



**REGULAR MEETING OF THE BOARD OF DIRECTORS
PICO WATER DISTRICT**

4843 S. Church Street
Pico Rivera, California, 90660

5:30 PM Wednesday, February 21, 2024

AGENDA - REVISED

Any member of the public may attend this meeting in person or by accessing the Zoom link below. Any member of the public wishing to make any comments to the Board may do so through that Zoom link. The meeting Chair will acknowledge such individual(s) at the appropriate time in the meeting prior to making his or her comment. Members of the public wishing to make a comment are asked to state their name for the record and will be provided three (3) minutes to comment, the Board secretary will alert those commenting when they only have 30 seconds remaining. All members of the public will be disconnected from the Zoom link immediately before the Board of Directors adjourns into Closed Session.

Join Zoom Meeting

<https://us06web.zoom.us/j/9521779948?pwd=dGNxcXh3YitEc2NlVVdrUzVvNm4rZz09>

Join by Telephone: +1 669 900 6833

Meeting ID: 952 177 9948 Passcode: 421745

President Raymond Rodriguez participating remotely from 2500 Kuhio Ave. Honolulu, Hi. 96815

- 1. ROLL CALL.**
- 2. PLEDGE OF ALLEGIENCE.**
- 3. INVOCATION.**

4. TIME RESERVED FOR PUBLIC COMMENTS.

*Members of the public shall be allowed three minutes to address the Board on any matter on the agenda and/or within the jurisdiction of the District, which is not on the Agenda. All comments should be addressed to the presiding officer of the meeting. Additional public comments shall be allowed when a listed agenda item is being considered, but such comments made at that time must be confined to the subject that is being discussed at the time such comments are made. Members of the public are asked to state their name for the record. Due to all Board Meetings being run as Zoom Meetings all participants will be placed on mute at the start of the meeting and when the meeting is open for public comment the participant will be asked to raise their hand through the button on the video conference screen if participating by video conference or by pressing *9 on their phone if participating by teleconference.*

5. ADOPTION OF AGENDA.

6. APPROVAL OF CONSENT CALENDAR.

(All matters on the Consent Calendar are to be approved on one motion, unless a Board Member requests a separate action on a specific item).

A. Consider approval of February 07, 2024 Regular Board Meeting Minutes.

7. ACTION/DISCUSSION ITEMS.

A. Presentation – Regarding Pico Water District 2022/2023 Audit Report by auditing firm Gruber and Lopez, Inc.

B. Consider Board Approval of the 2022/2023 Audit Report completed by the auditing firm Gruber and Lopez, Inc. *Recommended Action – that the Board receive and file the 2022/2023 Audit Report submitted by Gruber and Lopez, Inc.*

C. Consider Board Approval Authorizing the General Manager to withdraw \$200,000 from the District Reserve California Class account to fund payment for PFAS Removal Treatment Project – *Recommend Board Discuss and Approve*

8. REPORTS.

A. General Manager.

B. Legal Counsel.

9. INFORMATIONAL ITEMS

- A. Production & Water Level Report.
- B. Monthly Activity Report.
- C. Reservoir Conditions – January 10, 2024

10. DIRECTOR’S REQUEST OF FUTURE AGENDA ITEMS.

11. BOARD MEMBER COMMENTS.

- A. Report on Meetings Attended/Comments.

12. CLOSED SESSION.

- A. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
[Government Code Section 54956.9(d)(1)]: *Pico Water District v. City of Pico Rivera*, Los Angeles County Superior Court Case No. 22NWCV00967.

13. CLOSED SESSION REPORT.

14. ADJOURNMENT.

AGENDA POSTED ON: February 16, 2024

Next regularly scheduled meeting: March 6, 2024

NOTE: To comply with the Americans with Disabilities Act, if you need special assistance to participate in any Board meeting, please contact the District office at (562) 692-3756 at least 48 hours prior to a Board meeting to inform the District of your needs and to determine if accommodation is feasible.

Materials related to an item on this agenda submitted after distribution of the agenda packet are available for public review at the District office, located at 4843 S. Church Street, Pico Rivera, California.

CONSENT CALENDAR ITEMS

6. APPROVAL OF CONSENT CALENDAR.

(All matters on the Consent Calendar are to be approved on one motion, unless a Board Member requests a separate action on a specific item).

A. Consider approval of February 07, 2024 Regular Board Meeting Minutes.

PICO WATER DISTRICT

**MINUTES
of
BOARD MEETING
02/07/2024**



MINUTES OF A REGULAR MEETING
OF THE BOARD OF DIRECTORS
OF THE PICO WATER DISTRICT

A regular meeting of the Board of Directors of the Pico Water District was held in the District's Boardroom located at 4843 South Church Street, Pico Rivera, California, on Wednesday, February 7, 2024 at 5:30 p.m.

The District's General Manager, Mr. Joe D. Basulto proceeded with the roll call of the attending Board members. Present from the beginning of the meeting was Director David Angelo, Director David Gonzales, Director Pete Ramirez, Vice President Victor Caballero, President Raymond Rodriguez and Mr. Jim Ciampa and Mr. Matt Pero, Legal Counsel for the District. Pico Rivera City Manager Steve Carmona and Assistant City Manager Angelina Garcia were also in attendance.

President Raymond Rodriguez led everyone in the Pledge of Allegiance and Director David Angelo gave the invocation.

President Raymond Rodriguez proceeded to the next item on the Agenda, Public Comments. There were no comments.

President Raymond Rodriguez proceeded to the adoption of the Agenda. Vice President Victor Caballero made the motion to adopt and Director David Gonzales seconded the motion. The General Manager announced the motion passed by roll-call vote, 5 – 0.

President Raymond Rodriguez proceeded to the next item on the Agenda, approval of Consent Calendar. Director David Gonzales made the motion to approve the Consent Calendar, as presented, and President Raymond Rodriguez seconded the motion. The General Manager announced the motion passed by roll-call vote, 5–0.

President Raymond Rodriguez proceeded to the next item on the Agenda, Action/ Discussion Items. Action Item A. Discussion Item: James Jones Hydrants & Break Checks presentation by Mueller Water Works. Cris Salas reviewed several Mueller Water Works products to minimize the effect of hydrant knockoffs. He presented the begins his presentation with a introduction of himself and his position. He proceeds to shows a model J6000 and model J7000 and described the mechanics of how those products work.

President Raymond Rodriguez proceeded to the next item on the Agenda, Action/ Discussion Items. Action Item B. Consider Board Approval of Resolution 247-R Revising the District's Reserve Fund Policy. The General Manager, Joe Basulto, discussed updating the District's reserve policy to align with industry standards more closely and enhance risk

management. Steve Carmona, City Manager for the City of Pico Rivera made a comment regarding action item B., requesting a continuance of the item so the City could have more time to review the District's financial information, including information regarding the proposed water rate increase. He stated he understands the need to increase rates, but is requesting more time to review the financial audit just received and allowing more time to determine if a reduced financial impact on residents could be achieved. Vice President Victor Caballero made the motion to adopt Resolution 247-R, as presented, and Director David Angelo seconded the motion. The General Manager announced the motion passed by roll-call vote, 5 – 0.

President Raymond Rodriguez proceeded to the next item on the Agenda, Action/ Discussion Items. Action Item C. Consider Board Approval of Enrollment in the Low-Income Household Water Assistance Program (LIHWAP). Office Manager, Tomas Rivera , gave a brief description of the state's Low-Income Household Water Assistance Program and answered several questions from Board members. Vice President Victor Caballero made the motion to the District's participation in LIHWAP and President Raymond Rodriguez seconded the motion. The General Manager announced the motion passed by roll-call vote, 5 – 0.

President Raymond Rodriguez proceeded to the next item on the Agenda, Action/ Discussion Items. Action Item D. Consider Board Approval of Adopting the District's Multi-Jurisdictional Hazard Mitigation Plan (MJHMP) Annex: Pico Water District. The General Manager, Joe Basulto, gave a brief background of this plan and how it was developed among numerous member agencies of the Public Water Agencies Group through federal grant funding. Vice President Victor Caballero made the motion to adopt the District's MJHMP annex and President Raymond Rodriguez seconded the motion. The General Manager announced the motion passed by roll-call vote, 5 – 0.

President Raymond Rodriguez proceeded to the next item on the Agenda, Action/ Discussion Items. Action Item E. Consider Board Approval of District's Scholarship Application Process. The General Manager, Joe Basulto, gave a brief background on the scholarship program. President Raymond Rodriguez asked to postpone indefinitely action on the scholarship program. The board had a brief discussion regarding postponing the program. President Raymond Rodriguez moved to postpone consideration of this item until the first Board meeting in September 2024 and Vice President Victor Caballero seconded the motion. The General Manager announced the motion passed by roll-call vote, 5 – 0.

