits the funds to the District periodically during the year. The District has an arrangement with the County whereby the County remits taxes which are delinquent as of each June 30 to the District in exchange for the right to retain the delinquent taxes, penalties, and interest when these amounts are subsequently collected.

Inventory

Inventory consists primarily of materials used in the construction and maintenance of capital assets and is valued using the FIFO costing method

Capital Assets

Capital assets purchased or acquired with a cost exceeding $5,000 and an estimated useful life more than one year are reported at historical cost. Donated capital assets, donated works of art, and similar items, and capital assets received in service concession agreements are reported at acquisition value. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Upon sale or disposition of property and equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and any resultant gain or loss is credited or charged to earnings. Depreciation is calculated on the straight-line method over the following estimated useful lives:

Flood control facilities	100 years
Sewer facilities	5 - 75 years
Water facilities	10 - 50 years
General facilities	20 - 50 years
Telemetry system	6 years
Equipment and furniture	5 - 20 years
Vehicles	5 - 40 years

Depreciation aggregated $927,725 and $781,094 for the years ended June 30, 2022 and 2021, respectively.

Amortization

The deferred amount on refunding is being amortized on the straight-line method over the remaining life of the related debt. Amortization of the deferred amount on refunding totaled $20,118 for each of the years ended June 30, 2022 and 2021, and is included in interest expense.

Compensated Absences

Accumulated and unpaid vacation and sick leave totaling $180,604 and $144,413 is accrued when incurred and included in current and noncurrent liabilities at June 30, 2022 and 2021, respectively.

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of 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 outflows of resources (expense) until that time. The District has the following items that qualify for reporting in this category:

- Deferred outflows related to pensions equal to employer contributions made after the measurement date of the net pension liability, differences between actual and expected experience, and adjustment due to differences in proportions.

In addition to liabilities, the statement of net position will sometimes report a separate section of 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 that qualify for reporting in this category:

- Deferred inflows related to pensions resulting from the net difference between projected and actual earnings on pension plan investments, and differences between actual and required contributions.

Risk Management

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

At June 30, 2022, the District participated in the self-insurance programs of the Authority as follows:

Property Loss - Provides for full value replacement of real and personal property owned by the District in the event of a loss. Actual cash value on licensed vehicles, mobile equipment and Hypalon reservoir covers. The JPIA pools for the first $100,000 and has purchased excess coverage.

General and Auto Liability - Insured up to $55 million per occurrence; the Authority is self-insured up to $500,000 and excess insurance coverage has been purchased. The general and auto liability program has no deductible.

Public Officials' Liability - Insured up to $55 million per occurrence; the Authority is self-insured up to $500,000 and excess insurance coverage has been purchased.

Fidelity Bond - Insured up to $1,000,000 per occurrence with a $100,000 deductible.

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Risk Management (Continued)

Workers' Compensation - Insured up to the statutory limits; the Authority is self-insured up to $2 million and excess insurance coverage has been purchased. Employer's liability is insured up to $4 million.

Difference in Conditions - Provides coverage on a repair or replacement basis against loss of District property caused by earthquake or flood, up to $25 million with a $25,000 deductible.

The District pays annual premiums for this coverage. They are subject to retrospective adjustments based on claims experienced. The nature and amounts of the adjustments cannot be estimated and are charged to expense as invoiced. The District's insurance expense totaled $69,670 and $71,809 for the years ended June 30, 2022 and 2021 . There were no instances in the past three years where a settlement exceeded the District's coverage.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS website under Forms and Publications.

Generally Accepted Accounting Principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report the following timeframes are used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	June 30, 2020 to June 30, 2021

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.

- Level 3 inputs are unobservable inputs for the investment.

The District's statements of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in the California Local Agency Investment Fund (LAIF) are considered Level 2 assets and are reported at the fair value of the underlying assets as provided LAIF.

Economic Dependency

The District pumps 100% of its water from the Borrego Springs Sub-Basin of the Borrego Valley groundwater basin. Interruption of this source would impact the District negatively.

Cash and Cash Equivalents

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

Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through May ___, 2023, the date the financial statements were available to be issued.

Reclassification

The District has reclassified certain prior year information to conform with the current year presentation.

Note 2 - Cash and Investments:

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

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District rather than the general provision of the California Government Code or the District's investment policy:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Quality Requirements
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations	5 years	None	None
California Local Agency Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	A1
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	A Rating
Mutual Funds	N/A	20%	Multiple
Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	AA Rating
Time Deposits	5 years	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
County Pooled Investment Funds	N/A	None	None

The District's investment policy is more restrictive than the California Government Code. The District limits the percentage of its portfolio that can be invested in LAIF, certificates of deposit and savings accounts and U.S. Government bills, notes, bonds and overnight money market funds.

Note 2 - Cash and Investments: (Continued)

Cash and investments held by the District were comprised of the following at June 30:

	2022	2021
	Maturity in Years	Maturity in Years
	One Year or Less	One Year or Less
Cash on hand	$ 223	$ 350
California Local Agency Investment Fund (LAIF)	2,069,053	2,063,292
Deposits with financial institutions	7,285,392	4,950,799
Total Cash and Investments	$ 9,354,668	$ 7,014,441
Financial Statement Classification:		
Cash and cash equivalents	$ 8,350,601	$ 6,231,095
Cash and cash equivalents - Restricted	290,138	104,920
Fiduciary fund - Cash	713,929	678,426
Total Cash and Investments	$ 9,354,668	$ 7,014,441

Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided in the previous table that shows the distribution of the District's investments by maturity as of June 30, 2022 and 2021.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of the year for each investment type.

	Rating as of Year End Standard & Poor's
California Local Agency Investment Fund (LAIF)	Not Rated

Note 2 - Cash and Investments: (Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude to the District's investment in a single issue.

The investment policy of the District contains limits on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code as described below. The District holds no investments in any one issuer (other than U.S. Treasury obligations, mutual funds, and external investment pools) that represent 5% or more of total District investments at June 30, 2022.

