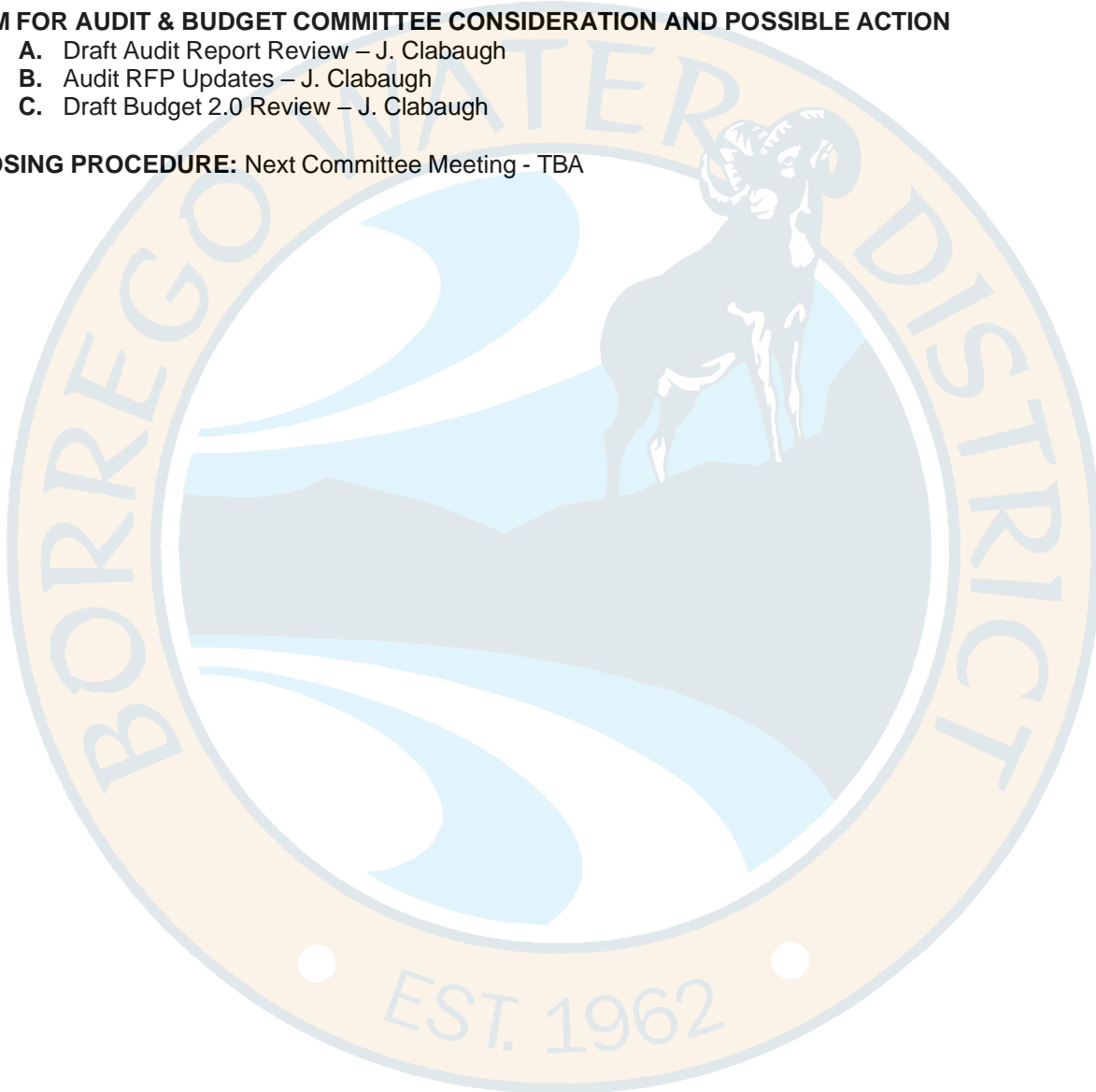


**Borrego Water District Board of Directors
Audit & Budget Standing Committee
Tuesday May 14, 2024 @ 9:00 a.m.
806 Palm Canyon Drive
Borrego Springs, CA 92004**

- I. OPENING PROCEDURES**
 - A. Call to Order
 - B. Committee Members Roll Call: President Dice, Director Moran

- II. ITEM FOR AUDIT & BUDGET COMMITTEE CONSIDERATION AND POSSIBLE ACTION**
 - A. Draft Audit Report Review – J. Clabaugh
 - B. Audit RFP Updates – J. Clabaugh
 - C. Draft Budget 2.0 Review – J. Clabaugh

- III. CLOSING PROCEDURE: Next Committee Meeting - TBA**



AUDIT & BUDGET COMMITTEE AGENDA: May 14, 2024

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
Tuesday May 14, 2024 @ 9:00 a.m.
806 Palm Canyon Drive
Borrego Springs, CA 92004**

ITEM II. A.

May 13 2024

To: Audit & Budget Committee

From: Jessica Clabaugh, Finance Officer

Subject: Draft Audit Report Review

RECOMMENDED ACTION

Recommend Audit Approval to Board.

ITEM EXPLANATION

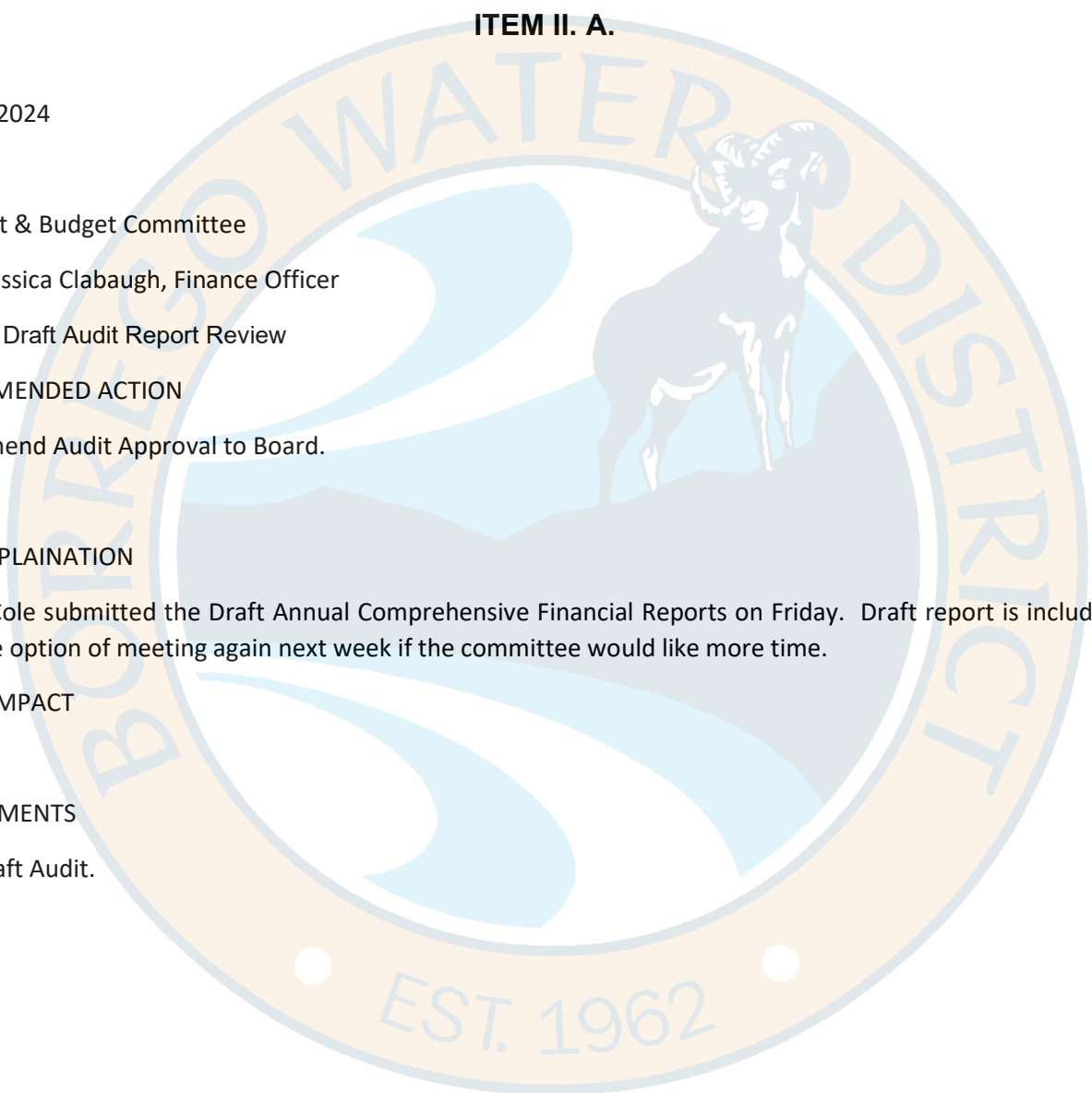
Leaf & Cole submitted the Draft Annual Comprehensive Financial Reports on Friday. Draft report is included. We have the option of meeting again next week if the committee would like more time.