President Raymond Rodriguez proceeded to the next item on the Agenda, General Manager's Report. The General Manager reported that staff had their monthly staff meeting going over the upcoming meter reading schedule and billing schedule. He also reviewed the residential turn off's with only one account remaining turned off. The following day as well was commercial turn off's with only one commercial account turned off. The commercial customer subsequently paid and water service was promptly restored. There was a mainline leak off of Elba and Paramount that District staff repaired within three hours. The General Manager and the Director of Operations attended the American Ground Water Conference earlier that day. The General Manager also reminded the Directors that on February 15, 2024 a public hearing is being held at Pico Park Community Center for consideration of the proposed rate increase.

President Raymond Rodriguez proceeded to the next item on the Agenda, Legal Counsel Report. Legal Counsel, Jim Ciampa, reported on legislation is starting to pick up, Friday February

16, 2024, is the deadline for introduction of new bills. As of Wednesday, January 31, 2024, two-hundred and thirty-one Assembly bills and ninety-nine Senate bills had been introduced. He also stated he will continue to monitor bills as they are introduced.

President Raymond Rodriguez proceeded to the next item on the Agenda, Informational Items. The General Manager reported on information items, PFAS Project/ Well # 5A, and gave an update on pending permits from the State. The General Manager also reviewed the Board of Directors committee assignments for the different committees.

President Raymond Rodriguez proceeded to the next item on the Agenda, Future Agenda Items. There were none at this time.

President Raymond Rodriguez proceeded to the next item on the Agenda, Board Member Comments. Director David Angelo commented on extending the start time of the public hearing on the water rates to 6:00 p.m. on February 15, 2024. General Counsel Ciampa stated the required notice has already gone out and unfortunately it is too late to change the start time.

President Raymond Rodriguez proceeded to the next item on the Agenda, Closed Session. Closed session began at 6:56 p.m. and ended at 8:03 p.m. Closed session was held under item 12. Conference with Legal Counsel - Existing Litigation, Government Code Section 54956.9(d)(1): Pico Water District v. City of Pico Rivera, Los Angeles County Superior Court Case No. 22NWCV00967. The Board was briefed on the facts and circumstances and current status of that matter and no reportable action was taken.

There being no further business to come before the Board, the Board meeting adjourned at 8:03 p.m. Next Regular Board Meeting to be held on February 21, 2024 at 5:30 pm, with a Special Board Meeting to take place at 5:30 p.m. on February 15, 2024 to consider the proposed rate increases.

Raymond Rodriguez, President

Attest:

Joe D. Basulto, Secretary
(Seal)

ACTION / DISCUSSION ITEMS

7. ACTION/DISCUSSION ITEMS.

- A. Presentation – Regarding Pico Water District 2022/2023 Audit Report by auditing firm Gruber and Lopez, Inc.
- B. Consider Board Approval of the 2022/2023 Audit Report completed by the auditing firm Gruber and Lopez, Inc. *Recommended Action – that the Board receive and file the 2022/2023 Audit Report submitted by Gruber and Lopez, Inc.*
- C. Consider Board Approval Authorizing the General Manager to withdraw \$200,000 from the District Reserve California Class account to fund payment for PFAS Removal Treatment Project – *Recommend Board Discuss and Approve*

PICO WATER DISTRICT

DISCUSSION ITEM - 7A

**A.Presentation – Regarding
Pico Water District 2022/2023
Audit Report by auditing firm
Gruber and Lopez, Inc.**

STAFF REPORT

To: Honorable Board of Directors

From: Joe Basulto, General Manager

Meeting Date: February 21, 2024

Subject: Action Item 7A – Presentation 2022/2023 Audit Report by the auditing firm Gruber and Lopez, Inc.

RECOMMENDATION

None at this Time

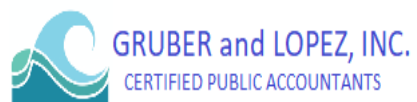
FISCAL IMPACT

None at this Time

BACKGROUND

Attached is 2022/2023 Audit Report Presentation to be performed by Gruber and Lopez, Inc. covering the timeline of 18-Month audit from January 01, 2022 – June 30, 2023

PICO WATER DISTRICT
BASIC FINANCIAL STATEMENTS
(with Independent Auditors' Report Thereon)
June 30, 2023



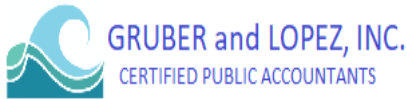
PICO WATER DISTRICT

Basic Financial Statements

June 30, 2023

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Board of Directors
Pico Water District
Pico Rivera, California

Independent Auditors' Report

Opinion

We have audited the accompanying financial statements of Pico Water District (the "District"), as of and for the eighteen month period ended June 30, 2023, and the related notes to the 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 financial position of the District as of June 30, 2023, and the changes in its financial position and cash flows for the eighteen month period ended June 30, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

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 the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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.

Other Matters

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedules of detailed operating revenues and detailed operating expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of detailed operating revenues and detailed operating expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Gruber and Lopez, Inc.

Gruber and Lopez, Inc.

Newport Beach, California

January 29, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

**PICO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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

FINANCIAL HIGHLIGHTS

- The District's net position increased by \$1,900,826. Operating revenue and expenses both increased compared to the prior period due to the 18-month reporting period ending June 30, 2023.
- Nonoperating revenues increased by \$152,801 due to an increase in capital contributions in fiscal year 2023 relating to PFAS treatment.
- The combined effect of these items resulted in an overall increase in the District's net position for fiscal year 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: Management's Discussion and Analysis and the Financial Statements. The Financial Statements also include notes that explain in more detail some of the information in the Financial Statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness.

The final required Financial Statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what cash was used for, and what was the change in cash balance during the reporting period.

**PICO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT

Our analysis of the District begins on page 9. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position, and the Statement of Revenues, Expenses and Change in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and changes in them. You can think of the District's net position - the difference between assets, liabilities and deferred outflows and inflows of resources - as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other nonfinancial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation.

NET POSITION

To begin our analysis, a summary of the District's Statements of Net Position is presented in Table 1.

**TABLE 1
Condensed Statements of Net Position**

	Year 2023	Year 2021	Dollar Change
Assets:			
Current and Other Assets	\$ 3,908,680	\$ 3,697,071	\$ 211,609
Capital Assets	20,592,637	19,024,092	1,568,545
Total Assets	<u>24,501,317</u>	<u>22,721,163</u>	1,780,154
Deferred Outflows of Resources:			
Deferred Amount Pension Obligation	662,971	235,929	427,042
Deferred Amount OPEB Obligation	237,950	158,563	79,387
Total Deferred Outflows	<u>900,921</u>	<u>394,492</u>	506,429
Liabilities:			
Current Liabilities	1,433,976	1,342,814	91,162
Noncurrent Liabilities	8,047,294	7,237,261	810,033
Total Liabilities	<u>9,481,270</u>	<u>8,580,075</u>	901,195
Deferred Inflows of Resources:			
Deferred Amount Pension Obligation	204,294	614,887	(410,593)
Deferred Amount OPEB Obligation	303,265	408,110	(104,845)
Total Deferred Inflows	<u>507,559</u>	<u>1,022,997</u>	(515,438)
Net Position			
Net Investment in Capital Assets	14,125,340	12,390,708	1,734,632
Unrestricted	1,288,069	1,121,875	166,194
Total Net Position	<u>\$ 15,413,409</u>	<u>\$ 13,512,583</u>	<u>\$ 1,900,826</u>

As can be seen in Table 1, the District's net position increased by \$1,900,826 from fiscal year 2021 to 2023. The net position increase of \$1,900,826 combines an increase to Net Investment in Capital Assets of \$1,734,632 and a \$166,194 increase in Unrestricted Net Position.