Investment Type	Maximum Percentage of Portfolio
California Local Agency Investment Fund	98%
FDIC Insured Institutions (C.D.'s and Savings Accounts)	95%
U.S. Government Bills, Notes, Bonds, and Overnight Money Markets Funds	20%
Certificates of Deposit, Account Registry Services	95%

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2022, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Note 2 - Cash and Investments: (Continued)

Investment in State Investment Pool

The District is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by California Government Code under the oversight of the Treasurer of the State of California. 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.

The statements of cash flows have been prepared by considering all investment instruments purchased with a maturity of three months or less to be cash equivalents. Following is a detail at June 30:

	2022	2021
Deposits with financial institutions	$ 6,571,463	$ 4,272,373
California Local Agency Investment Fund (LAIF)	2,069,053	2,063,292
Cash on hand	223	350
Total	$ 8,640,739	$ 6,336,015

Note 3 - Restricted Assets:

Restricted assets were provided by, and are to be used for the following at June 30:

Funding Source	Use	2022	2021
Bond proceeds and interest earnings	Capital facilities	$ -	$ 63,620
Deposits	Deposits	290,138	41,300
		$ 290,138	$ 104,920

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

Note 4 - Capital Assets:

Capital assets consist of the following at June 30:

	2022			
	Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022
Capital Assets Not Being Depreciated:				
Land	$ 833,702	$ -	$ (140,000)	$ 693,702
Construction in progress	2,900,405	1,974,484	(1,402,901)	3,471,988
Fallowed water credits	932,050	-	-	932,050
Water rights - ID No. 4	185,000		-	185,000
Total Capital Assets Not Being Depreciated	$ 4,851,157	$ 1,974,484	$ (1,542,901)	$ 5,282,740
Capital Assets Being Depreciated:				
Flood control facilities	$ 4,287,340	$ -	$ -	$ 4,287,340
Sewer facilities	6,497,895	-	-	6,497,895
Water facilities	15,375,760	1,402,901	-	16,778,661
General facilities	1,006,881	-	-	1,006,881
Telemetry system	46,459	-	-	46,459
Equipment and furniture	778,200	216,206	-	994,406
Vehicles	687,297	-	-	687,297
Total Capital Assets Being Depreciated	28,679,832	1,619,107	-	30,298,939
Less: Accumulated depreciation	(13,904,350)	(927,725)	-	(14,832,075)
Net Capital Assets Being Depreciated	14,775,482	691,382	-	15,466,864
Net Capital Assets	$ 19,626,639	$ 2,665,866	$ (1,542,901)	$ 20,749,604

	2021			
	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021
Capital Assets Not Being Depreciated:				
Land	$ 753,650	$ 80,052	$ -	$ 833,702
Construction in progress	1,770,555	2,574,357	(1,444,507)	2,900,405
Fallowed water credits	942,850	-	(10,800)	932,050
Water rights - ID No. 4	185,000	-	-	185,000
Total Capital Assets Not Being Depreciated	$ 3,652,055	$ 2,654,409	$ (1,455,307)	$ 4,851,157
Capital Assets Being Depreciated:				
Flood control facilities	$ 4,287,340	$ -	$ -	$ 4,287,340
Sewer facilities	6,440,828	57,067	-	6,497,895
Water facilities	14,171,850	1,203,910	-	15,375,760
General facilities	1,006,881	-	-	1,006,881
Telemetry system	46,459	-	-	46,459
Equipment and furniture	763,413	14,787	-	778,200
Vehicles	675,446	61,816	(49,965)	687,297
Total Capital Assets Being Depreciated	27,392,217	1,337,580	(49,965)	28,679,832
Less: Accumulated depreciation	(13,140,495)	(781,094)	17,239	(13,904,350)
Net Capital Assets Being Depreciated	14,251,722	556,486	(32,726)	14,775,482
Net Capital Assets	$ 17,903,777	$ 3,210,895	$ (1,488,033)	$ 19,626,639

Note 5 - Noncurrent Liabilities:

Noncurrent liabilities consist of the following at June 30:

	2022				
	Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022	Current Portion
Notes Payable:					
2018 Installment Purchase Agreement	$ 4,613,000	$ -	$ (4,613,000)	$ -	$ -
2021 Installment Purchase Agreement	-	7,508,930	-	7,508,930	427,960
Promissory Note 2018A	1,725,000	-	(193,000)	1,532,000	196,000
Promissory Note 2018B	518,337	-	(121,537)	396,800	126,751
Total Notes Payable	$ 6,856,337	$ 7,508,930	$ (4,927,537)	$ 9,437,730	$ 750,711
Other Noncurrent Liabilities:					
Accrued Compensated Absences	$ 144,413	$ 180,604	$ (144,413)	$ 180,604	$ 108,363
Net Pension Liability	935,284	-	(631,753)	303,531	-
Total Other Long-Term Liabilities	$ 1,079,697	$ 180,604	$ (776,166)	$ 484,135	$ 108,363

	2021				
	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021	Current Portion
Notes Payable:					
2018 Installment Purchase Agreement	$ 4,930,000	$ -	$ (317,000)	$ 4,613,000	$ 182,000
Promissory Note 2018A	1,915,000	-	(190,000)	1,725,000	193,000
Promissory Note 2018B	634,875	-	(116,538)	518,337	121,537
Total Notes Payable	$ 7,479,875	$ -	$ (623,538)	$ 6,856,337	$ 496,537
Other Noncurrent Liabilities:					
Accrued Compensated Absences	$ 113,190	$ 144,413	$ (113,190)	$ 144,413	$ 86,648
Net Pension Liability	891,132	233,487	(189,335)	935,284	-
Total Other Long-Term Liabilities	$ 1,004,322	$ 377,900	$ (302,525)	$ 1,079,697	$ 86,648

Refinanced Installment Purchase Agreement

In July 2018, the District entered into the 2018 Installment Purchase Agreement with the Borrego Water District Public Facilities Corporation ("Corporation"). The Corporation provided $5,586,000 for the purpose of financing costs of the District's project as defined in the Agreement. In October 2021, the 2018 Installment Purchase Agreement was refinanced with the proceeds received from the 2021 Installment Purchase Agreement of $7,508,930. The 2018 Installment Purchase Agreement was payable in semi-annual installments of principal plus interest of 3.825% on or before April 1 and October 1 each year commencing October 1, 2018 through and including October 1, 2038. Payments under the 2018 Installment Purchase Agreement were secured by a lien on and pledge of net revenues. The District had covenanted to fix, prescribe, revise, and collect rates, fees, and charges for services and facilities sufficient to yield estimated net revenues equal to 125% of the aggregate amount of debt service on all parity obligations payable from net revenues coming due and payable during such fiscal year. The District had a debt service ratio of 1.74:1 for the year ended June 30, 2021. The 2021 Installment Purchase Agreement had an outstanding principal balance of $-0- and $4,613,000 and accrued interest payable of $-0- and $44,853 at June 30, 2022 and 2021, respectively.