FISCAL IMPACT

None.

ATTACHMENTS

FY24 Draft Audit.



BORREGO WATER DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

DRAFT



Leaf & Cole, LLP
Certified Public Accountants

**BORREGO WATER DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

TABLE OF CONTENTS

	<u>Page</u>
Introductory Section:	
Letter of Transmittal	i - ix
Financial Section:	
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 10
Statements of Net Position	11 - 12
Statements of Revenues, Expenses and Changes in Net Position	13
Statements of Cash Flows	14 - 15
Statements of Fiduciary Net Position	16
Statements of Changes in Fiduciary Net Position	17
Notes to Financial Statements	18 - 40
Required Supplementary Information:	
Schedules of Plan's Proportionate Share of Net Pension Liability and Related Ratios	41 - 42
Schedules of Contributions to the Pension Plan	43
Supplementary Information:	
Schedules of Assessed Valuation	44



May ____, 2024

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, 2023 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, 2023 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 unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2023 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 \$97,000,000 in 2023n 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 overdrafted. 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 Operations Manager, WWTP Operator and 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 Security 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

The groundwater level monitoring network includes 23 dedicated monitoring wells and 27 extraction wells. Of the 50 wells in the network, 46 are monitored for groundwater levels, 30 are monitored for water quality, and 19 are monitored for production. 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 and Wastewater Arrearage Grant programs in which grant funds were applied as bill credits to water and sewer customers who were delinquent during the COVID-19 period.

While BWD has resumed in person meetings and gatherings, public meetings remain available 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 2022 this amount was \$20.30/Acre Foot and \$45.73/Acre Foot for Water Year 2023. In Fiscal Year 2023 the District closed on the purchase of 110 acres of citrus groves at the north end of DiGiorgio Road. Once the citrus is fallowed, BWD will add 670 AF to its existing BPA of 2,581 Acre Feet per Year. In addition, negotiations were ongoing for the purchase of additional farmland that may bring the BWD another 1,820 AF of BPA. As restrictions are in place to reduce the Districts pumping by 70%, these purchases will ramp down to 1,263 Acre Feet by 2040. This means that the District will still 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.

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 2021 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,

A handwritten signature in blue ink that reads "Geoffrey Poole".

Geoffrey Poole, General Manager

DRAFT



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, 2023 and 2022, 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, 2023 and 2022, 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 41 - 43 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 opinion 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 __, 2024

DRAFT

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, 2023 and 2022. 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 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 its 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2023 and 2022, the following events impacted, or have the potential to impact, the finances of the District.

- Capital assets increased \$4,085,122 at June 30, 2023 from June 30, 2022, which included improvements to Production Well #2 (ID5 - 15), Wastewater Treatment Plant, Bending Elbow Pipeline and Well 11 electric upgrade.
- During fiscal year 2023, the District earned grant revenue of \$240,475 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. The District also earned grant revenue of \$326,711 through funding provided by the Department of Water Resources of the State of California. The funding under his agreement is to assist in financing the Implementation Project for the Borrego Spring Sub Basin.
- Total operating revenues decreased \$16,277 principally in water sales and other income as well as watermaster reimbursements.
- Total operating expenses increased \$795,032 as a result of increased pension, salaries, pumping, and watermaster costs.
- Nonoperating revenues exceeded non-operating expenses as grant revenue, property taxes and investment income exceeded interest expense.
- Cash and cash equivalents decreased to \$6,219,575 at June 30, 2023 from \$8,640,739 at June 30, 2022 primarily due to the water right acquisition from William Bauer.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the District

Net Position

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

	<u>2023</u>	<u>2022</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<u>Assets:</u>				
Cash and cash equivalents	\$ 6,219,575	\$ 8,640,739	\$ (2,421,164)	(28.02)%
Capital assets	24,834,726	20,749,604	4,085,122	19.69%
Other assets	1,384,646	1,441,749	(57,103)	(3.96)%
Total Assets	<u>32,438,947</u>	<u>30,832,092</u>	<u>1,606,855</u>	5.21%
<u>Deferred Outflows of Resources</u>	<u>673,725</u>	<u>246,556</u>	<u>427,169</u>	173.25%
<u>Liabilities:</u>				
Current liabilities	2,304,314	1,424,249	880,065	61.79%
Noncurrent liabilities	9,097,948	9,062,791	35,157	.39%
Total Liabilities	<u>11,402,262</u>	<u>10,487,040</u>	<u>915,222</u>	8.73%
<u>Deferred Inflows of Resources</u>	<u>75,095</u>	<u>281,931</u>	<u>(206,836)</u>	(73.36)%
<u>Net Position:</u>				
Net investment in capital assets	16,178,429	11,647,277	4,531,152	38.90%
Unrestricted	5,456,886	8,662,400	(3,205,514)	(37.00)%
Total Net Position	<u>\$ 21,635,315</u>	<u>\$ 20,309,677</u>	<u>\$ 1,325,638</u>	6.53%

From the table above, net position increased by \$1,325,638 from fiscal year 2022 to 2023. Net investment in capital assets increased \$4,531,152. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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:

	<u>2023</u>	<u>2022</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<u>Operating Revenues:</u>				
Water sales	\$ 3,950,320	\$ 3,957,289	\$ (6,969)	(.18)%
Sewer service charges	802,274	654,215	148,059	22.63%
Availability charges	246,751	239,702	7,049	2.94%
Watermaster reimbursements	-	102,499	(102,499)	(100.00)%
Other income	38,703	100,620	(61,917)	(61.54)%
Total Operating Revenues	<u>5,038,048</u>	<u>5,054,325</u>	<u>(16,277)</u>	(.32)%
<u>Operating Expenses:</u>				
Water operations	2,053,070	1,468,224	584,846	39.83%
Depreciation	973,927	927,725	46,202	4.98%
Sewer operations	510,810	454,292	56,518	12.44%
Pumping	478,973	422,335	56,638	13.41%
General and administrative	461,636	416,005	45,631	10.97%
Treatment	41,214	36,017	5,197	14.43%
Total Operating Expenses	<u>4,519,630</u>	<u>3,724,598</u>	<u>795,032</u>	21.35%
Operating Income	<u>518,418</u>	<u>1,329,727</u>	<u>(811,309)</u>	(61.01)%
<u>Nonoperating Revenues (Expenses):</u>				
Nonoperating revenues	713,891	560,811	153,080	27.30%
Nonoperating expenses	(236,703)	(391,394)	154,691	39.52%
Nonoperating Revenues (Expenses), Net	<u>477,188</u>	<u>169,417</u>	<u>307,771</u>	181.66%
Income Before Contributions	995,606	1,499,144	(503,538)	(33.59)%
Capital Contributions	<u>330,032</u>	<u>177,758</u>	<u>152,274</u>	85.66%
Change in Net Position	1,325,638	1,676,902	(351,264)	(20.95)%
Net Position at Beginning of Year	<u>20,309,677</u>	<u>18,632,775</u>	<u>1,676,902</u>	9.00%
Net Position at End of Year	<u>\$ 21,635,315</u>	<u>\$ 20,309,677</u>	<u>\$ 1,325,638</u>	6.53%