**PICO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

NET POSITION (CONTINUED)

TABLE 2

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

	Year 2023	Year 2021	Dollar Change
Revenues			
Operating Revenues	\$ 6,643,398	\$ 4,243,404	\$ 2,399,994
Nonoperating Revenues	2,171,590	2,018,789	152,801
Total Revenues	<u>8,814,988</u>	<u>6,262,193</u>	<u>2,552,795</u>
Expenses			
Depreciation Expense	824,388	775,955	48,433
Other Operating Expenses	5,656,043	3,766,651	1,889,392
Nonoperating Expense	433,731	246,662	187,069
Total Expenses	<u>6,914,162</u>	<u>4,789,268</u>	<u>2,124,894</u>
Change in Net Position	1,900,826	1,472,925	427,901
Net Position - Beginning of Year	<u>13,512,583</u>	<u>12,039,658</u>	<u>1,472,925</u>
Net Position - End of Fiscal Year	<u>\$ 15,413,409</u>	<u>\$ 13,512,583</u>	<u>\$ 1,900,826</u>

A closer examination of the source of changes in net position reveals that the District's total revenues increased by \$2,552,795 between fiscal years 2023 and 2021. Both Operating Revenues and Expense increased notably due to the modified reporting period for the 18-month period ending June 30, 2023. Nonoperating Revenues increased by \$152,801 primarily due to increased capital contribution related to PFAS treatment projects.

**PICO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

CAPITAL ASSETS AND DEBT ADMINISTRATION CAPITAL ASSETS

At June 30, 2023, the District's investments in a broad range of infrastructure, as shown in Table 4, totaled \$20,592,637.

**TABLE 3
Capital Assets**

	Balance at January 1, 2022	Additions	Deletions and Transfers	Balance at June 30, 2023
Capital Assets:				
Nondepreciable Assets	\$ 3,085,442	\$ 2,458,619	\$ (447,205)	\$ 5,096,856
Depreciable Assets	26,803,963	496,526	(278,619)	27,021,870
Accumulated Depreciation and Amortization	(10,865,312)	(824,388)	163,611	(11,526,089)
Total Capital Assets, Net	<u>\$ 19,024,093</u>	<u>\$ 2,130,757</u>	<u>\$ (562,213)</u>	<u>\$ 20,592,637</u>

The major capital asset additions for the year ended June 30, 2023 included:

- Well #8 Rehabilitation - \$109,773
- 9200 Whittier Fire Hydrant Line - \$63,130
- Vehicle Replacement - \$48,052
- LA County Sheriff Fire Sprinklers - \$45,609
- Well #11 Generator - \$41,527
- Well #4 Rehabilitation - \$36,418
- Valve Replacements - \$17,536
- Meter Replacements - \$14,128

Additional information regarding capital assets can be found in Note 3 to the financial statements.

DEBT ADMINISTRATION

At year-end, the District had outstanding debt in the amount of \$6,369,696 consisting of two infrastructure loans from IBank. This is fully discussed in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's Board of Directors and management will consider many factors when setting the 2023 budget including user fees, potential water sales, water usage patterns, and increases by regulatory agencies, utilities, and staffing requirements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the General Manager, Mr. Joe Basulto at Pico Water District.

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BASIC FINANCIAL STATEMENTS

PICO WATER DISTRICT
Statement of Net Position
June 30, 2023

ASSETS

Current assets:	
Cash and investments (note 2)	\$ 2,445,622
Accounts receivable	869,495
Accrued interest receivable	12,485
Other receivables	428,111
Inventory of materials and supplies	97,166
Prepaid expenses and deposits	<u>55,801</u>
Total current assets	<u>3,908,680</u>
Noncurrent assets:	
Capital assets, not depreciated (note 3)	5,096,856
Capital assets, net of accumulated depreciation (note 3)	<u>15,495,781</u>
Total noncurrent assets	<u>20,592,637</u>
Total assets	<u>24,501,317</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension (note 6)	662,971
OPEB (note 7)	<u>237,950</u>
Total deferred outflows of resources	<u>900,921</u>

LIABILITIES

Current liabilities:	
Accounts payable	708,852
Accrued expenses	50,602
Accrued interest payable	97,601
Compensated absences - current portion	19,474
Note payable - current portion (note 5)	169,922
Refundable deposits	<u>387,525</u>
Total current liabilities	<u>1,433,976</u>
Noncurrent liabilities:	
Compensated absences	110,353
Note payable (note 5)	6,199,774
Net pension liability (note 6)	954,472
Net other postemployment benefits obligation (note 7)	<u>782,695</u>
Total noncurrent liabilities	<u>8,047,294</u>
Total liabilities	<u>9,481,270</u>

DEFERRED INFLOWS OF RESOURCES

Pension (note 6)	204,294
OPEB (note 7)	<u>303,265</u>
Total deferred inflows of resources	<u>507,559</u>

NET POSITION

Net investment in capital assets	14,125,340
Unrestricted	<u>1,288,069</u>
Total net position	<u>\$ 15,413,409</u>

See accompanying notes to the basic financial statements.

PICO WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Period January 1, 2022 Through June 30, 2023

Operating revenues:	
Water sales	\$ 5,657,435
Water services	985,963
	<hr/>
Total operating revenues	6,643,398
	<hr/>
Operating expenses:	
Source of supply	1,718,037
Pumping	874,641
Water treatment	172,653
Transmission and distribution	288,220
Customer services	371,653
Depreciation (note 3)	824,388
General and administrative	2,230,839
	<hr/>
Total operating expenses	6,480,431
	<hr/>
Operating income (loss)	162,967
	<hr/>
Non-operating revenues (expenses):	
Investment income	24,432
Rental income	31,450
Interest expense and fees	(355,200)
Grant income	-
Loss on disposal of assets	(64,992)
Other revenues (expenses), net	(13,539)
	<hr/>
Total non-operating revenues (expenses)	(377,849)
	<hr/>
Income (loss) before capital contributions	(214,882)
	<hr/>
Capital Contributions:	
Contributed capital	2,115,708
	<hr/>
Change in net position	1,900,826
	<hr/>
Net position, beginning of year	13,512,583
	<hr/>
Net position, end of year	\$ 15,413,409
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

PICO WATER DISTRICT
Statement of Cash Flows
For the Period January 1, 2022 Through June 30, 2023

Cash flows from operating activities:	
Cash received from customers	\$ 6,484,912
Cash paid to suppliers for goods or services	(3,233,375)
Cash paid to employees for services	<u>(2,353,016)</u>
Net cash provided (used by) operating activities	<u>898,521</u>
Cash flows from noncapital financing activities:	
Other nonoperating revenue (expense)	<u>(13,539)</u>
Net cash provided (used by) noncapital financing activities	<u>(13,539)</u>
Cash flows from capital and related financing activities:	
Proceeds from contributed capital	2,115,708
Payment of principal and interest on loan	(521,287)
Acquisition and construction of capital assets	<u>(2,167,880)</u>
Net cash provided (used by) capital and related financing activities	<u>(573,459)</u>
Cash flows from investing activities:	
Proceeds from rental property	31,450
Interest and investment earnings received	<u>12,883</u>
Net cash provided (used by) investing activities	<u>44,333</u>
Net increase (decrease) in cash and cash equivalents	355,856
Cash and equivalents, beginning of year	<u>2,089,766</u>
Cash and equivalents, end of year	<u><u>\$ 2,445,622</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ 162,967
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	824,388
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(125,414)
(Increase) decrease in inventory of materials and supplies	(37,898)
(Increase) decrease in prepaid expenses and deposits	29,063
Increase (decrease) in accounts payable	134,561
Increase (decrease) in accrued expenses	(9,182)
Increase (decrease) in compensated absences	(33,197)
Increase (decrease) in refundable deposits	(33,072)
Increase (decrease) in net Pension liability	40,001
Increase (decrease) in net OPEB liability	<u>(53,696)</u>
Total adjustments	<u>735,554</u>
Net cash provided (used) by operating activities	<u><u>\$ 898,521</u></u>

See accompanying notes to the basic financial statements.

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

(1) Summary of Significant Accounting Policies

a. Nature of Organization

Pico Water District (the “District”) was formed June 22, 1926, pursuant to the provisions of the State of California. The District currently encompasses 1,536 acres and operates six wells, five of which are in use and one of which is inactive, and a 1.25 million gallon reservoir. The purpose of the District is to finance, construct, operate, and maintain a water system to serve properties within the District’s boundaries.

b. Basis of Accounting

The District’s activities are accounted for in an enterprise fund. An enterprise fund is a proprietary-type fund used to account for operations that are financed and operated in a manner similar to a private business enterprise – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transaction are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Under the economic measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the statement of net position. The statement of revenues, expenses, and change in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

d. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents have been defined as cash and short-term investments, which have a maturity of three months or less. At June 30, 2023, the District invested with the State Treasurer’s Local Agency Investment Fund (LAIF). This is a pooled money investment account and is considered to be a cash equivalent.