Note 5 - Noncurrent Liabilities: (Continued)

Installment Purchase Agreement

In October 2021, the District entered into the 2021 Installment Purchase Agreement with the Borrego Water District Public Facilities Corporation ("Corporation"). The Corporation provided $7,508,930 for the purpose of financing costs of the District for certain improvements in the water and sewer enterprises and to prepay the installment payments due under the 2018 Installment Purchase Agreement. The 2021 Installment Purchase Agreement is payable in semi-annual installments of principal plus interest of 2.190% on or before April 1 and October 1 each year commencing April 1, 2022 through and including October 1, 2036. Payments under the 2021 Installment Purchase Agreement are secured by a lien on and pledge of net revenues. The District has covenanted to fix, prescribe, revise, and collect rates, fees, and charges for services and facilities sufficient to yield estimated net revenues equal to 125% of the aggregate amount of debt service on all parity obligations payable from net revenues coming due and payable during such fiscal year. The District had a debt service ratio of 3.96:1 for the year ended June 30, 2022. The 2021 Installment Purchase Agreement had an outstanding principal balance of $7,508,980 and accrued interest payable of $41,111 at June 30, 2022.

Promissory Note 2018A

In July 2018, the District entered into a promissory note with Compass Bank in the amount of $2,294,000 for the purpose of defeasing and prepaying the Borrego Water District Refunding Installment Purchase Agreement. The promissory note is payable in semi-annual payments of principal and interest at 3.35% commencing October 1, 2018 through and including October 1, 2028. Payments under the promissory note are secured by a lien on and pledge of net revenues. The District has covenanted to fix, prescribe, revise, and collect rates, fees, and charges for services and facilities sufficient to yield estimated net revenues equal to 125% of the aggregate amount of debt service on all parity obligations payable from net revenues coming due and payable during such fiscal year. The District had a debt service ratio of 3.96:1 and 1.74:1 for the years ended June 30, 2022 and 2021, respectively. The Promissory Note 2018A had an outstanding principal balance of $1,532,000 and $1,725,000 and accrued interest payable of $12,831 and $14,447 at June 30, 2022 and 2021, respectively.

Promissory Note 2018B

In July 2018, the District entered into a promissory note with Compass Bank in the amount of $863,535 for the purpose of defeasing and prepaying the 2015 Compass Bank Note. The promissory note is payable in semi-annual payments of principal and interest at 4.20% commencing October 1, 2018 through and including October 1, 2024. Payments under the promissory note are secured by a lien on and pledge of net revenues. The District has covenanted to fix, prescribe, revise, and collect rates, fees, and charges for services and facilities sufficient to yield estimated net revenues equal to 125% of the aggregate amount of debt service on all parity obligations payable from net revenues coming due and payable during such fiscal year. The District had a debt service ratio of 3.96:1 and 1.74:1 for the years ended June 30, 2022 and 2021, respectively. The Promissory Note 2018B had an outstanding principal balance of $396,800 and $518,337 and accrued interest payable of $4,166 and $5,442 at June 30, 2022 and 2021, respectively.

Note 5 - Noncurrent Liabilities: (Continued)

Promissory Note 2018B (Continued)

Debt service requirements on notes payable are as follows:

Years Ended June 30	Principal	Interest
2023	$ 750,711	$ 221,802
2024	778,259	200,109
2025	796,960	177,704
2026	677,050	157,673
2027	689,900	140,135
2028-2032	2,964,720	459,318
2033-2037	2,780,130	154,897
Total	$ 9,437,730	$ 1,511,638

Note 6 - Defined Benefit Pension Plan:

General Information About the Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the Miscellaneous Plan of the Borrego Water District, (All Plans) a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. The Plan consists of the miscellaneous plan and the PEPRA Miscellaneous Plan.

Benefits Provided - The Plan 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. Miscellaneous plan members with 5 years of service are eligible to retire at age 50 with statutory reduced benefits. PEPRA Miscellaneous members with 5 years of service are eligible to retire at age 52 with statutory reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is the Basic Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees Retirement Law per contract. The Plan's provisions and benefits in effect at June 30, 2022, are summarized as follows:

		On or After January 1, 2013	
	Prior to January 1, 2013 Miscellaneous	With Prior Service 2nd Tier	Without Prior Service PEPRA
Benefit formula	3.0% @ 60	2% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.80%	6.92%	7.59%
Required employer contribution rates	14.54%	8.65%	7.59%

Note 6 - Defined Benefit Pension Plan: (Continued)

General Information About the Pension Plan (Continued)

In addition to the contribution rates above, the District was also required to make payments of $67,353 and $58,494 toward its unfunded actuarial liability during the years ended June 30, 2022 and 2021, respectively .

The miscellaneous plan is closed to new members that are not already CalPERS eligible participants.

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 Plans actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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

The District reported the following net pension liability for its proportionate share of net position liability of the risk pool at June 30:

	Proportionate Share of Net Pension Liability 2022	Proportionate Share of Net Pension Liability 2021
Miscellaneous Risk Pool	$ 303,531	$ 935,284

The District's net pension liability for each risk pool is measured as the proportionate share of each risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

The District's proportionate share of the net pension liability as of June 30, 2020, the valuation date, was calculated as follows:

- In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to the miscellaneous risk pool. Estimates of the total pension liability and the fiduciary net position were first determined for the individual rate plans as of the valuation date June 30, 2020.