A closer examination of the source of changes in net position reveals that the District's operating revenues decreased by \$16,277 in fiscal year 2023 primarily due to a reduction in water sales, other income and watermaster reimbursements. Nonoperating expenses, decreased \$154,691 due to a decrease in interest expense. Operating expenses, exclusive of depreciation increased \$748,830 in fiscal year 2023 due to pumping, pensions, salaries and watermaster costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

Capital assets consist of the following at June 30:

	<u>2023</u>	<u>2022</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Land	\$ 693,702	\$ 693,702	\$ -	-
Flood control facilities	4,287,340	4,287,340	-	-
Sewer facilities	7,254,327	6,497,895	756,432	11.64%
Water facilities	17,775,417	16,778,661	996,756	5.94%
General facilities	1,006,881	1,006,881	-	-
Telemetry system	46,459	46,459	-	-
Equipment and furniture	1,018,919	994,406	24,513	2.47%
Vehicles	757,791	687,297	70,494	10.26%
Construction in progress	5,317,881	3,471,988	1,845,893	53.17%
Fallowed water credits	932,050	932,050	-	-
Water rights - ID #4/William Bauer	1,549,961	185,000	1,364,961	737.82%
Total Assets	<u>40,640,728</u>	<u>35,581,679</u>	<u>5,059,049</u>	14.22%
Less: Accumulated depreciation	<u>(15,806,002)</u>	<u>(14,832,075)</u>	<u>(973,927)</u>	6.57%
Net Capital Assets	<u>\$ 24,834,726</u>	<u>\$ 20,749,604</u>	<u>\$ 4,085,122</u>	19.69%

The net additions to capital assets for fiscal year 2023 totaled \$4,085,122. Significant capital asset additions include improvements to Well #2, Rams Hill Tank #2, Twin Tanks and Indian Head Tank.

Long-Term Debt

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

	<u>2023</u>	<u>2022</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
2021 Installment Purchase Agreement	\$ 7,080,970	\$ 7,508,930	\$ (427,960)	(5.70)%
Promissory Note 2018A	1,336,000	1,532,000	(196,000)	(12.79)%
Promissory Note 2018B	270,049	396,800	(126,751)	(31.94)%
Total Long-Term Debt	<u>\$ 8,687,019</u>	<u>\$ 9,437,730</u>	<u>\$ (750,711)</u>	(7.95)%

The District decreased its debt outstanding by \$750,711 for fiscal year 2023 by making principal payments on all of its long-term debts.

MANAGEMENT’S DISCUSSION AND ANALYSIS

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 2023 - 2024 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 2023 - 2024. The budget has been structured to contain costs, but at the same time, continue 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 2023, 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 residential 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 13, 2023, the District’s Board of Directors approved the FY 2024 budget that anticipates Capital Improvement Program (CIP) project’s spending of approximately \$31,000,000 through FY 2033-34. 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 2023 Actual vs. Fiscal Year 2024 Budget

	<u>2024 Budget</u>	<u>2023 Actual</u>	<u>Variance</u>	
			<u>Dollar</u>	<u>Percentage</u>
<u>Revenues:</u>				
Operating revenue	\$ 5,238,228	\$ 5,038,048	\$ 200,180	3.97%
Nonoperating revenue	105,000	713,891	(608,891)	85.29%
Capital contributions	-	330,032	(330,032)	100.00%
Total Revenue	<u>5,343,228</u>	<u>6,081,971</u>	<u>(738,743)</u>	12.14%
<u>Expenses:</u>				
Operating expenses	4,889,077	4,519,630	369,447	8.17%
Non-operating expenses	209,580	236,703	(27,123)	(11.46)%
Total Expenses	<u>5,098,657</u>	<u>4,756,333</u>	<u>342,324</u>	7.20%
Change in Net Position	<u>\$ 244,571</u>	<u>\$ 1,325,638</u>	<u>\$ (1,081,067)</u>	81.55%

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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**BORREGO WATER DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
<u>Current Assets:</u> (Notes 1 and 2)		
Cash and cash equivalents	\$ 6,214,000	\$ 8,350,601
Accounts receivable - Water and sewer, net	1,037,887	713,444
Accounts receivable - Watermaster reimbursements	11,592	121,847
Accounts receivable - Wastewater treatment plant upgrade grant	-	405,746
Accrued interest receivable	16,527	3,873
Property tax receivable	3,967	2,752
Inventory	198,155	159,525
Prepaid expenses	116,518	34,562
Total Current Assets	7,598,646	9,792,350
<u>Noncurrent Assets:</u> (Notes 1, 2, 3 and 4)		
Restricted Assets:		
Cash and cash equivalents	5,575	290,138
Total Restricted Assets	5,575	290,138
Capital Assets:		
Nondepreciable capital assets	8,493,594	5,282,740
Depreciable capital assets, net	16,341,132	15,466,864
Total Capital Assets	24,834,726	20,749,604
TOTAL ASSETS	32,438,947	30,832,092
<u>DEFERRED OUTFLOWS OF RESOURCES:</u> (Notes 1 and 6)		
Deferred outflows related to refunding	25,147	45,266
Deferred outflows related to pensions	458,680	43,396
Deferred outflows related to pension contributions	189,898	157,894
Total Deferred Outflows of Resources	\$ 673,725	\$ 246,556

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

**BORREGO WATER DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<u>LIABILITIES</u>		
<u>Current Liabilities:</u> (Notes 1 and 5)		
Accounts payable	\$ 1,354,290	\$ 152,597
Accrued interest payable	52,793	58,108
Deferred revenue	-	64,332
Customer deposits	5,575	290,138
Current portion of noncurrent liabilities	891,656	859,074
Total Current Liabilities	2,304,314	1,424,249
<u>Noncurrent Liabilities:</u> (Notes 1, 5 and 6)		
Notes payable, net of current portion	7,908,760	8,687,019
Compensated absences	75,598	72,241
Net pension liability	1,113,590	303,531
Total Noncurrent Liabilities	9,097,948	9,062,791
Total Liabilities	11,402,262	10,487,040
<u>DEFERRED INFLOWS OF RESOURCES:</u> (Notes 1 and 6)		
Deferred inflows related to pensions	75,095	281,931
<u>Commitments and Contingencies</u> (Note 7)		
<u>NET POSITION:</u>		
Net investment in capital assets	16,178,429	11,647,277
Unrestricted	5,456,886	8,662,400
Total Net Position	\$ 21,635,315	\$ 20,309,677

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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>Operating Revenues:</u>		
Water sales	\$ 3,950,320	\$ 3,957,289
Sewer service charges	802,274	654,215
Availability charges	246,751	239,702
Other income	38,703	100,620
Watermaster reimbursements	-	102,499
Total Operating Revenues	5,038,048	5,054,325
<u>Operating Expenses:</u>		
Water operations	2,053,070	1,468,224
Pumping	478,973	422,335
Water treatment	41,214	36,017
Sewer operations	510,810	454,292
General and administrative	461,636	416,005
Depreciation	973,927	927,725
Total Operating Expenses	4,519,630	3,724,598
Operating Income	518,418	1,329,727
<u>Nonoperating Revenues (Expenses):</u>		
Grant revenue	567,186	479,672
Property taxes	76,820	72,848
Investment income	69,885	8,291
Interest expense	(236,703)	(336,957)
(Loss) Gain on disposal of capital assets	-	(54,437)
Total Nonoperating Revenues (Expenses)	477,188	169,417
Income Before Contributions	995,606	1,499,144
Capital Contributions	330,032	177,758
Change in Net Position	1,325,638	1,676,902
Net Position at Beginning of Year	20,309,677	18,632,775
NET POSITION AT END OF YEAR	\$ 21,635,315	\$ 20,309,677