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Summary of Significant Accounting Policies (continued)

e. Accounts Receivable

The District grants unsecured credit to its customers. Bad debts are accounted for using the direct write off method. Management believes that the bad debt expense under this method approximates the expense that would be recorded using the allowance method.

f. Inventory

Inventories maintained by the District consist primarily of pipes, construction materials, and maintenance supplies. Inventories are priced at the lower cost or market, determined on a first-in, first-out basis.

g. Capital Assets and Depreciation

Capital assets are stated at historical cost, net of accumulated depreciation. In accordance with its capitalization policy, the District has set the capitalization threshold for reporting capital assets at \$5,000 and a useful life that is more than one year. Depreciation is recorded on the straight-line basis over the estimated useful lives.

The ranges of lives used for computing depreciation for each capital asset class are as follows:

Wells and reservoirs	20-50 years
Wells and reservoirs equipment	5-10 years
Pumps and tanks	20-25 years
Water treatment equipment	5-10 years
Transmission and distribution	15-50 years
General plant and other	5-25 years

Maintenance and repairs are charged as expenses as incurred. Significant renewals and betterments are capitalized.

h. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period. The deferred outflows of resources related to pension and OPEB resulted from District contributions subsequent to the measurement date of the actuarial valuation and the effects of actuarially-determined changes. These amount are deferred and amortized as detailed in Note 6 for pension and Note 7 for OPEB to the financial statements.

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Summary of Significant Accounting Policies (continued)

i. Compensated Absences

Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees, in accordance with the District policy.

j. Net Pension Obligation

For purposes of measuring the net position liability and deferred outflows/inflows of resources related to pensions, the pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment are reported at fair value.

k. Postemployment Benefits Other than Pensions (OPEB)

The District participates in a single employer defined benefit postemployment health care plan. For purposes of measuring the net OPEB liability, deferred outflows of resources and OPEB expense information about the fiduciary net position of the District Retiree Benefits Plan (the Plan), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes payments when due and payable in accordance with the benefit terms.

l. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of resources applicable to future periods. The deferred inflows of resources related to pensions and OPEB results from the difference between the estimated and actual return on pension plan investments, the effect of changes in proportion and changes in assumptions, and the difference between expected and actual experience. These amounts are deferred and amortized as detailed on Note 6 for pensions and Note 7 for OPEB to the financial statements.

m. Net Position

Net position of the District can be classified into three components: net investment in capital assets, restricted, and unrestricted. These classification are defined as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation, and the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

PICO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Summary of Significant Accounting Policies (continued)

m. Net Position (continued)

If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. As of June 30, 2023, the District did not have restricted net position.

Unrestricted Net Position – This component of net position consists of net position that does not meet the definition of the “net investment in capital assets” or “restricted”.

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

n. Operating Revenue and Expenses

Operating revenues and expenses, such as water sales and services, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment income and rental income, result from nonexchange transactions or ancillary activities in which the District gives (receives) value without directly receiving (giving) equal value in exchange. Operating expenses include the cost of sale and services, administrative expenses, and depreciation on capital assets.

o. Revenue Recognition

Revenue is recognized and account receivable recorded as water services are provided. This includes estimated charges for water services delivered prior to year-end and billed during a subsequent billing cycle.

PICO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

(1) Summary of Significant Accounting Policies (continued)

p. Use of Estimates

The preparation of financial statement in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

q. Leases Payable and Subscription Agreements Payable

Lessee: The District recognizes a lease or subscription agreement liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$25,000 or more.

At the commencement of a lease or subscription agreement, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other assets and lease liabilities are reported with long-term debt on the Statement of Net Position. The District currently has no lease or subscription agreement liabilities that met the criteria of GASB Nos. 87 and 96.

Lessor: The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

PICO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Summary of Significant Accounting Policies (continued)

q. Leases Payable and Subscription Agreements Payable (continued)

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key elements and judgement include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The District uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable. The District currently has no lease revenues that met the criteria of GASB No. 87.

r. New Accounting Pronouncements

The District adopted Statement on Governmental Accounting Standards (GASB Statements) No. 91-*Conduit Debt Obligations* and No. 96-*Subscription Based Information Technology Software*. The adoption of the GASB Nos. 91 and 96 did not significantly impact the District.

(2) Cash and Investments

Cash and investments at June 30, 2023 are as follows:

Cash on hand	\$ 500
Deposits held with financial institutions	879,055
Investments in Local Agency Investment Fund	<u>1,566,067</u>
Total cash and investments	<u>\$ 2,445,622</u>

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

The following table identifies the investment types that are authorized for the District by the California Government Code and the District's investment policy. The table also

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(2) Cash and Investments (continued)

identifies certain provisions of the California Government Code (or the District’s investment policy, if more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District’s investment policy.

<u>Investment Types</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Bills, Bonds and Notes	5 years	None	None
U.S. Government Agency Securities	5 years	None	None
State of California Obligations	5 years	None	None
California Warrants, Notes or Bonds	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
CD Placement Services	5 years	30%	None
Banker’s Acceptance	180 days	40%	30%
Repurchase Agreements	1 year	20%	None
Commercial Paper	270 days	25%	10%
Medium Term Notes	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	None
Mutual Funds and Money Market Mutual Funds	5 years	20%	10%

Concentration of Credit Risk

The District follows the investment policy as stipulated by the California Government Code as to the amount it may invest in any one issuer. At June 30, 2023, the District had no concentration of credit risk.

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 has limited exposure to interest rate risk as all funds are currently invested in short term investments.

Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District investments by maturity at June 30, 2023.

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(2) Cash and Investments (continued)

<u>Investment Type</u>	<u>Remaining Investment Maturities</u>			<u>Total</u>
	<u>Less than 1 Year</u>	<u>1 to 3 Years</u>	<u>4 to 5 Years</u>	
Local Agency Investment Fund	<u>\$1,566,067</u>	<u>-</u>	<u>-</u>	<u>1,566,067</u>
Total	<u>\$1,566,067</u>	<u>-</u>	<u>-</u>	<u>1,566,067</u>

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. The District's investments in LAIF are not rated.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover 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 a counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside 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 individual collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 150% of the total amount deposited by the public agencies.

Investments in State Investment Pool

The District is a voluntary participant in the 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.

PICO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(2) Cash and Investments (continued)

Fair Value Hierarchy

The District follows the provisions of GASB Statement No. 72 *Fair Value Measurement and Application* which requires the District to categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments in LAIF are uncategorized as deposits and withdrawals are made on the basis of \$1 and not fair value.

(3) Capital Assets

Capital asset activity for the year ended June 30, 2023 is as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Non-depreciable:				
Land and easement	\$ 417,363	-	-	417,363
Water rights	216,000	-	-	216,000
Construction in process	<u>2,452,079</u>	<u>2,458,619</u>	<u>(447,205)</u>	<u>4,463,493</u>
Total non-depreciable	<u>3,085,442</u>	<u>2,458,619</u>	<u>(447,205)</u>	<u>5,096,856</u>
Depreciable:				
Wells and reservoirs	5,589,374	267,524	-	5,856,898
Pumps and tanks	865,634	-	(14,656)	850,978
Water treatment equipment	44,138	-	(38,303)	5,835
Transmission and distributions	18,022,095	178,513	(120,528)	18,080,080
General plant	2,146,597	48,052	(105,132)	2,089,517
Rental house	101,252	527	-	101,779
SCADA system and equipment	<u>34,873</u>	<u>1,910</u>	<u>-</u>	<u>36,783</u>
Total depreciable capital assets	<u>26,803,963</u>	<u>496,526</u>	<u>(278,619)</u>	<u>27,021,870</u>
Less accumulated depreciation	<u>(10,865,312)</u>	<u>(824,388)</u>	<u>163,611</u>	<u>(11,526,089)</u>
Total depreciable capital assets, net	<u>15,938,651</u>	<u>(327,862)</u>	<u>(115,008)</u>	<u>15,495,781</u>
Total capital assets, net	<u>\$19,024,093</u>	<u>2,130,757</u>	<u>(562,213)</u>	<u>20,592,637</u>

Depreciation expense for the year ended June 30, 2023 was \$824,388.

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(4) Risk Management

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

The Authority is a risk-pooling self-insurance authority, organized under a joint powers agreement pursuant to California Government Code §6500, et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverages.

At June 30, 2023, as a member of the Authority, the District participated in the insurance programs as follows:

Property Loss. The Authority has pooled self-insurance up to \$100,000,000 per occurrence and has purchased excess insurance coverage of \$500,000,000 (total insurable value \$5,980,343). The District has a \$1,000 deductibles for buildings, personal property, fixed and mobile equipment, and licensed vehicles.