Note 6 - Defined Benefit Pension Plan: (Continued)

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

- Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The District's proportionate share percentage at the valuation date was calculated by dividing the District's net pension liability for each of its employer rate plans by the net pension liability of the risk pool as of the valuation date.

The District's proportionate share of the net pension liability as of June 30, 2021, the measurement date, was calculated as follows:

- The risk pool's total pension liability was computed at the measurement date, June 30, 2021, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for the risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for the risk pool at June 30, 2021, was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

- The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2021, was calculated by applying the District's proportionate share percentage as of the valuation date (described above) to the total pension liability and fiduciary net position as of June 30, 2021, to obtain the total pension liability and fiduciary net position as of June 30, 2021. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

The District's proportionate share percentage of the net pension liability as of June 30, 2020 and June 30, 2021 was as follows:

	Miscellaneous Risk Pool
Proportion at measurement date - June 30, 2020	0.022173%
Proportion at measurement date -June 30, 2021	0.015985%
Change - Increase (Decrease)	(0.006188)%

Note 6 - Defined Benefit Pension Plan: (Continued)

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

For the years ended June 30, 2022 and 2021, the District recognized a pension expense of $(156,025) and $225,431, respectively for the Plan. As of June 30, 2022 and 2021, the District reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 157,894	$	$ 142,095	$ -
Differences between actual contributions made and proportionate share of contributions		(16,964)	38,089	-
Differences between expected and actual experience	34,038		48,198	-
Changes of assumptions	-	-	-	(6,671)
Net difference between projected and actual earnings on pension plan investments	-	(264,967)	27,784	-
Adjustment due to difference in proportions	9,358	-	-	(12,302)
Total	$ 201,290	$ (281,931)	$ 256,166	$ (18,973)

Allocation of Net Pension Liability and Pension Expense to Individual Employers

The $157,894 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources in the previous chart will be recognized in future pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources
2023	$ (46,602)
2024	(54,535)
2025	(64,173)
2026	(73,225)
Total	$ (238,535)

Note 6 - Defined Benefit Pension Plan: (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increases	Varies by Age and Length of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Derived using CalPERS' Membership Data for all funds

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2020 based on June 30, 2019 Valuations,* that can be obtained from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Note 6 - Defined Benefit Pension Plan: (Continued)

Discount Rate (Continued)

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

Asset Class	Asset Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Public Equity	50.0%	4.80%	5.98%
Fixed Income	28.0	1.00	2.62
Inflation Assets	-	.77	1.81
Private Equity	8.0	6.30	7.23
Real Estate	13.0	3.75	4.93
Liquidity	1.0	-	(0.92)
	100.00%		

(a) An expected inflation of 2.0% used for this period
(b) An expected inflation of 2.92% used for this period

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

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

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Plan's Net Pension Liability	$ 980,705	$ 303,531	$ 256,279

Note 7 - Commitments and Contingencies:

Contracts

The Borrego Water District has entered into various contracts for the purchase of material and construction of capital assets. The amounts contracted are based on the contractor's estimated cost of construction. At June 30, 2022 and 2021, the total unpaid amount on these contracts is approximately $388,488 and $1,155,696, respectively.

Note 7 - Commitments and Contingencies: (Continued)

Litigation

Legal claims and lawsuits arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on Borrego Water District's financial position.

Operating Leases

The District has two operating leases for office equipment. The noncancelable lease terms exceeds 12 months and include a purchase option. Rent expense under these leases totaled $5,169 and $1,286 for the years ended June 30, 2022 and 2021, respectively. The lease is not considered material and as such was not capitalized under GASB 87.

Future minimum lease payments are as follows:

Years Ended June 30		
2023	$	4,368
2024		4,143
2025		4,068
2026		2,712
2027		-
Total	$	15,291

Community Facilities District No. 2017-01 2017 Special Tax Bonds

The Borrego Water District is the lead Agency of the Borrego Water District Community Facilities District No. 2007-1 (CFD 2007-1) and the Borrego Water District Community Facilities District CFD No. 2017-1 (CDF 2017-1). In April 2017, CFD 2017-1 was formed and an election held to authorize bonded indebtedness up to $11,600,000 to refinance the outstanding balances of CFD 2007-1 special tax bonds. In May 2017, CFD 2017-1 issued Borrego Spring Water District Special Tax Refunding Bonds, Series 2017A (Series 2017A Bonds) and Borrego Water District Special Tax Refunding Bonds, Series 2017B (Series 2017B Bonds). The CFD 2007-1 special tax bonds are considered defeased.

Note 7 - Commitments and Contingencies: (Continued)

Community Facilities District No. 2017-01 2017 Special Tax Bonds (Continued)

These financings were accomplished through the authorization of special tax bonds issued pursuant to the Mello-Roos Community Facilities Act of 1982 adopted by the Board of Directors of the Borrego Water District acting as the legislative body of the Community Facilities Districts. The bonds are only payable from certain proceeds of an annual special tax to be levied and collected from property located within the Community Facilities Districts and from certain bond proceeds pledged in the issuances. If the special taxes are not paid when due, the only source of funds to repay the bonds are cash deposits or letters of credit provided by property owners, amounts held in the bond reserve funds, or proceeds, if any, from foreclosure sales of land within the Community Facilities Districts following a delinquency in a special tax payment. Neither the faith nor credit nor the taxing power of the Borrego Water District, the State of California, or any other political subdivision thereof is pledged to the payment of these bonds. Therefore, the Community Facilities Districts are considered separate reporting entities The District reports as a fiduciary fund the cash it holds on behalf of Community Facilities District No. 2017-01. The following special tax bonds were outstanding at June 30:

	2022	2021
Series 2017A	$ 860,000	$ 925,000
Series 2017B	$ 9,685,000	$ 10,300,000

Coronavirus Pandemic

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The District is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the District's customers, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the District's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Note 8 - New Governmental Accounting Standards:

GASB No. 91

In May 2019, the Governmental Accounting Standards Board issued Statement No. 91 "Conduit Debt Obligations". The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

Note 8 - New Governmental Accounting Standards: (Continued)

GASB No. 92

In January 2020, the Governmental Accounting Standards Board issued Statement No. 92 "Omnibus 2020". The requirements of this statement are effective at various dates up to and including fiscal years and reporting periods beginning after June 15, 2021. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. This pronouncement did not and is not expected to have a material effect on the financial statements of the District in the year of implementation.