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

**BORREGO WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<u>Cash Flow From Operating Activities:</u>		
Cash received from customers	\$ 5,758,089	\$ 4,899,943
Cash received from watermaster reimbursements	38,703	102,499
Cash payments to suppliers for goods and services	(1,078,725)	(1,573,835)
Cash payments to employees for services and benefits	(1,221,545)	(1,511,939)
Customer deposits	(284,563)	248,838
Other operating cash receipts	(64,332)	164,952
Net Cash Provided by Operating Activities	<u>3,147,627</u>	<u>2,330,458</u>
<u>Cash Flows From Noncapital Financing Activities:</u>		
Receipts from property taxes	75,605	72,700
Net Cash Provided by Noncapital financing Activities	<u>75,605</u>	<u>72,700</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(5,059,049)	(2,625,778)
Principal paid on long-term debt	(750,711)	(4,927,537)
Interest paid on long-term debt	(221,899)	(323,473)
Capital contributions	330,032	177,758
Proceeds from sale of capital assets	-	85,563
Proceeds from long term debt	-	7,508,930
Net Cash Used in Capital and Related Financing Activities	<u>(5,701,627)</u>	<u>(104,537)</u>
<u>Cash Flows From Investing Activities:</u>		
Investment income	57,231	6,103
Net Cash Provided by Investing Activities	<u>57,231</u>	<u>6,103</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(2,421,164)	2,304,724
Cash and Cash Equivalents at Beginning of Year	<u>8,640,739</u>	<u>6,336,015</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 6,219,575	\$ 8,640,739

(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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<u>Reconciliation of Operating Income to Net</u>		
<u>Cash Provided by Operating Activities:</u>		
Operating income	\$ 518,418	\$ 1,329,727
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	973,927	927,725
Change in assets and liabilities:		
Accounts receivable - Water and sewer, net	(324,443)	(16,617)
Accounts receivable - Watermaster reimbursements	110,255	(8,572)
Inventory	(38,630)	(30,129)
Prepaid expenses	(81,956)	(3,740)
Deferred outflows related to pension	(415,284)	70,675
Deferred outflows related to pension contributions	(32,004)	(15,799)
Accounts payable	1,201,693	22,696
Deferred revenue	(64,332)	64,332
Customer deposits	(284,563)	248,838
Compensated absences	8,391	36,191
Net pension liability	810,059	(631,753)
Deferred inflows related to pensions	(206,836)	262,958
Grant revenue	972,932	73,926
Net Cash Provided by Operating Activities	<u>\$ 3,147,627</u>	<u>\$ 2,330,458</u>
<u>Cash and Cash Equivalents:</u>		
<u>Financial Statement Classification</u>		
Cash and cash equivalents	\$ 6,214,000	\$ 8,350,601
Restricted cash and cash equivalents	5,575	290,138
Total Cash and Cash Equivalents	<u>\$ 6,219,575</u>	<u>\$ 8,640,739</u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Capital assets included in increase in accounts payable	\$ -	\$ (435,088)
Amortization of deferred outflows related to refunding	<u>\$ 20,118</u>	<u>\$ 20,118</u>

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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash	\$ 743,273	\$ 713,929
Total Assets	<u>743,273</u>	<u>713,929</u>
 <u>NET POSITION</u>		
Held in trust for the benefit of residents of Community Facilities District 2017-01	\$ <u>743,273</u>	\$ <u>713,929</u>

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

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**BORREGO WATER DISTRICT
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<u>ADDITIONS</u>		
Property taxes and assessments	\$ 844,575	\$ 855,614
Interest	12,025	196
Total Additions	<u>856,600</u>	<u>855,810</u>
<u>DEDUCTIONS</u>		
Debt service	804,317	804,023
Outside professional services	18,064	11,884
Trust fees	4,875	4,400
Total Deductions	<u>827,256</u>	<u>820,307</u>
Change in Net Position	<u>29,344</u>	<u>35,503</u>
Net Position at Beginning of Year	<u>713,929</u>	<u>678,426</u>
NET POSITION AT END OF YEAR	<u><u>\$ 743,273</u></u>	<u><u>\$ 713,929</u></u>

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

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**BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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.

**BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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 \$-0- and \$102,499 for the years ended June 30, 2023 and 2022, respectively. Accounts receivable - watermaster reimbursement totaled \$11,592 and \$121,847 at June 30, 2023 and 2022, 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 \$-0- and \$131,641 at June 30, 2023 and 2022, 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, 2023 and 2022 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

**BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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 \$973,927 and \$927,725 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, and is included in interest expense.

Compensated Absences

Accumulated and unpaid vacation and sick leave totaling \$188,995 and \$180,604 is accrued when incurred and included in current and noncurrent liabilities at June 30, 2023 and 2022, respectively.

**BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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, 2023, 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 watercraft. The JPIA pools for the first \$10,000,000 and has purchased excess coverage up to \$500 million.

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 up to \$55 million. 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 up to \$55 million.

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

Cyber Liability - Provides coverage from financial losses resulting from data breaches and other cyber events. Insured up to \$2 million per member and \$5 million policy aggregate.

**BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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 \$84,339 and \$69,690 for the years ended June 30, 2023 and 2022 . 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, 2021
Measurement Date	June 30, 2022
Measurement Period	June 30, 2021 to June 30, 2022

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.

**BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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 __, 2024, 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.

**BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Quality Requirements</u>
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.

**BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 2 - Cash and Investments: (Continued)

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

	<u>2023</u>	<u>2022</u>
	<u>Maturity in Years</u>	<u>Maturity in Years</u>
	<u>One Year or Less</u>	<u>One Year or Less</u>
Cash on hand	\$ 588	\$ 223
California Local Agency Investment Fund (LAIF)	2,104,938	2,069,053
Deposits with financial institutions	4,857,322	7,285,392
Total Cash and Investments	<u>\$ 6,962,848</u>	<u>\$ 9,354,668</u>
Financial Statement Classification:		
Cash and cash equivalents	\$ 6,214,000	\$ 8,350,601
Cash and cash equivalents - Restricted	5,575	290,138
Fiduciary fund - Cash	743,273	713,929
Total Cash and Investments	<u>\$ 6,962,848</u>	<u>\$ 9,354,668</u>

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, 2023 and 2022.

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.

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

**BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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, 2023.

<u>Investment Type</u>	<u>Maximum Percentage of Portfolio</u>
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, 2023, none of the District’s deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

**BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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:

	<u>2023</u>	<u>2022</u>
Deposits with financial institutions	\$ 4,114,049	\$ 6,571,463
California Local Agency Investment Fund (LAIF)	2,104,938	2,069,053
Cash on hand	588	223
Total	<u>\$ 6,219,575</u>	<u>\$ 8,640,739</u>

Note 3 - Restricted Assets:

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

<u>Funding Source</u>	<u>Use</u>	<u>2023</u>	<u>2022</u>
Deposits	Deposits	<u>\$ 5,575</u>	<u>\$ 290,138</u>

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.

BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 4 - Capital Assets:

Capital assets consist of the following at June 30:

	2023			
	Balance at June 30, 2022	Additions	Deletions	Balance at June 30, 2023
Capital Assets Not Being Depreciated:				
Land	\$ 693,702	\$ -	\$ -	\$ 693,702
Construction in progress	3,471,988	3,446,607	(1,600,714)	5,317,881
Fallowed water credits	932,050	-	-	932,050
Water rights - ID No. 4	185,000	-	-	185,000
Water rights - William Bauer	-	1,364,961	-	1,364,961
Total Capital Assets Not Being Depreciated	<u>\$ 5,282,740</u>	<u>\$ 4,811,568</u>	<u>\$ (1,600,714)</u>	<u>\$ 8,493,594</u>
Capital Assets Being Depreciated:				
Flood control facilities	\$ 4,287,340	\$ -	\$ -	\$ 4,287,340
Sewer facilities	6,497,895	756,432	-	7,254,327
Water facilities	16,778,661	996,756	-	17,775,417
General facilities	1,006,881	-	-	1,006,881
Telemetry system	46,459	-	-	46,459
Equipment and furniture	994,406	24,513	-	1,018,919
Vehicles	687,297	70,494	-	757,791
Total Capital Assets Being Depreciated	30,298,939	1,848,195	-	32,147,134
Less: Accumulated depreciation	<u>(14,832,075)</u>	<u>(973,927)</u>	<u>-</u>	<u>(15,806,002)</u>
Net Capital Assets Being Depreciated	<u>15,466,864</u>	<u>874,268</u>	<u>-</u>	<u>16,341,132</u>
Net Capital Assets	<u>\$ 20,749,604</u>	<u>\$ 5,685,836</u>	<u>\$ (1,600,714)</u>	<u>\$ 24,834,726</u>
	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	<u>\$ 4,851,157</u>	<u>\$ 1,974,484</u>	<u>\$ (1,542,901)</u>	<u>\$ 5,282,740</u>
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	<u>(13,904,350)</u>	<u>(927,725)</u>	<u>-</u>	<u>(14,832,075)</u>
Net Capital Assets Being Depreciated	<u>14,775,482</u>	<u>691,382</u>	<u>-</u>	<u>15,466,864</u>
Net Capital Assets	<u>\$ 19,626,639</u>	<u>\$ 2,665,866</u>	<u>\$ (1,542,901)</u>	<u>\$ 20,749,604</u>

**BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 5 - Noncurrent Liabilities:

Noncurrent liabilities consist of the following at June 30:

	2023				
	Balance at June 30, 2022	Additions	Deletions	Balance at June 30, 2023	Current Portion
<u>Notes Payable:</u>					
2021 Installment Purchase Agreement	\$ 7,508,930	\$ -	\$ (427,960)	\$ 7,080,970	\$ 437,070
Promissory Note 2018A	1,532,000	-	(196,000)	1,336,000	209,000
Promissory Note 2018B	396,800	-	(126,751)	270,049	132,189
Total Notes Payable	<u>\$ 9,437,730</u>	<u>\$ -</u>	<u>\$ (750,711)</u>	<u>\$ 8,687,019</u>	<u>\$ 778,259</u>
<u>Other Noncurrent Liabilities:</u>					
Accrued Compensated Absences	\$ 180,604	\$ 188,995	\$ (180,604)	\$ 188,995	\$ 113,397
Net Pension Liability	303,531	1,048,588	(238,529)	1,113,590	-
Total Other Long-Term Liabilities	<u>\$ 484,135</u>	<u>\$ 1,237,583</u>	<u>\$ (419,133)</u>	<u>\$ 1,302,585</u>	<u>\$ 113,397</u>
2022					
	Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022	Current Portion
<u>Notes Payable:</u>					
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	<u>\$ 6,856,337</u>	<u>\$ 7,508,930</u>	<u>\$ (4,927,537)</u>	<u>\$ 9,437,730</u>	<u>\$ 750,711</u>
<u>Other Noncurrent Liabilities:</u>					
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	<u>\$ 1,079,697</u>	<u>\$ 180,604</u>	<u>\$ (776,166)</u>	<u>\$ 484,135</u>	<u>\$ 108,363</u>

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 2018 Installment Purchase Agreement had no outstanding principal balance at both June 30, 2023 and 2022.

BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 2.61:1 and 3.96:1 for the years ended June 30, 2023 and 2022, respectively. The 2021 Installment Purchase Agreement had an outstanding principal balance of \$7,080,970 and \$7,508,930 and accrued interest payable of \$38,768 and \$41,111 at June 30, 2023 and 2022, respectively.

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 2.61:1 and 3.96:1 for the years ended June 30, 2023 and 2022, respectively. The Promissory Note 2018A had an outstanding principal balance of \$1,336,000 and \$1,532,000 and accrued interest payable of \$11,189 and \$12,831 at June 30, 2023 and 2022, 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 2.61:1 and 3.96:1 for the years ended June 30, 2023 and 2022, respectively. The Promissory Note 2018B had an outstanding principal balance of \$270,049 and \$396,800 and accrued interest payable of \$2,836 and \$4,166 at June 30, 2023 and 2022, respectively.

**BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 5 - Noncurrent Liabilities: (Continued)

Promissory Note 2018B (Continued)

Debt service requirements on notes payable are as follows:

<u>Years Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 778,259	\$ 200,108
2025	796,960	177,705
2026	677,050	157,673
2027	689,900	140,135
2028	706,660	122,216
2029-2033	2,789,800	392,165
2034-2038	2,248,390	99,815
Total	<u>\$ 8,687,019</u>	<u>\$ 1,289,817</u>

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 PEPR 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. PEPR 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, 2023, are summarized as follows:

	Prior to January 1, 2013 Miscellaneous	<u>On or After January 1, 2013</u>	
		With Prior Service 2 nd 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	7.81%	6.93%	6.75%
Required employer contribution rates	14.53%	8.63%	7.47%

**BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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 \$79,754 and \$67,353 toward its unfunded actuarial liability during the years ended June 30, 2023 and 2022, 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:

	<u>Proportionate Share of Net Pension Liability 2023</u>	<u>Proportionate Share of Net Pension Liability 2022</u>
Miscellaneous Risk Pool	\$ 1,113,590	\$ 303,531

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, 2021, 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, 2021.

**BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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, 2022, the measurement date, was calculated as follows:

- The risk pool’s total pension liability was computed at the measurement date, June 30, 2022, 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, 2022, 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, 2022, 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, 2022, to obtain the total pension liability and fiduciary net position as of June 30, 2022. 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, 2021 and June 30, 2022 was as follows:

	Miscellaneous Risk Pool
Proportion at measurement date - June 30, 2021	0.015985%
Proportion at measurement date - June 30, 2022	0.023799%
Change - Increase (Decrease)	0.007814%

**BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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, 2023 and 2022, the District recognized a pension expense (benefit) of \$345,833 and \$(156,025), respectively for the Plan. As of June 30, 2023 and 2022, the District reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 189,898	\$ -	\$ 157,894	\$ -
Differences between actual contributions made and proportionate share of contributions	-	(75,095)	-	(16,964)
Differences between expected and actual experience	7,385	-	34,038	-
Changes of assumptions	114,111	-	-	-
Net difference between projected and actual earnings on pension plan investments	203,980	-	-	(264,967)
Adjustment due to difference in proportions	133,204	-	9,358	-
Total	<u>\$ 648,578</u>	<u>\$ (75,095)</u>	<u>\$ 201,290</u>	<u>\$ (281,931)</u>

Allocation of Net Pension Liability and Pension Expense to Individual Employers

The \$189,898 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, 2023. 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
2024	\$ 106,562
2025	93,476
2026	58,784
2027	124,763
Total	<u>\$ 383,585</u>

**BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 6 - Defined Benefit Pension Plan: (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
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 6.90%. 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 6.90% 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, 2021 based on June 30, 2020 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.

**BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return</u> ^{1, 2}
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

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

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:

	<u>1% Decrease (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
Plan's Net Pension Liability	\$ <u>1,892,253</u>	\$ <u>1,113,590</u>	\$ <u>472,943</u>

Note 7 - Commitments and Contingencies:

Contracts

The 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, 2023 and 2022, the total unpaid amount on these contracts is approximately \$1,171,805 and \$388,488, respectively.

**BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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 the 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 \$5,444 and \$5,169 for the years ended June 30, 2023 and 2022, 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		
2024		\$ 4,143
2025		4,068
2026		<u>2,712</u>
Total		<u><u>\$ 10,923</u></u>

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.

**BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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:

	<u>2023</u>	<u>2022</u>
Series 2017A	\$ <u>795,000</u>	\$ <u>860,000</u>
Series 2017B	\$ <u>9,685,000</u>	\$ <u>9,685,000</u>

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 pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

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 have a material effect on the financial statements of the District in the year of implementation.

**BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 8 - New Governmental Accounting Standards: (Continued)

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 did not 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. 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 pronouncement did not have a material effect 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.

**BORREGO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 8 - New Governmental Accounting Standards: (Continued)

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 GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements 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.