General Liability. The District is insured up to \$55,000,000 per occurrence with no deductible; the Authority is self-insured up to \$5,000,000 and excess insurance coverage of \$50,000,000.

Automobile Liability. The District is insured up to \$55,000,000 per occurrence with no deductible; the Authority is self-insured up to \$5,000,000 and excess insurance coverage of \$50,000,000.

Workers’ Compensation. The District is insured for statutory limits. The District is insured up to \$4,000,000 per accident. The Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased.

Public Official’s Liability. The District is insured for error and omissions up to \$55,000,000 per occurrence with no deductible; the Authority is self-insured up to \$5,000,000 and excess insurance coverage of \$50,000,000.

Employee Dishonesty/Crime Coverage. The District is insured up to \$100,000 per occurrence with \$1,000 deductible for employee dishonesty, forgery or alternation, computer fraud and ERISA.

Earthquake and Flood. The District is insured up to \$25,000,000 per occurrence with a 5% of the total insurable values (\$4,782,393) at the time of loss, subject to a \$25,000 minimum per occurrence. The flood deductible is \$25,000 per occurrence.

The District pays annual premiums for the coverages. There were no instances in the past three years when a settlement exceeded the District’s coverage.

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(5) Notes Payable

As of June 30, 2023, the District had entered into two Installment Sale Agreements with California Infrastructure and Economic Development Bank in the amounts of \$2,020,200 and \$5,250,000, respectively. The proceeds of the loans are held by a fiscal agent and are released as infrastructure expenditures are incurred. The loans bear interest at 3.84% per annum. Principal payments commenced in August 2017 and are due annually. Interest payments commenced February 2017 and are payable biannually. The total future debt obligations under these agreements are as shown below.

<u>Year Ending, December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 169,922	231,124	401,046
2025	176,155	224,776	400,931
2026	182,619	218,193	400,812
2027	189,321	211,368	400,689
2028	196,269	204,290	400,559
2029-2033	1,094,900	905,799	2,000,699
2034-2038	1,311,411	685,290	1,996,701
2039-2043	1,570,992	420,915	1,991,907
2044-2046	<u>1,478,107</u>	<u>111,345</u>	<u>1,589,452</u>
Total	<u>\$6,369,696</u>	<u>3,213,100</u>	<u>9,582,796</u>

The schedule below summarizes changes in long-term debt during the year ended June 30, 2023:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Direct borrowing:					
California Infrastructure	\$4,730,950	-	116,069	4,614,881	120,526
Economic Development Bank	<u>1,802,656</u>	<u>-</u>	<u>47,841</u>	<u>1,754,815</u>	<u>49,396</u>
Total	<u>\$6,533,606</u>	<u>-</u>	<u>163,910</u>	<u>6,369,696</u>	<u>169,922</u>

For the year ended June 30, 2023, the District incurred \$355,200 of interest expense.

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(6) Defined Benefit Pension Plans

The District participates in a cost sharing multiple-employer defined benefit plan through the California Public Employees’ Retirement System (CalPERS) which covers substantially all regular full-time employees of the District. CalPERS acts as a common investment and administrative agent for participating public entities within the state of California and reports information to the District in accordance with reporting standards established by GASB.

The District had implemented all applicable GASB statements related to the area of pension plans and as a result, reported its proportionate share of the net pension liability, pension expense, deferred outflows of resources, and deferred inflow of resources for the above plan as shown in the table below:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalPERS	\$954,472	\$662,971	\$204,295	\$182,700

Plan Description – Qualified employees are eligible to participate in the Public Agency Cost-Sharing Multiple Employer Plan under the CalPERS plan, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Public Agency Cost-Sharing Multiple-Employer Plan is comprised of a Miscellaneous Risk Pool and a Safety Risk Pool. Individual employers may sponsor more than one Miscellaneous or Safety Plan. The District sponsors one Miscellaneous Risk Pool plan and the information presented below represents the allocated pension amounts for the District’s plan (the Plan). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees’ Retirement Law.

Plan 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 year of service credit, a benefit factor, and the member’s final compensation. Members hired by the District, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for employment-related disability benefits regardless of length of service and nonduty disability benefits after four years of service. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The Postretirement Death Benefit is a one-time payment made to a retiree’s designated survivor or estate upon the retiree’s death. The Basic Death Benefit is paid to any member’s beneficiary if the member dies while actively employed. An employee’s eligible survivor may receive

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(6) Defined Benefit Pension Plans (continued)

the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013) and has at least five years of credited service.

The cost-of-living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plan provisions and benefits in effect at June 30, 2023, are shown below:

	Miscellaneous Risk Pool	
	Classic	PEPRA
Hire Date	Prior to January 1, 2013	On or After January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Required employee contribution rates	6.92%	7.25%
Required employer contribution rates	11.65%	7.65%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rate for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined annually through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarial determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for the fiscal year ended June 30, 2023 are presented above and the total District required contributions to the Plan were \$142,698.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – As of June 30, 2023, the District reported net pension liability for its proportionate share of the Miscellaneous Risk Pool net pension liability totaling \$954,472. As permitted by GASB standards, the net pension liability was determined based upon the measurement date of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the District's Plan as of the June 30, 2022 and 2021 was as follows:

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(6) Defined Benefit Pension Plans (continued)

	<u>Miscellaneous</u>
Proportion – June 30, 2021	0.004047%
Proportion – June 30, 2022	0.020398%
Change – Increase (Decrease)	0.016351%

For the year ended June 30, 2023, the District recognized pension expense of \$182,700. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 142,698	-
Change in proportion	143,724	-
Net difference in actual contributions vs. proportionate share of contributions	-	(188,052)
Net difference between expected and actual experience	30,461	(16,243)
Net differences between projected and actual earnings on plan investments	222,334	-
Change in assumptions	<u>123,754</u>	<u>-</u>
Total	<u>\$ 662,971</u>	<u>(204,295)</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net position liability in the year ended June 30, 2023. The net difference between projected and actual earnings on the plan investment is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expenses during the measurement period and remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for CalPERS Miscellaneous Risk Pool Plan for the June 30, 2022 measurement date is 3.8 years. The first year of amortization is recognized in pension expense for the year the gain or losses occurs. The remaining amounts are deferred and will be amortized over the remaining period not to exceed 2.8 years.

PICO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(6) Defined Benefit Pension Plans (continued)

Remaining amounts will be recognized to pension expense as follows:

Year Ended June 30	
2024	\$ 72,019
2025	72,935
2026	27,803
2027	<u>143,221</u>
	<u>\$ 315,978</u>

Actuarial Methods and Assumptions – The total pension liability for the Plan was determined by applying update procedures to an actuarial valuation as of June 30, 2020, which was rolled forward to the June 30, 2022 measurement date. As permitted by GASB standards, the District’s net pension liability was determined based upon the measurement date of June 30, 2022.

The financial reporting actuarial valuation as of the June 30, 2021 used the methods and assumptions herein, applied to all prior periods included in the measurement.

	<u>Miscellaneous</u>
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	Varies by Entry Age (1)
Investment Rate of Return	6.80% (2)
Mortality	Varies (3)

- (1) Depending on age, service and type of employment.
- (2) Net of pension plan investment expenses, including inflation.
- (3) The mortality table used was developed based on CalPERS’ specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(6) Defined Benefit Pension Plans (continued)

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, 2022 based on June 30, 2021 Valuations*, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 6.80% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 10 basis points. An investment return excluding administrative expenses would have been 6.90%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The expected real rates of return by asset class are as follows:

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return (b) (c)</u>
Public Equity	18.00%	4.50%
Fixed Income	45.00%	1.40%
TIPS	20.00%	0.50%
Commodities	3.00%	1.10%
REITs	14.00%	3.70%
Total	<u>100.00%</u>	

- (a) Commodities and REITs are included in Public Equity; TIPS are included in fixed Income.
- (b) An expected inflation of 2.3% used for this period.
- (c) Figures are based on the 2021-22 Asset Liability Management study.

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(6) Defined Benefit Pension Plans (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, 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>Miscellaneous</u>
1% Decrease Net Pension Liability	5.90% \$1,709,158
Current Discount Rate Net Pension Liability	6.90% \$954,472
1% Increase Net Pension Liability	7.90% \$333,552

Detailed information about CalPERS Miscellaneous Risk Pool Plan fiduciary net position is available in a separate annual comprehensive financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

(7) Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in Note 6, the District provides a post-retirement health care benefit for retired employees and directors who have served the District full-time for at least five consecutive years and who are at least 55 years of age at the time of retirement, and spouses. In accordance with statutory requirements, a director must have commenced his or her service on or before January 1, 1995, in order to be entitled to receive District-paid health insurance after completing service on the board.