GASB No. 93

In March 2020, the Governmental Accounting Standards Board issued Statement No. 93 "Replacement of Interbank Offered Rates". The requirements of this statement are effective at various dates up to and including reporting periods ending after December 31, 2021 The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. This pronouncement is not expected to have a material effect on the financial statements of the District in the year of implementation.

GASB No. 94

In March 2020, the Governmental Accounting Standards Board issued Statement No. 94 "Public - Private and Public - Public Partnerships and Availability Payment Arrangements". The requirements of this statement are effective for fiscal years beginning after June 15, 2022. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. As used in this pronouncements these Partnerships are an arrangement in which the government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset such as infrastructure or other capital assets for a period of time in an exchange or an exchange-like transaction. The statement also provides guidance on accounting and financial reporting for availability payment arrangements in which the government compensates the operator for services that may include the designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The District has not yet determined the effects of this pronouncement on the financial statements in the year of implementation.

GASB No. 95

In May 2020, the Governmental Accounting Standards Board issued Statement No. 95 "Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing for one year the effective dates of GASB Statements 83, 84, 88 – 93 as well as implementation guides 2018-1, 2019-1 and 2019-2. In addition, the effective dates of GASB Statement 87 and Implementation Guide 2019-3 have been postponed by 18 months.

Note 8 - New Governmental Accounting Standards: (Continued)

GASB No. 96

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96 “Subscription-Based Information Technology Arrangements (SBITA’s). This Statement (1) defines SBITA’s (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including the implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter. Earlier application is encouraged. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 97

In June 2020, the Governmental Accounting Standards issued Statement No. 97 “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - An Amendment of GASB Statements No. 14 and No. 84 and Supersession of GASB Statement No. 32”. This statement requires that for purposes of determining whether a primary government is financial accountable for a potential component unit, the absence of a governing board should be treated the same as the appointment of a voting majority. The statement requires that a Section 457 plan be classified as either pension or other employee benefit plan depending on whether the plan meets the definition of a pension plan. This statement supersedes the remaining provisions of GASB Statement No. 32.

GASB No. 98

In October 2021, the Governmental Accounting Standards Board issued Statement No. 98 “The Annual Comprehensive Financial Report”. This statement establishes the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replaces instances of Comprehensive Annual Financial Report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this statement are effective for fiscal years ending after December 15, 2021. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

GASB No. 99

In April 2022, the Governmental Accounting Standards Board issued Statement No. 99 “Omnibus 2022”. This statement enhances the comparability in accounting and financial reporting and improves consistency in authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GAB Statements and (2) accounting and financial reporting for financial guarantees. The requirement of this pronouncement are effective on various dates ranging from upon issuance through fiscal years beginning after June 2023. This pronouncement did not and is not expected to have a material effect on the financial statements of the District in the year of implementation.

Note 8 - New Governmental Accounting Standards: (Continued)

GASB No. 100

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100 "Accounting Changes and Error Corrections an amendment of GASB Statement No. 62". This statement defined accounting changes. This statement also addresses corrections of errors in previously issued financial statements. The requirements of this statement are effective for fiscal years ending after June 15, 2023. This pronouncement is not anticipated to have a material effect on the financial statements of the District in the year of implementation.

GASB No. 101

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101 "Compensated Absences". This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences. In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this statement effective for fiscal years ending after December 15, 2023. This pronouncement is not anticipated to have a material effect on the financial statements of the District in the year of implementation.

BORREGO WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

SCHEDULES OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS *

	Measurement Date June 30, 2021	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017
Proportion of the Net Pension Liability	.015985 %	0.022713 %	0.022253 %	0.022558 %	0.023133 %
Proportionate Share of the Net Pension Liability	$ 303,531	$ 935,284	$ 891,132	$ 850,153	$ 911,898
Covered - Payroll - Measurement Period	$ 858,482	$ 850,749	$ 740,131	$ 698,023	$ 675,819
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	35.36 %	109.94 %	120.40 %	121.79 %	134.93 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.08 %	79.54 %	78.92 %	77.34 %	74.72 %

	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014	Measurement Date June 30, 2013	Measurement Date June 30, 2012
Proportion of the Net Pension Liability	0.009466 %	0.01010 %	0.01123 %	N/A %	N/A %
Proportionate Share of the Net Pension Liability	$ 819,059	$ 693,352	$ 699,055	$ N/A	$ N/A
Covered - Payroll - Measurement Period	$ 658,514	$ 671,180	$ 595,422	$ N/A	$ N/A
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	124.38 %	103.30 %	117.41 %	N/A %	N/A %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.72 %	77.21 %	73.72 %	N/A %	N/A %

BORREGO WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

SCHEDULES OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)
LAST TEN YEARS *

Notes to Schedule:

Change in Benefit Terms - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact.

Changes in Assumptions - The discount rate of 7.15% has not changed from the prior year.