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 are 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, 2023**

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

	<u>Measurement Date</u> June 30, 2022	<u>Measurement Date</u> June 30, 2021	<u>Measurement Date</u> June 30, 2020	<u>Measurement Date</u> June 30, 2019	<u>Measurement Date</u> June 30, 2018
Proportion of the Net Pension Liability	0.023799 %	0.015985 %	0.022713 %	0.022253 %	0.022558 %
Proportionate Share of the Net Pension Liability	\$ 1,113,590	\$ 303,531	\$ 935,284	\$ 891,132	\$ 850,153
Covered - Payroll - Measurement Period	\$ 955,752	\$ 858,482	\$ 850,749	\$ 740,131	\$ 698,023
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	116.51 %	35.36 %	109.94 %	120.40 %	121.79 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.50 %	94.08 %	79.54 %	78.92 %	77.34 %
	<u>Measurement Date</u> June 30, 2017	<u>Measurement Date</u> June 30, 2016	<u>Measurement Date</u> June 30, 2015	<u>Measurement Date</u> June 30, 2014	<u>Measurement Date</u> June 30, 2013
Proportion of the Net Pension Liability	0.023133 %	0.009466 %	0.01010 %	0.01123 %	N/A %
Proportionate Share of the Net Pension Liability	\$ 911,898	\$ 819,059	\$ 693,352	\$ 699,055	\$ N/A
Covered - Payroll - Measurement Period	\$ 675,819	\$ 658,514	\$ 671,180	\$ 595,422	\$ N/A
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	134.93 %	124.38 %	103.30 %	117.41 %	N/A %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.72 %	73.72 %	77.21 %	73.72 %	N/A %

**BORREGO WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

**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 - During 2023, the discount rate was changed from 7.15% to 6.90%.

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

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**BORREGO WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

**SCHEDULES OF CONTRIBUIONS TO THE PENSION PLAN
LAST TEN YEARS ***

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Contractually Required Contribution (Actuarially determined)	\$ 189,898	\$ 157,894	\$ 142,096	\$ 189,335	\$ 162,515
Contributions in Relation to the Actuarially determined Contribution	<u>(189,898)</u>	<u>(157,894)</u>	<u>(142,095)</u>	<u>(189,355)</u>	<u>(162,515)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll - Fiscal Year	\$ 1,079,991	\$ 955,752	\$ 858,442	\$ 850,749	\$ 740,131
Contributions as a Percentage of Covered Payroll	17.58 %	16.62 %	16.55 %	22.26 %	21.96 %
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually Required Contribution (Actuarially determined)	\$ 142,789	\$ 137,737	\$ 138,613	\$ 129,138	\$ N/A
Contributions in Relation to the Actuarially determined Contribution	<u>(142,789)</u>	<u>(137,737)</u>	<u>(138,613)</u>	<u>(129,138)</u>	<u>N/A</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ N/A</u>
Covered Payroll - Fiscal Year	\$ 698,023	\$ 723,125	\$ 671,180	\$ 595,422	\$ N/A
Contributions as a Percentage of Covered Payroll	20.46 %	10.05 %	20.65 %	21.69 %	N/A %

**BORREGO WATER DISTRICT
SCHEDULES OF ASSESSED VALUATION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

The assessed valuation of the District at June 30, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Assessed Valuation:		
Secured property	\$ 406,480,518	\$ 380,766,218
Total Assessed Valuation	<u>\$ 406,480,518</u>	<u>\$ 380,766,218</u>

DRAFT

**Borrego Water District Board of Directors
Audit & Budget Standing Committee
Tuesday May 14, 2024 @ 9:00 a.m.
806 Palm Canyon Drive
Borrego Springs, CA 92004**

ITEM II. B.

May 13 2024

To: Audit & Budget Committee

From: Jessica Clabaugh, Finance Officer

Subject: Audit RFP Updates

RECOMMENDED ACTION

None.

ITEM EXPLANATION

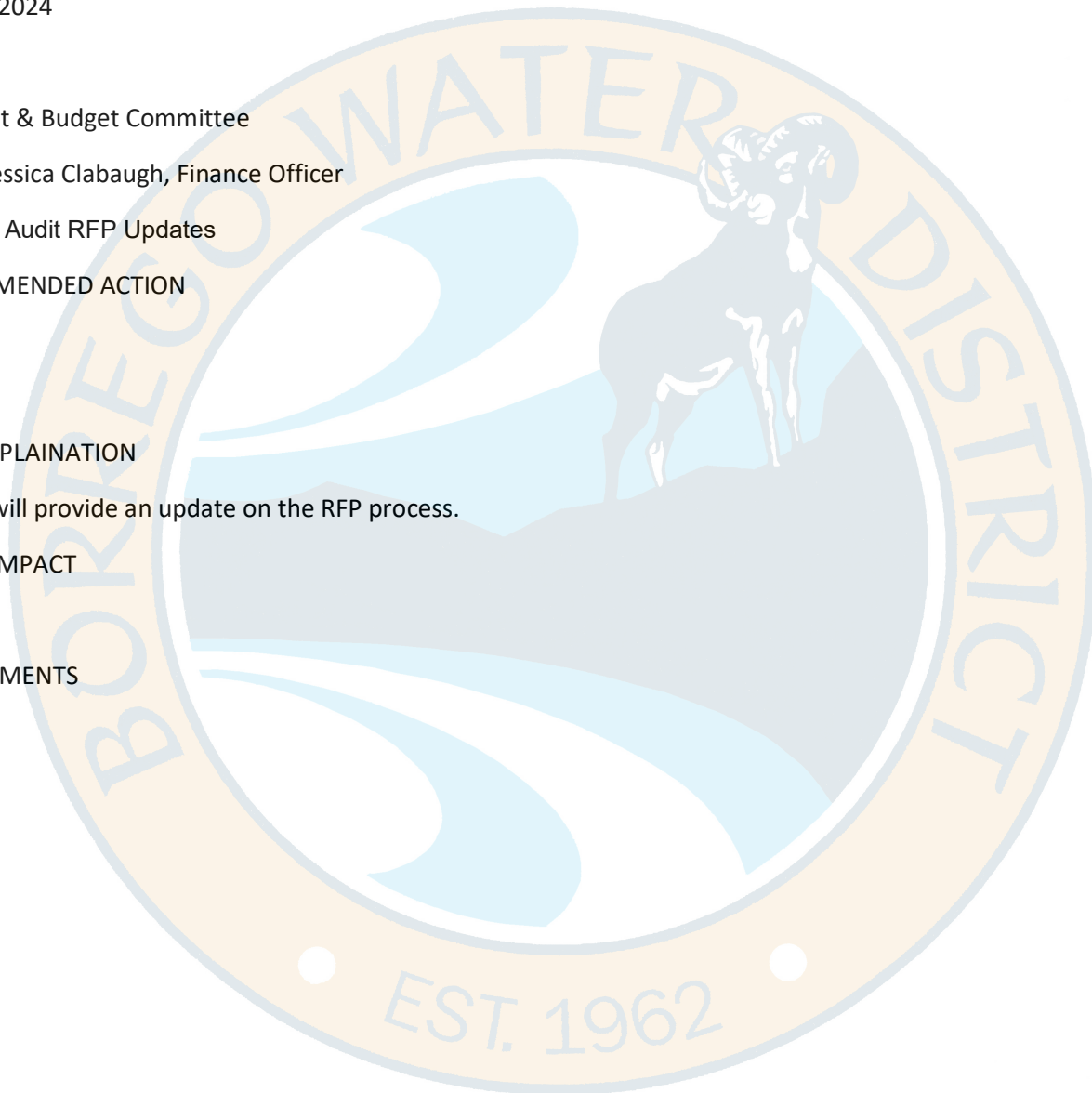
Jessica will provide an update on the RFP process.

FISCAL IMPACT

None.

ATTACHMENTS

None.



**Borrego Water District Board of Directors
Audit & Budget Standing Committee
Tuesday May 14, 2024 @ 9:00 a.m.
806 Palm Canyon Drive
Borrego Springs, CA 92004**

ITEM II. C.