Funding Policy – The contribution requirements of the plan are set by the District and the District’s Board of Directors. Currently, contributions are not required from plan members. The District has established a trust to fund other postemployment benefits (OPEB). The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually by the District. The District contributed \$135,000 to the Retiree Benefit Trust for the year ended June 30, 2023 and \$26,294 in employer contributions for the year ended June 30, 2023, including the implicit rate subsidy. The table herein shows the participants as of June 30, 2022.

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(7) Other Post Employment Benefits (OPEB) (continued)

Active employees	9
Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to, but not yet receiving benefits	-
Total	<u>11</u>

Net OPEB Liability (Asset) – The table below shows the components of the net OPEB liability of the District:

Total OPEB Liability	\$1,692,806
Plan Fiduciary Net Position	<u>(910,111)</u>
District’s Net OPEB Liability (Asset)	<u>\$ 782,695</u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset) 53.76%

Investments – As June 30, 2023, all Plan investments are held in the California Employers’ Retiree Benefit Trust program (CERBT) through CalPERS.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the sources as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ 131,747	-
Difference between expected and actual experience	8,522	(303,265)
Difference between projected and actual return on investments	<u>97,681</u>	<u>-</u>
Total	<u>\$ 237,950</u>	<u>(303,265)</u>

The deferred outflows of resources results from a change of assumptions and is amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the OPEB plan for June 30, 2023 is five years. The year of amortization is recognized in OPEB expense for the year the gain or loss occurs. The remaining amount is deferred and will be amortized over the remaining periods not to exceed four years.

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(7) Other Post Employment Benefits (OPEB) (continued)

The deferred inflows of resources related to OEPB resulting from the net differences between projected and actual earnings on the plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period.

The deferred inflows of resources related to OPEB resulting from the net differences between projected and actual experience is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period.

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

Year Ended June 30	
2024	\$ 4,767
2025	5,482
2026	3,683
2027	22,641
2028	(15,277)
Thereafter	<u>(86,611)</u>
	<u>\$ (65,315)</u>

Actuarial Methods and Assumptions – The District’s net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. Liabilities in this report were calculated as of the valuation date.

The total OPEB liability was determined by using the actuarial assumptions shown herein, applied to all periods included in the measurement, unless otherwise specified.

Actuarial Assumptions:

Investment rate of return	6.5%
Projected salary increase	2.75%
Medical cost trend rate	4.0%
Mortality	4.0% (1)

- (1) Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(7) Other Post Employment Benefits (OPEB) (continued)

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Shown herein is the assumed asset allocation and assumed rate of return for each asset class:

Asset Class	Percentage of Portfolio	Assumed Gross Return
All Equities	40.0%	7.545%
All Fixed Income	43.0%	4.250%
Real Estate Investment Trusts	8.0%	7.250%
All Commodities	4.0%	7.545%
Treasury Inflated Protected Securities (TIPS)	5.0%	3.000%
Total	100.0%	

Discount Rate – The discount rate used to measure the OPEB liability was 6.25 percent. It is assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years. Historic 34-year real rates for each asset class were used, along with an assumed long-term inflation assumption, to set the discount rate. The expected investment return was offset by investment expenses of 25 basis points. Rolling periods of time for all assets, in combination, were reviewed to appropriately reflect the correlation between asset classes. That means that the average returns for any asset class will not necessarily reflect the averages over time individually, but do reflect the return for the asset class for the portfolio average. Geometric means were used.

Since the most recent valuation, there were no changes to the actuarial assumptions.

PICO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(7) Other Post Employment Benefits (OPEB) (continued)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/ (Asset) (c)=(a)-(b)
Balance at Fiscal Year Ending 6/30/21 <i>Measurement Date 6/30/21</i>	\$1,556,380	904,221	652,159
Changes During the Period:			
Service cost	64,260	-	64,260
Interest cost	98,460	(128,869)	227,329
Actual and expected experience difference	-	-	-
Employer contributions	-	161,294	(161,294)
Change in assumptions	-	-	-
Benefit payments	(26,294)	(26,294)	-
Administrative expenses	-	(241)	(241)
Net Changes in Fiscal Year 2022-23	136,426	5,890	130,482
Balance at Fiscal Year Ending 6/30/23 <i>Measurement Date 6/30/22</i>	\$1,692,806	910,111	782,695

Sensitivity of the OPEB Liability (Asset) to Changes in the Discount Rate – The following presents the Districts’ OPEB liability (asset), calculated using the discount rate, as well as what the District’s OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	5.25%
OPEB Liability (Asset)	\$1,065,580
Current Discount Rate	6.25%
OPEB Liability (Asset)	\$782,695
1% Increase	7.25%
OPEB Liability (Asset)	\$553,0199

PICO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(7) Other Post Employment Benefits (OPEB) (continued)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Health Care Cost Trends
– The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for the measurement period June 30, 2022:

1% Decrease	3.0%
OPEB Liability (Asset)	\$496,544
Current Rate	4.0%
OPEB Liability (Asset)	\$782,695
1% Increase	5.0%
OPEB Liability (Asset)	\$1,150,597

OPEB Expense – For the year ended June 30, 2023, the District recognized OPEB expense of \$107,598.

(8) Commitments and Contingencies

Litigation – In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Grants – The District receives several government grants which are subject to audit by the government. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

(9) Subsequent Events

Management has evaluated subsequent events through January 29, 2024, which is the date the financial statements were available to be issued, and has determined that there are no transactions that will have a significant impact on the District.

REQUIRED SUPPLEMENTARY INFORMATION

PICO WATER DISTRICT
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

Cost Sharing Defined Benefit Pension Plan
Last 10 Fiscal Years *

	As of the fiscal year ending June 30,				
	2023	2021	2020	2019	2018
Measurement date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Plan's proportion of the collective net pension liability	0.000000%	0.001421%	0.016140%	0.013669%	0.011461%
Plan's proportionate share of the net pension liability	\$ 954,472	\$ 76,836	\$ 680,803	\$ 680,803	\$ 431,937
Covered payroll, measurement date	\$ 698,909	\$ 713,546	\$ 698,909	\$ 684,785	\$ 707,715
Plan's proportionate share of the net pension liability as percentage of covered payroll	136.57%	10.77%	97.41%	99.42%	61.03%
Plan's fiduciary net position as a percentage of the total pension liability	82.76%	98.54%	90.05%	90.05%	91.74%

	As of the fiscal year ending June 30,		
	2017	2016	2015
Measurement date	6/30/2016	6/30/2015	6/30/2014
Plan's proportion of the collective net pension liability	0.011830%	0.009610%	0.002566%
Plan's proportionate share of the net pension liability	\$ 466,342	\$ 333,859	\$ 64,847
Covered payroll, measurement date	\$ 685,639	\$ 644,476	\$ 616,120
Plan's proportionate share of the net pension liability as percentage of covered payroll	68.02%	51.80%	10.53%
Plan's fiduciary net position as a percentage of the total pension liability	90.69%	92.50%	98.47%

Notes to Schedule:

Benefit Changes: There were no changes in benefits.

Changes in assumptions:

From fiscal year 6/30/15 to 6/30/16: GASB 69 paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expenses. The discount rate of 7.5% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017: There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018: The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019: Demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. Inflation was reduced from 2.75% to 2.50%.

From fiscal year June 30, 2019 to June 30, 2021: There were no changes in assumptions.

* - Fiscal year 2015 was the first year of implementation, therefore only eight years are shown. The District changed fiscal years from December 31 to June 30 after fiscal year ending December 31, 2021 which is why no data exists for 2022.