Omitted Years - GASB Statement No 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

BORREGO WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

SCHEDULES OF CONTIRBUTIONS TO THE PENSION PLAN
LAST TEN YEARS *

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Contractually Required Contribution (Actuarially determined)	$ 157,894	$ 142,096	$ 189,335	$ 162,515	$ 142,789
Contributions in Relation to the Actuarially determined Contribution	(157,894)	(142,095)	(189,355)	(162,515)	(142,789)
Contribution Deficiency (Excess)	$ -	$ 1	$ -	$ -	$ -
Covered Payroll - Fiscal Year	$ 955,752	$ 858,442	$ 850,749	$ 740,131	$ 698,023
Contributions as a Percentage of Covered Payroll	16.62 %	16.55 %	22.26 %	21.96 %	20.46 %

	June 30, 2017	June 30, 2016	June 30, 2013	June 30, 2012	June 30, 2013
Contractually Required Contribution (Actuarially determined)	$ 137,737	$ 138,613	$ 129,138	$ N/A	$ N/A
Contributions in Relation to the Actuarially determined Contribution	(137,737)	(138,613)	(129,138)	N/A	N/A
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ N/A	$ N/A
Covered Payroll - Fiscal Year	$ 723,125	$ 671,180	$ 595,422	$ N/A	$ N/A
Contributions as a Percentage of Covered Payroll	10.05 %	20.65 %	21.69 %	N/A %	N/A %

BORREGO WATER DISTRICT
SCHEDULES OF ASSESSED VALUATION
FOR THE YEAR ENDED JUNE 30, 2022

The assessed valuation of the District at June 30, 2022 and 2021, is as follows:

	2022	2021
Assessed Valuation:		
Secured property	$ 380,766,218	$ 373,580,756
Total Assessed Valuation	$ 380,766,218	$ 373,580,756

Borrego Water District Board of Directors
Audit & Budget Standing Committee
June 06, 2023 @ 2:00 p.m.
806 Palm Canyon Drive
Borrego Springs, CA 92004
ITEM II. B.

June 05, 2023

To: Audit & Budget Committee

From: Jessica Clabaugh, Finance Officer

Subject: Discussion of Fiscal Year 2024 Budget CIP and Cash Reserves

RECOMMENDED ACTION

None.

ITEM EXPLAINATION

Discussion and strategy development of the fiscal impact of BPA Acquisitions and 10+ year CIP projections on future cash flows and reserve levels.

FISCAL IMPACT

None.

ATTACHMENTS

Attachment 1 – 10+ Year CIP Projections

Attachment 2 – 10+ Year Cash Flow Model

Attachment 3 – Reserves Detail if $3M

	CAPITAL IMPROVEMENT PROJECTS	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY2032-33	FY2033-34	FY2034-35
	CASH RESERVE FUNDED WATER PROJECS												
	WATER PROJECTS												
1	Facilities Maint - Office	$ 50,000											
2	ID-5 Well VFD	$ 200,000											
17b	Borrego Springs Road Pipeline Replacement (Cash Portion)	$ 228,102											
18b	Sun Gold Pipeline Replacement (Cash Portion)	$ 622,065											
3	Replace and upgrade Booster Pump Station 5		$ 125,000										
4	Pipeline Replacements		$ 438,500	$ 190,000									
5	Country Club Tank Recoating, 1999 1.0 MG						$ 250,000						
6	FY23+ Water Supply Acquisition w/Fallowing & Well Abandonment $4.5M	$ 851,125	$ 486,694	$ 557,624	$ 442,669	$ 442,669	$ 486,956	$ 486,956					
27b	FY23 Water Supply Acquisition $1,320,000 Total												
7	Emergency System repairs	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000
	SUBTOTAL WATER CASH RESERVE PROJECTS	**$ 2,011,292**	**$ 1,110,194**	**$ 807,624**	**$ 502,669**	**$ 502,669**	**$ 796,956**	**$ 546,956**	**$ 60,000**	**$ 60,000**	**$ 60,000**	**$ 60,000**	**$ 60,000**
	SEWER PROJECTS												
8	Palm Canyon Sewer Line Inspection	$ 150,000		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
9	Manhole Replacements/Refurbishment (2/year)	$ 49,778	$ 52,267	$ 54,880	$ 57,624	$ 60,505	$ 63,531	$ 66,707	$ 70,042	$ 73,545	$ 77,222	$ 81,083	$ 85,137
	SUBTOTAL SEWER CASH RESERVE PROJECTS	**$ 199,778**	**$ 52,267**	**$ 54,880**	**$ 57,624**	**$ 60,505**	**$ 63,531**	**$ 66,707**	**$ 70,042**	**$ 73,545**	**$ 77,222**	**$ 81,083**	**$ 85,137**
	TOTAL CASH WATER/SEWER CIP PROJECTS 2023 THROUGH 2035	**$ 2,211,069**	**$ 1,162,461**	**$ 862,504**	**$ 560,293**	**$ 563,174**	**$ 860,487**	**$ 613,663**	**$ 130,042**	**$ 133,545**	**$ 137,222**	**$ 141,083**	**$ 145,137**
	FACILITIES MAINTENANCE DETAIL												
	Stucco Building and Replace Failing Solar Cells	**$ 20,000**											
	Carpet/Paint Office and Install Energy Efficient Lighting	**$ 30,000**											
	TOTAL CASH RESERVES CAPITAL IMPROVEMENTS PROGRAM	**$ 2,211,069**	**$ 1,162,461**	**$ 862,504**	**$ 560,293**	**$ 563,174**	**$ 860,487**	**$ 613,663**	**$ 130,042**	**$ 133,545**	**$ 137,222**	**$ 141,083**	**$ 145,137**
	TOTAL CASH RESERVES SHORT LIVED ASSETS	**$ 257,000**	**$ 249,250**	**$ 250,163**	**$ 232,550**	**$ 211,888**	**$ 205,500**	**$ 187,533**	**$ 237,253**	**$ 152,807**	**$ 397,753**	**$ 185,199**	**$ 261,978**
	TOTAL CASH RESERVES CIP AND SHORT LIVED ASSETS ANNUAL BU	**$ 2,468,069**	**$ 1,411,711**	**$ 1,112,667**	**$ 792,843**	**$ 775,062**	**$ 1,065,987**	**$ 801,196**	**$ 367,295**	**$ 286,351**	**$ 534,975**	**$ 326,282**	**$ 407,115**