May 1 2024

To: Audit & Budget Committee

From: Jessica Clabaugh, Finance Officer

Subject: Draft Budget 2.0 Review

RECOMMENDED ACTION

None.

ITEM EXPLANATION

Continue discussions on FY25 Draft Budget.

FISCAL IMPACT

None.

ATTACHMENTS

FY25 Draft Budget by Fund.





**Borrego Water District
Water Enterprise Budget
07/01/2024 to 06/30/2025**

		<i>Budgeted FY2024</i>	<i>Projected FY2024</i>	<i>Budgeted FY2025</i>
<u>INCOME</u>				
RATE REVENUE				
Water Rates Revenues				
Commodity Rates				
Residential Tier 1 & 2 Revenues	41100	1,292,136	1,099,226	1,154,187
Residential Tier 3 Revenues		300,000	255,000	267,750
Commercial	41150	777,162	615,000	645,750
Irrigation	41200	355,047	346,500	363,825
Total Commodity		<u>2,724,345</u>	<u>2,315,726</u>	<u>2,431,512</u>
Non-Commodity Charges				
Base Meter Charges	41400	1,468,598	1,446,000	1,518,300
Meter Install/Repair	41550	35,000	13,200	36,750
New Water Supply Connection Fee	41550	24,880	-	26,124
Backflow Testing/Install	41630	5,700	5,500	5,985
Bulk Water Sales	41700	6,500	12,500	6,825
Total Non-Commodity		<u>1,540,678</u>	<u>1,477,200</u>	<u>1,593,984</u>
Total Water Rate Revenues		4,265,023	3,792,926	4,025,496
Availability Charges Collected thru Tax Roll				
ID1 - Water Standby	42100 X.33:	34,965	37,000	34,965
ID3/ID4 - Water Standby	42200	117,000	117,000	117,000
Total Availability (Tax Roll)		<u>151,965</u>	<u>154,000</u>	<u>151,965</u>
<u>TOTAL WATER RATE REVENUE</u>		<u>4,416,988</u>	<u>3,946,926</u>	<u>4,177,461</u>
<u>SHORTFALL COVERAGE FROM RATE CONTINGENCY RESERVES</u>				<u>274,969</u>
<u>EXPENSES</u>				
OPERATING EXPENSES				
Operations & Maintenance Expense				
R&M Water	56000	270,201	140,604	279,928
Telemetry	58400	4,791	3,106	4,963
Trash Removal	58900	5,749	1,496	5,956
Vehicle Expense	58960	21,313	20,826	22,080
Fuel & Oil	54600	47,259	40,970	42,445
Lab/Testing	58600	33,144	58,960	34,338
Permit Fees	54010	27,819	24,148	28,820
Pumping Electricity	57200	500,000	502,700	525,000
Total Operations & Maintenance Expense		<u>910,275</u>	<u>792,810</u>	<u>943,530</u>



Borrego Water District
Water Enterprise Budget (Continued)
07/01/2024 to 06/30/2025

		<i>Budgeted</i>	<i>Projected</i>	<i>Budgeted</i>
		<i>FY2024</i>	<i>FY2024</i>	<i>FY2025</i>
Professional Services				
Accounting (Tax & Debt Filings)	51000	4,120	1,056	4,268
Payroll Services	51200	2,970	3,261	3,077
Audit Fees	51600	26,400	22,000	27,350
IT & Cyber Security	52000	37,066	50,200	38,400
Financial Consulting	52600	76,652	3,461	79,411
Engineering (Dudek)	54400	44,000	40,920	45,584
Legal Services - General	55600	64,672	57,651	67,000
<i>Legal Services Reimbursible</i>			<i>(18,313)</i>	-
Federal & State Legislative Advocacy	55610	57,489	51,216	59,558
Total Professional Services		<u>313,368</u>	<u>211,453</u>	<u>324,649</u>
Insurance Expense				
ACWA/JPIA Program Insurance	55200	72,720	109,384	120,322
ACWA/JPIA Workers Comp	55210	20,414	14,528	15,803
Total Insurance Expense		<u>93,133</u>	<u>123,912</u>	<u>136,126</u>
Personnel Expense				
Board Meeting Expense	51900	22,037	24,200	22,830
Salaries & Wages	57600	1,164,706	1,040,143	1,157,468
<i>Contra Account - Salaries & Wages</i>	57680	<i>(52,800)</i>	<i>(40,832)</i>	<i>(57,436)</i>
Contract Labor/Consulting	52610	9,581	-	9,926
Payroll Taxes	58000	31,847	21,351	23,759
Benefits - Medical	54200	259,750	184,210	191,295
Benefits - CalPERS	54210	238,851	172,955	192,560
Trainings & Conferences	52400	17,246	15,400	17,867
Uniforms	58950	6,707	5,401	6,949
Safety Compliance & Emergency Prep	56810	4,791	2,917	4,963
Total Personnel Expense		<u>1,702,717</u>	<u>1,425,745</u>	<u>1,570,182</u>



**Borrego Water District
Water Enterprise Budget (Continued)
07/01/2024 to 06/30/2025**

		<i>Budgeted FY2024</i>	<i>Projected FY2024</i>	<i>Budgeted FY2025</i>
Office Expense				
Office Supplies	56620	22,995	16,224	23,823
Office Equipment	56630	47,907	33,000	49,632
Postage & Freight	56900	14,372	13,922	14,890
Property Tax	58200	2,874	60	2,978
Telephone Expense	58580	26,400	24,816	27,350
Dues & Subscriptions (ACWA/AWWA)	54000	22,037	18,563	22,830
Printing & Publication	57000	4,791	1,637	4,963
Office/Shop utilities	56640	8,800	11,520	9,117
Total Office Expense		150,176	119,741	155,583
TOTAL OPERATING EXPENSES		3,169,670	2,673,662	3,130,070
Debt Expense				
BBVA Bank Note 2018A/B - Principal	27570/80	341,189	341,189	341,189
BBVA Bank Note 2018A/B - Interest	03/04-5555	49,821	49,856	49,821
2021 Bond Cap One - Principal	27510	376,605	384,622	376,605
2021 Bond Cap One - Interest	01-55550	140,588	132,253	140,588
Total Debt Expense		908,203	907,919	908,203
GROUNDWATER MANAGEMENT EXPENSES (see GWM Detail)				
Pumping Fees	54830	100,000	49,825	100,000
GWM Expense	54800	76,407	28,850	79,158
Legal Expense	54810	100,000	48,253	100,000
Engineering/TAC Expense (Intera)	54820	135,000	99,000	135,000
GW Quality Risk Assessment (Intera)	54820	28,430	28,427	-
TOTAL GROUNDWATER MGMT EXPENSES		439,837	254,355	414,158
TOTAL WATER ENTERPRISE EXPENSES		4,517,710	3,835,936	4,452,431
<u>Net Income Water Enterprise Fund</u>		(100,722)	110,990	-



**Borrego Water District
Wastewater Enterprise Budget
07/01/2024 to 06/30/2025**

	<i>Budgeted FY2024</i>	<i>Projected FY2024</i>	<i>Budgeted FY2025</i>
<u>INCOME</u>			
RATE REVENUE			
Sewer Rates			
TCS Holder Fees (SA2)	06-43100 163,973	167,000	170,532
TCS User Fees (SA2)	06-43250 130,436	139,800	135,653
RH Sewer User Fees (ID1)	09-43250 164,786	164,600	171,377
Sewer Standby/Capacity Fees	-	-	-
Sewer User Fees (ID5)	05-43250 186,528	185,900	193,989
Total Sewer Rates	645,723	657,300	671,552
Availability Charges Collected thru Tax Roll			
ID1 - Sewer Standby	42100 X.33: 34,965	36,000	34,965
Total Availability (Tax Roll)	34,965	36,000	34,965
 <u>TOTAL WASTEWATER RATE REVENUE</u>			
	680,688	693,300	706,517
 <u>EXPENSES</u>			
OPERATING EXPENSES			
Operations & Maintenance Expense			
R&M WWTF	56010 130,656	117,000	135,360
Telemetry	58400 653	424	677
Trash Removal	58900 784	204	812
Vehicle Expense	58960 2,906	2,840	3,011
Fuel & Oil	54600 6,444	7,348	6,676
Lab/Testing	58600 4,520	10,154	4,682
Permit Fees	54010 11,922	10,175	12,352
Total Operations & Maintenance Expense	157,886	148,145	163,570
Professional Services			
Accounting (Tax & Debt Filings)	51000 562	144	582
Payroll Services	51200 405	445	420
Audit Fees	51600 3,600	3,000	3,730
IT & Cyber Security	52000 5,054	6,846	5,236
Financial Consulting	52600 10,452	472	10,829
Engineering (Dudek)	54400 6,000	5,580	6,216
Legal Services - General	55600 8,819	7,862	9,136
Advocacy	55610 7,839	6,984	8,122
Total Professional Services	42,732	31,332	44,270