PICO WATER DISTRICT
Schedule of Plan Contributions - Defined Benefit Pension Plan

Cost Sharing Defined Benefit Pension Plan
Last 10 Fiscal Years *

	As of the fiscal year ending June 30,				
	2023	2021	2020	2019	2018
Valuation Date	6/30/2020	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Contractually required contributions (actuarially determined)	\$ 142,698	\$ 119,421	\$ 81,822	\$ 55,622	\$ 69,561
Contributions in relation to the actuarially determined contributions	<u>\$ (142,698)</u>	<u>\$ (119,421)</u>	<u>\$ (81,822)</u>	<u>\$ (55,622)</u>	<u>\$ (69,561)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 791,774	\$ 698,909	\$ 689,948	\$ 698,909	\$ 684,785
Contributions as a percentage of covered payroll	18.02%	17.09%	11.86%	7.96%	10.16%

	As of the fiscal year ending June 30,		
	2017	2016	2015
Valuation Date	6/30/2014	6/30/2013	6/30/2012
Contractually required contributions (actuarially determined)	\$ 69,915	\$ 75,888	\$ 60,692
Contributions in relation to the actuarially determined contributions	<u>\$ (69,915)</u>	<u>\$ (75,888)</u>	<u>\$ (60,692)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 707,715	\$ 685,639	\$ 644,476
Contributions as a percentage of covered payroll	9.88%	11.07%	9.42%

Notes to Schedule:

Methods and Assumptions Used to Determine Contribution Rates:

	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Actuarial cost method	(1)	(1)	(1)	(1)	(1)
Amortization method	Market Value	Market Value	Market Value	Market Value	Market Value
Asset valuation method	2.300%	2.500%	2.625%	2.750%	2.750%
Inflation	(2)	(2)	(2)	(2)	(2)
Salary increases	6.80% (3)	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)
Investment rate of return	(4)	(4)	(4)	(4)	(4)
Retirement age	(5)	(5)	(5)	(5)	(5)
Mortality					

Methods and Assumptions Used to Determine Contribution Rates:

	Entry Age	Entry Age	Entry Age
Actuarial cost method	(1)	(1)	(1)
Amortization method	Market Value	Market Value	15-Year Smoothed Market Method
Asset valuation method	2.750%	2.750%	2.750%
Inflation	(2)	(2)	(2)
Salary increases	7.50% (3)	7.50% (3)	7.50% (3)
Investment rate of return	(4)	(4)	(4)
Retirement age	(5)	(5)	(5)
Mortality			

- (1) Level percentage of pay, direct rate smoothing
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expenses, including inflation
- (4) 50 for all plans with the exception of 52 for Miscellaneous PEPRA which is 2% at 62
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board

* - Fiscal year 2015 was the first year of implementation, therefore only eight years are shown. The District changed fiscal years from December 31 to June 30 after fiscal year ending December 31, 2021 which is why no data exists for 2022.

PICO WATER DISTRICT
Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios

Last 10 Fiscal Years *

<i>Measurement Period</i>	As of the fiscal year ending June 30,				
	2023	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 64,260	47,686	46,410	44,430	43,241
Interest on the total OPEB Liability	98,460	98,427	90,936	97,794	92,082
Actual and expected experience difference	-	(185,021)	-	(200,904)	-
Changes in assumptions	-	154,861	-	-	-
Changes in benefit terms	-	-	-	-	-
Benefit payments	<u>(26,294)</u>	<u>(49,997)</u>	<u>(45,478)</u>	<u>(50,131)</u>	<u>(45,968)</u>
Net change in total OPEB liability	136,426	65,956	91,868	(108,811)	89,355
Total OPEB liability - beginning	<u>1,556,380</u>	<u>1,490,424</u>	<u>1,398,556</u>	<u>1,507,367</u>	<u>1,418,012</u>
Total OPEB liability - ending (a)	<u>\$ 1,692,806</u>	<u>1,556,380</u>	<u>1,490,424</u>	<u>1,398,556</u>	<u>1,507,367</u>
Plan Fiduciary Net Position					
Contribution - employer	\$ 161,294	117,497	123,705	132,131	112,968
Net investment income	(128,869)	142,152	40,907	33,642	27,250
Investment gains/losses	-	-	(9,009)	3,588	(3,001)
Benefit payments	(26,294)	(49,997)	(56,205)	(50,131)	(45,968)
Administrative expense	<u>(241)</u>	<u>(266)</u>	<u>(304)</u>	<u>(109)</u>	<u>(723)</u>
Net change in plan fiduciary net position	5,890	209,386	99,094	119,121	90,526
Plan fiduciary net position - beginning	<u>904,221</u>	<u>694,835</u>	<u>595,741</u>	<u>476,620</u>	<u>386,094</u>
Plan fiduciary net position - ending (b)	<u>\$ 910,111</u>	<u>904,221</u>	<u>694,835</u>	<u>595,741</u>	<u>476,620</u>
 Net OPEB liability (asset) - ending (a)-(b)	 <u>\$ 782,695</u>	 <u>652,159</u>	 <u>795,589</u>	 <u>802,815</u>	 <u>1,030,747</u>
 Covered-employee payroll	 \$ 698,909	 752,867	 723,443	 737,564	 727,985
 Net OPEB liability (asset) as a percentage of covered-employee payroll	 111.99%	 86.62%	 109.97%	 108.85%	 141.59%

Notes to Schedule

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed un to 10 years as information becomes available. The District changed fiscal years from December 31 to June 30 after fiscal year ending December 31, 2021 which is why no data exists for 2022.

PICO WATER DISTRICT
Schedule of Plan Contributions - OPEB Plan

Last 10 Fiscal Years *

	As of the fiscal year ending June 30,				
	2023	2021	2020	2019	2018
Actuarially determined contribution	\$ 161,294	117,497	123,705	132,131	112,968
Contributions in relation to the actuarially determined contributions	<u>\$ (161,294)</u>	<u>(117,497)</u>	<u>(123,705)</u>	<u>(132,131)</u>	<u>(112,968)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 791,774	752,867	723,443	737,564	727,985
Contributions as a percentage of covered employee payroll	20.37%	15.61%	17.10%	17.91%	15.52%

Notes to schedule:

Actuarial Cost Method	Entry-age normal
Amortization Valuation	
Method/Period	Level percent of pay
Asset valuation method	Market value of assets
Inflation	2.75% for valuation dates 6/30/2015-6/30/17; 2.5% for valuation date 6/30/2019.
Payroll Growth	3.0% for valuation dates 6/30/2015 and 6/30/2019; 3.25% for valuation date 6/30/2017.
Investment rate of return	7.25%, net of plan investment expenses and including inflation
Healthcare Cost-Trend Rates	For valuation date 6/30/2017, assumed increase occurs once each year with premium increase of 7.5% on 1/1/19 with increase of 0.5% less each January 1 thereafter through 2024. Assumed 5.0% increases for year 2014 and later. 5.4% in 2021 fluctuating down to 4% by 2076.
Mortality	Most recent CalPERS experience study.
Mortality Improvement	Most recent MacLeod Watts Scale, generationally applied.

* Fiscal year 2017-18 was the first year of implementation, therefore only five years are shown. The District changed fiscal years from December 31 to June 30 after fiscal year ending December 31, 2021 which is why no data exists for 2022.

PICO WATER DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2023

(1) Purpose of Schedules

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios – The schedule presents information on the District’s proportionate share of the net pension liability, and the plans’ fiduciary net position associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Schedule of Plan Contributions – Defined Benefit Pension Plan – The schedule presents information on the District’s required contribution, the amount actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios – The schedule is intended to show the funded status of the District’s actuarially determined liability for postemployment benefits other than pensions. In the future, as data becomes available, 10 years of information will be presented.

Schedule of Plan Contributions – OPEB Plan – The schedule presents information on the District’s required contribution, the amounts actually contributed and an excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

SUPPLEMENTARY INFORMATION

PICO WATER DISTRICT
Schedule of Detailed Operating Revenues
For the Period January 1, 2022 Through June 30, 2023

Water Sales Revenues

Residential	\$ 3,258,812
Multi-user	718,594
Business	1,059,991
Other	<u>620,038</u>
Total water sales revenues	<u>5,657,435</u>

Water Service Revenues

Late charges	95,844
Fire protection	122,798
Infrastructure surcharge	617,297
Other	<u>150,024</u>
Total water services revenues	<u>985,963</u>

Total operating revenues \$ 6,643,398

PICO WATER DISTRICT
Schedule of Detailed Operating Revenues
For the Period January 1, 2022 Through June 30, 2023

Source of Supply	
Ground water replenishment	\$ 1,551,736
Recycled water	67,906
Salaries and wages	<u>98,395</u>
Total source of supply expenses	<u>1,718,037</u>
Pumping	
Power	395,456
Maintenance	153,868
Salaries and wages	<u>325,317</u>
Total pumping expenses	<u>874,641</u>
Water Treatment	
Water treatment regulations	66,397
Chemicals and lab testing	101,341
Salaries and wages	<u>4,915</u>
Total water treatment expenses	<u>172,653</u>
Transmission and distribution	
Maintenance	115,795
Vehicle expenses	45,500
Salaries and wages	<u>126,925</u>
Total transmission and distribution expenses	<u>288,220</u>
Customer Services	
Supplies	111,927
Salaries and wages	<u>259,726</u>
Total customer services expenses	<u>371,653</u>
Depreciation	
<u>824,388</u>	
General and Administrative	
Salaries and wages	598,829
Insurance - benefits	397,558
Insurance - property, earthquake, and auto	82,406
Pension and OPEB expenses	374,134
Professional services	342,263
Payroll taxes	120,325
Directors' fees	54,536
Meeting and dues	61,769
Repairs and maintenance	39,596
Telephone and utilities	35,156
Office supplies	15,151
Conservation	48,267
Election expense	186
Water master plan	55,018
Education	<u>5,645</u>
Total general and administrative expenses	<u>2,230,839</u>
Total operating expenses	<u><u>\$ 6,480,431</u></u>

Board of Directors
Pico Water District
Pico Rivera, California

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Pico Water District as of and for the eighteen month period ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Pico Water District's basic financial statements, and have issued our report thereon dated January 29, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pico Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pico Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pico Water District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pico Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests noted on instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Gruber and Lopez, Inc.