	GRANT FUNDED CIP PROJECTS	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY2032-33	FY2033-34	FY2034-35
	WATER GRANT PROJECTS												
	DWR Grant Net $2,855,333												
10	Replace Twin Tanks	$ 32,835											
11	Replace Wilcox Diesel Motor												
12	Replace Indianhead Reservoir	$ 450,000											
13	Rams Hill #2, 1980 galv. 0.44 MG recoating	$ 450,000											
	GROUNDWATER MANAGEMENT PROP 68 GRANT												
	DWR Grant Net $1,731,000												
14	AMI	$ 455,000	$ 455,000										
15	Monitoring Wells	$ 60,000											
16	*Administration*	$ 100,000	$ 75,000										
	2022 APPROPRIATIONS BILL												
17a	Borrego Spring Road Pipeline Replacement	$ 912,406											
18a	Sun Gold Pipeline Replacement	$ 2,488,260											
	POTENTIAL GRANT FUNDED CIP PROJECTS												
19	WWTP Oxidation Ditch		$ 650,000										
20	WWTP Equalization Basin			$ 650,000									
21	Deep Well Pipeline Replacement				$ 2,225,000								
22	West and East Star Road Pipeline Replacement					$ 450,000							
23	Club Circle Water and Sewer Pipeline Replacement Project						$ 2,286,000						
24	New Production Well												$ 2,000,000
	TOTAL WATER/SEWER GRANT CIP PROJECTS	**$ 4,948,501**	**$ 1,180,000**	**$ 650,000**	**$ 2,225,000**	**$ 450,000**	**$ 2,286,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 2,000,000**
	2021 BOND FUNDED CIP PROJECTS												
25	Well ID5-15 Completion												
26	Well ID4-10 Inspection and Repairs												
27a	FY23 Water Supply Acquisition $1,320,000 Total												
	TOTAL 2021 BOND FUNDED CIP PROJECTS												
	POTENTIAL BOND FUNDED CIP PROJECTS												
28	Projected Water Supply Costs												$ 2,000,000
29	Well 5 Transmission Main Project												$ 1,215,000
30	Water Treatment Facility												$ 2,000,000
	TOTAL FUTURE BOND CIP PROJECTS	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 5,215,000**
	Total Annual CIP Spend:	**$ 7,416,571**	**$ 2,591,711**	**$ 1,762,667**	**$ 3,017,843**	**$ 1,225,062**	**$ 3,351,987**	**$ 801,196**	**$ 367,295**	**$ 286,351**	**$ 534,975**	**$ 326,282**	**$ 7,622,115**

CIP-SHORT LIVED ASSETS	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Facility Components						
Backup Generator Office and Shop	$ 100,000					
WELLS						
Paddock Well - Convert to Monitoring						
ID1-8, 125 Hp - Well out of service life	$ 60,000					
ID-1 Well 12 pump and casing/cleaning			$ 181,913			
ID-1 16 - Inspection		$ 173,250			$ 199,238	
ID4-11, 200 Hp				$ 120,000		
ID4-18 - Inspect to make a monitoring well	$ 10,000					
Other Well Rehabilitation						$ 132,000
TANKS						
Reservoir cleaning/video inspection	$ 37,000			$ 42,550		
BOOSTER/PRESSURE REDUCING STATIONS						
WASTEWATER TREATMENT FACILITY						
Clarifier Rehab - Every 10 years	$ 50,000					
RAS pumps						
Trash Pump						
Lift Station Pump		$ 11,000			$ 12,650	
EQUIPMENT						
10-15kw Backup Diesel Generator						
Pickup - Every 1.5 to 2 years 3/4 ton		$ 65,000	$ 68,250	$ 70,000		$ 73,500
TOTAL SHORT LIVED ASSETS REPLACEMENT PROGRAM	$ 257,000	$ 249,250	$ 250,163	$ 232,550	$ 211,888	$ 205,500