**Borrego Water District
Wastewater Enterprise Budget (Continued)
07/01/2024 to 06/30/2025**

		<i>Budgeted FY2024</i>	<i>Projected FY2024</i>	<i>Budgeted FY2025</i>
Insurance Expense				
ACWA/JPIA Program Insurance	55200	10,019	14,916	16,408
ACWA/JPIA Workers Comp	55210	2,812	3,364	3,659
Total Insurance Expense		12,831	18,280	20,067
Personnel Expense				
Board Meeting Expense	51900	3,005	3,300	3,113
Salaries & Wages	57600	248,823	240,449	287,561
<i>Contra Account - Salaries & Wages</i>	57680	(7,200)	(5,568)	(7,832)
Contract Labor/Consulting	52610	1,307	-	1,354
Payroll Taxes	58000	4,343	4,936	5,902
Benefits - Medical	54200	35,421	42,584	44,571
Benefits - CalPERS	54210	32,571	39,982	47,912
Trainings & Conferences	52400	2,352	2,100	2,436
Uniforms	58950	915	736	948
Safety Compliance & Emergency Prep	56810	653	398	677
Total Personnel Expense		322,189	328,917	386,642
Office Expense				
Office Supplies	56620	3,136	2,212	3,249
Office Equipment	56630	6,533	4,500	6,768
Postage & Freight	56900	1,960	1,898	2,030
Property Tax	58200	392	-	406
Telephone Expense	58580	3,600	3,384	3,730
Dues & Subscriptions (ACWA/AWWA)	54000	3,005	2,531	3,113
Printing & Publication	57000	653	223	677
Office/Shop utilities	56640	1,200	1,571	1,243
Total Office Expense		20,479	16,320	21,216
Debt Expense				
2021 Bond Cap One - Principal	27510	51,355	52,448	51,355
2021 Bond Cap One - Interest	01-55550	5,979	5,983	5,979
Total Debt Expense		57,334	58,431	57,334
 TOTAL EXPENSES WASTEWATER		 613,450	 601,424	 693,098
 <u>Net Income Wastewater Enterprise Fund</u>		 67,238	 91,876	 13,419



**Borrego Water District
Pest Control Enterprise Budget
07/01/2024 to 06/30/2025**

		<i>Budgeted FY2024</i>	<i>Projected FY2024</i>	<i>Budgeted FY2025</i>
<u>INCOME</u>				
Pest Control Standby	42300	<u>17,150</u>	<u>17,150</u>	<u>17,150</u>
<u>TOTAL PEST CONTROL FUND REVENUE</u>		<u>17,150</u>	<u>17,150</u>	<u>17,150</u>
<u>EXPENSES</u>				
R&M Pest Control	56000	1,500	3,556	1,500
ACWA/JPIA Program Insurance	55200	500	373	500
Salaries & Wages	57600	3,000	3,877	4,193
Benefits - Medical	54200		687	711
Benefits - CalPERS	54210		645	701
ACWA/JPIA Workers Comp	55210		54	59
Payroll Taxes	58000	<u>350</u>	<u>80</u>	<u>87</u>
<u>TOTAL PEST CONTROL ENTERPRISE EXPENSES</u>		<u>5,350</u>	<u>9,271</u>	<u>7,751</u>
<u>Net Income Pest Control Enterprise Fund</u>		<u><u>11,800</u></u>	<u><u>7,879</u></u>	<u><u>9,399</u></u>



**Borrego Water District
Flood Control Enterprise Budget
07/01/2024 to 06/30/2025**

	<i>Budgeted FY2024</i>	<i>Projected FY2024</i>	<i>Budgeted FY2025</i>
<u>INCOME</u>			
ID1 - Flood Standby	42100 X.33: 34,965	36,000	34,965
<u>TOTAL FLOOD CONTROL FUND REVENUE</u>	34,965	36,000	34,965
<u>EXPENSES</u>			
ACWA/JPIA Program Insurance	55200 550	746	550
Legal Services - General	55600 5,000	393	5,000
Salaries & Wages	57600 1,000	7,753	8,434
Benefits - Medical	54200	1,373	1,423
Benefits - CalPERS	54210	1,289	1,402
ACWA/JPIA Workers Comp	55210	108	118
Payroll Taxes	58000 130	159	173
<u>TOTAL FLOOD CONTROL ENTERPRISE EXPENSES</u>	6,680	11,822	17,100
<u>Net Income Flood Enterprise Fund</u>	28,285	24,178	17,865



Borrego Water District
Non-Rate Revenues & Expenses
07/01/2024 to 06/30/2025

	<i>Budgeted</i>	<i>Projected</i>	<i>Budgeted</i>
	<i>FY2024</i>	<i>FY2024</i>	<i>FY2025</i>
OTHER INCOME			
Penalties & Fees	41800	50,000	88,800
BSUSD Well Agreement	40400/4041	35,000	35,000
1% Property Assessments	42000	70,000	76,000
Interest Income	48980	35,000	50,340
Other Income			1,200
WM Meter Reading Income		3,333	4,383
TOTAL OTHER INCOME	193,333	255,723	193,333
<u>EXPENSES</u>			
Air Quality Study	17190	36,341	150
TOTAL NON-RATE REVENUE EXPENSES	36,341	150	36,341
 <u>Net Income Non-Rate Revenue</u>	 <u>156,992</u>	 <u>255,573</u>	 <u>156,992</u>



**Borrego Water District
Consolidated Enterprise Budget
07/01/2024 to 06/30/2025**

	<i>Budgeted FY2024</i>	<i>Projected FY2024</i>	<i>Budgeted FY2025</i>
<u>INCOME</u>			
TOTAL WATER RATE REVENUE	4,416,988	3,946,926	4,177,461
SHORTFALL COVERAGE FROM RATE CONTINGENCY RESERVES			274,969
TOTAL WASTEWATER RATE REVENUE	680,688	693,300	706,517
TOTAL PEST CONTROL FUND REVENUE	17,150	17,150	17,150
TOTAL FLOOD CONTROL FUND REVENUE	34,965	36,000	34,965
TOTAL OTHER INCOME	42300	193,333	255,723
<u>GROSS INCOME</u>	<u>5,343,124</u>	<u>4,949,099</u>	<u>5,404,396</u>
<u>EXPENSES</u>			
TOTAL WATER ENTERPRISE EXPENSES	4,517,710	3,835,936	4,452,431
TOTAL WASTEWATER ENTERPRISE EXPENSES	613,450	601,424	693,098
TOTAL PEST CONTROL ENTERPRISE EXPENSES	5,350	9,271	7,751
TOTAL FLOOD CONTROL ENTERPRISE EXPENSES	6,680	11,822	17,100
TOTAL NON-RATE REVENUE EXPENSES	36,341	150	36,341
<u>TOTAL EXPENSES</u>	<u>5,179,531</u>	<u>4,458,603</u>	<u>5,206,720</u>
<u>CONSOLIDATED NET INCOME</u>	<u>163,593</u>	<u>490,496</u>	<u>197,676</u>