Borrego Water District - Financial Model

Projected Operating Results	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
Fiscal Year Ended June 30	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**
Operating Revenue												
Water Revenue - commodity	2,724,341	2,860,558	3,003,586	3,123,729	3,248,678	3,378,626	3,479,984	3,584,384	3,691,915	3,802,673	3,916,753	4,034,256
Water Revenue - base	1,613,713	1,678,261	1,745,392	1,815,207	1,887,816	1,963,328	2,022,228	2,082,895	2,145,382	2,209,743	2,276,036	2,344,317
Sewer service charges	645,722	671,551	698,413	719,366	740,947	763,175	786,070	809,653	833,942	858,960	884,729	911,271
Availability charges	238,000	238,000	238,000	238,000	238,000	238,000	238,000	238,000	238,000	238,000	238,000	238,000
Property taxes and other	86,453	88,182	89,946	91,745	91,745	91,745	91,745	91,745	91,745	91,745	91,745	91,745
Interest Income	35,000	35,875	36,772	18,568	17,945	17,820	16,649	36,416	44,455	53,774	61,103	71,000
Total Operating Revenues	**$5,343,229**	**$5,572,428**	**$5,812,109**	**$6,006,615**	**$6,225,130**	**$6,452,694**	**$6,634,677**	**$6,843,092**	**$7,045,439**	**$7,254,895**	**$7,468,365**	**$7,690,588**
O&M Expenses												
Water operations	2,077,988	2,140,328	2,204,537	2,270,673	2,338,794	2,408,957	2,481,226	2,555,663	2,632,333	2,711,303	2,792,642	2,876,421
Sewer operations	507,366	522,587	538,264	554,412	571,045	588,176	605,821	623,996	642,716	661,997	681,857	702,313
Pumping / Treatment	500,000	515,000	530,450	546,364	562,754	579,637	597,026	614,937	633,385	652,387	671,958	692,117
Subbasin Pumping Fees	100,000	105,000	110,250	115,763	121,551	127,628	134,010	140,710	147,746	155,133	162,889	171,034
Subbasin Management Cost	339,837	350,032	360,533	371,349	382,490	393,964	405,783	417,957	430,495	443,410	456,713	470,414
General and administrative	594,738	612,580	630,957	649,886	669,382	689,464	710,148	731,452	753,396	775,998	799,278	823,256
Total O&M Expenses	**$4,119,928**	**$4,245,526**	**$4,374,992**	**$4,508,447**	**$4,646,015**	**$4,787,827**	**$4,934,014**	**$5,084,715**	**$5,240,071**	**$5,400,228**	**$5,565,337**	**$5,735,555**
Total CIP Costs (not included in formula; see line 38)	**$7,416,571**	**$2,591,711**	**$1,762,667**	**$3,017,843**	**$1,225,062**	**$3,351,987**	**$801,196**	**$367,295**	**$286,351**	**$534,975**	**$326,282**	**$7,622,115**
Net Revenues	**$1,223,301**	**$1,326,902**	**$1,437,117**	**$1,498,169**	**$1,579,115**	**$1,664,867**	**$1,700,663**	**$1,758,377**	**$1,805,369**	**$1,854,668**	**$1,903,028**	**$1,955,033**
Debt Service Obligations												
2008 IPA / Compass Loan 2018A	250,255	246,204	246,968	242,547	241,960	246,054	-	-	-	-	-	-
2015 note / Compass Loan 2018B	140,755	140,755	-	-	-	-	-	-	-	-	-	-
2018 Bonds / 2021 Refunding	$587,719	$587,706	$587,755	$587,488	$586,916	$587,030	$587,762	$587,152	$587,165	$586,802	$587,026	$586,848
FY27 Bond				$0	$0	$0	$0	$0	$0	$0	$0	$0
FY32 Bond									$0	$0	$0	$0
FY34 Bond												$0
Total Debt Service	**$978,729**	**$974,664**	**$834,723**	**$830,035**	**$828,875**	**$833,084**	**$587,762**	**$587,152**	**$587,165**	**$586,802**	**$587,026**	**$586,848**
Debt Service Coverage Ratio	**1.25**	**1.36**	**1.72**	**1.80**	**1.91**	**2.00**	**2.89**	**2.99**	**3.07**	**3.16**	**3.24**	**3.33**
Net Revenue Available for Reserves or CIP	**$244,571**	**$352,237**	**$602,394**	**$668,133**	**$750,239**	**$831,784**	**$1,112,901**	**$1,171,225**	**$1,218,204**	**$1,267,865**	**$1,316,003**	**$1,368,185**
Total CIP Annual Requirements	**$7,416,571**	**$2,591,711**	**$1,762,667**	**$3,017,843**	**$1,225,062**	**$3,351,987**	**$801,196**	**$367,295**	**$286,351**	**$534,975**	**$326,282**	**$7,622,115**
	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Bond Proceeds												
Fixed-Rate Bond Issue #1	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$5,215,000
Fixed-Rate Bond Issue #2	-	-	-	-	-	-	-	-	-	-	-	-
Fixed-Rate Bond Issue #3	-	-	-	-	-		-	-	-	-	-	-
Fixed-Rate Bond Issue #4	-	-	-	-	-	-	-	-	-	-	-	-
SRF Financing	-	-	-	-	-	-	-	-	-	-	-	-
Total Bond Proceeds Available for CIP	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$5,215,000**
Remaining Bond Proceeds	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Funding Sources												
New Bond Proceeds		-		-					-		-	5,215,000
Outside Funding Sources (Grants + Proceeds)	4,948,501	1,180,000	650,000	2,225,000	450,000	2,286,000			-	-	-	2,000,000
Pay-as-you-go Funding	2,468,070	1,411,711	1,112,667	792,843	775,062	1,065,987	801,196	367,295	286,351	534,975	326,282	407,115
Total Funding Sources	$7,416,571	$2,591,711	$1,762,667	$3,017,843	$1,225,062	$3,351,987	$801,196	$367,295	$286,351	$534,975	$326,282	$7,622,115
Beginning Reserve Balances (after CIP)	$7,506,876	$5,283,377	$4,223,904	$3,713,631	$3,588,921	$3,564,099	$3,329,896	$3,641,602	$4,445,532	$5,377,385	$6,110,275	$7,099,996
Ending Reserve Balances (after CIP)	$5,283,377	$4,223,904	$3,713,631	$3,588,921	$3,564,099	$3,329,896	$3,641,602	$4,445,532	$5,377,385	$6,110,275	$7,099,996	$8,061,066
Days Cash Ratio	**468**	**363**	**310**	**291**	**280**	**254**	**269**	**319**	**375**	**413**	**466**	**513**

Borrego Water District
Reserves Fund Detail @ Projected Low

THEORETICAL LOW BALANCE	RESERVE TYPE	RESERVE DESCRIPTION	% OF UNFIXED	CALCULATED FY24 TARGET
$643,841	Non-218 Reserve	Reserves from Non-Rate Revenue		
$977,719	Debt Reserve	Principal and Interest for respective debt obligations. Current Sewer Debt obligations are estimated to be 7% of 2018 PWB bonds attributed to Sewer.	FIXED	$977,719
$525,000	Water Supply Purchase Reserves	$1.5M FY22 to FY27. 100% allocated to water.	FIXED	$600,000
$0	System Growth Reserves	Development charges for new meters. Used to offset capital projects and new development related debt expenses	FIXED	$0
$53,959	*TCS Expansion Reserve*	A System Growth Reserve. Accumulated EDU Sales and Expansion Fees since 2015. EDU Sales($24,320); Expansion Fees($53,959)	FIXED	$53,959
$159,842	Operating/Working Capital Reserve	120 days O&M.	20.0%	$1,225,000
$130,484	Rate Stabilization Funds	30% of Water Commodity Rates and 30% of Sewer Rates. FY24 Budgeted Water Commodity Rates($2,724,000); Sewer($645,700).	16.3%	$1,000,000
$24,009	Contingency Reserves	For unexpected operational/legislative expenses 5-10% of O&M. Using 5% for FY2024.	3.0%	$184,000
$322,042	Capital R&R Reserve	Greater of $1M or budgeted next years' cash CIP. FY24 CIP = $2,468,069	40.3%	$2,468,069
$163,104	Risk Management (Emergency) Reserves	$1.25M. 15% allocated to sewer.	20.4%	$1,250,000
$0	Other Reserves	None at the present time.	0.0%	$0
		Total FY24 Reserves Target		$7,758,747
		% of Target Reserves at $3M		39%

Total Reserves THEORETICAL $3,000,000	% of Target Reserves THEORETICAL 38.7%

Unrestricted THEORETICAL $ 1,968,322