Gruber and Lopez, Inc.

Newport Beach, California
January 29, 2024

PICO WATER DISTRICT

DISCUSSION ITEM - 7B

B. Consider Board Approval of the 2022/2023 Audit Report completed by the auditing firm Gruber and Lopez, Inc.

Recommended Action – that the Board receive and file the 2022/2023 Audit Report submitted by Gruber and Lopez, Inc.

STAFF REPORT

To: Honorable Board of Directors

From: Joe Basulto, General Manager

Meeting Date: February 21, 2024

Subject: Action Item 7B – Consider the 2022/2023 Audit Report completed by the auditing firm Gruber and Lopez, Inc.

RECOMMENDATION

That the Board accept and file the 2022/2023 Audit Report completed by the auditing firm Gruber and Lopez, Inc.

FISCAL IMPACT

The audit cost was approved in the District's 2023 Operating Budget.

BACKGROUND

The District is required to have an audit performed on the District's financial dealings each year to show that the District is reporting its financial activity in a fair and transparent manner. When auditors arrive, they go through and test the District's financial documents to see if the District is following its designated policies, is documenting all financial dealings such as contract documentation, and they check to see that internal controls are in place to prevent fraud from occurring. The audit is not meant to be a complete review of all transactions that took place over the past year, however the audit should and does represent the results of any tests performed on the District's financial transactions that reflect whether or not the District is following good Governmental Accounting Standards and Procedures, and doing everything possible to assure that it is dealing properly with the public's money.

This year's audit represents work performed by Gruber and Lopez, Inc. was based on a 18-Month audit from January 01, 2022 – June 30, 2023

PICO WATER DISTRICT

DISCUSSION ITEM - 7C

**C. Consider Board Approval
Authorizing the General
Manager to withdraw
\$200,000 from the District
Reserve California Class account
to fund payment for PFAS
Removal Treatment Project –
Recommend Board Discuss and
Approve**

STAFF REPORT

To: Honorable Board of Directors

From: Joe D. Basulto, General Manager

Meeting Date: February 21, 2024

Subject: Action Item 7C – Consider Board Approval Authorizing the General Manager to withdraw of \$200,000 from the District Reserve California Class account to fund payment for PFAS Removal Treatment Project – *Recommend Board Discuss and Approve*

Recommendation:

That the Board approve and authorize General Manager to withdraw and fund project / account

Fiscal Impact:

Negative impact on Districts Reserve Account

Background:

The District Reserve account in California Class is at a total of \$724,400.71 authorizing General Manager to withdraw of \$200,000 would leave a balance of \$524,400.71 in the Ca. Class account.

Withdraw is to be applied to Money Market Account, to recoup the cost that was paid to Contractor & Engineering work for the PFAS Project.

PicoWD
PFAS Project
Reserve Fund Amount

From Reserve Account:			\$	700,000.00
RC Foster Invoice	01-23-062	\$		335,440.24
	01-23-069	\$		163,257.50
AKM	12532	\$		24,113.00
RC Foster Invoice	01-23-083	\$		171,855.00
AKM	12611	\$		1,943.00
AKM	12584	\$		5,528.00
RC Foster Invoice	01-23-089	\$		112,264.46
AKM	12652	\$		298.00
Amount:			\$	(114,699.20)

SubaccountDetails

Fund Name	Subaccount Number	Subaccount Name	NAV Date	NAV Per Share	Share Balance	Acct. Balance	MTD Income	FYTD Income	Inception Date	Last Activity Date
California CLASS	CA-01-0090-0001	PWD-General Fund	02/14/2024	\$1.00	724,400.710	\$724,400.71	\$1,401.24	\$15,803.46	06/29/2023	01/31/2024

INFORMATION ITEMS

9. INFORMATIONAL ITEMS

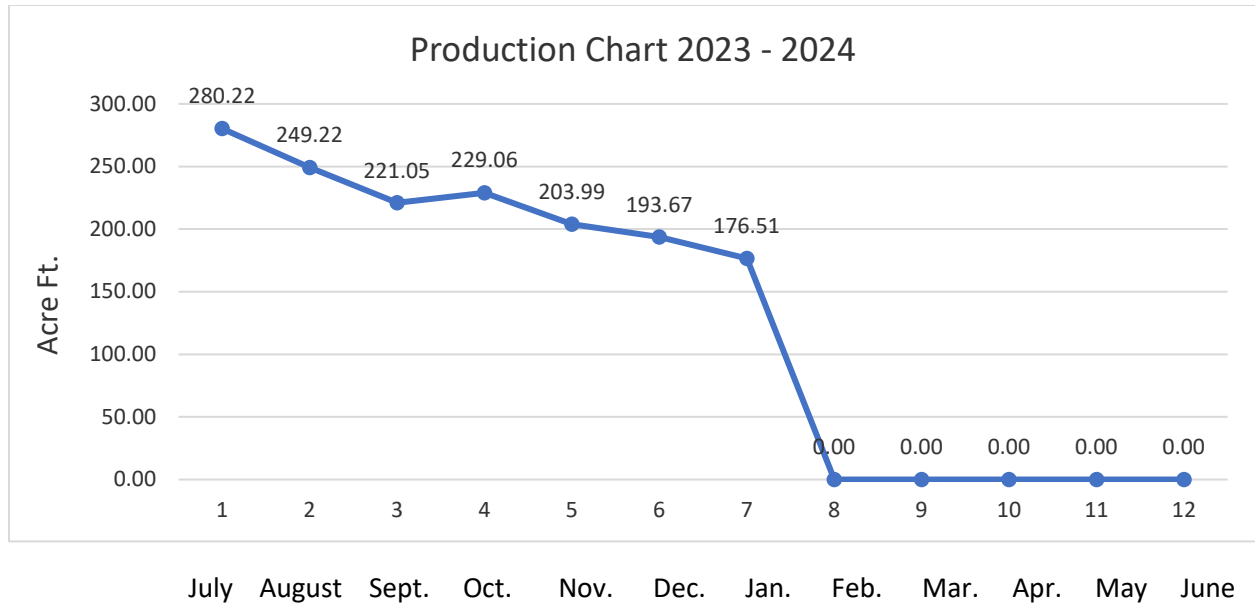
- A. Production & Water Level Report.
- B. Monthly Activity Report.
- C. Reservoir Conditions – January 10, 2024

PICO WATER DISTRICT

**GROUND WATER
PRODUCTION REPORT**

JANUARY 2024

Pico Water District Monthly Production Report



2024 Production Month of January: 176.51 Acre. Ft.

7.64 Acre. Ft. Below from 3 year Average.

Total Production for FY 2023 to 2024: **1553.72Acre. Ft.**

Production Allowed: **3624.00 Acre. Ft.**

Lease of Pumping Rights: **0 Acre Ft.**

Total currently Leftover: **2246.79**

PICO WATER DISTRICT

**WATER LEVEL &
CALIFORNIA RESERVOIR
CONDITIONS REPORTS**

JANUARY 2024

WATER LEVELS REPORT

Water Levels for January 2024

Listed below are the water levels for the two key monitoring wells used by the Water Replenishment District of Southern California (WRD), and the District's active wells.

WRD is charged with monitoring the water levels in both the Central Basin and West Coast Basin, and with making sure both basins are replenished annually. As a means of monitoring the levels in both basins WRD measures the depth of water in two specific wells, 1601T located in between the San Gabriel River and the Rio Hondo spreading grounds, and the second Carson #1 located in the City of Carson. WRD compares the levels of these two wells month to month, and year to year as a means of gaging the reliability of both basins (levels listed are in feet below surface). As this report is specific to the Central Basin, we are only showing the Central Basin Monitoring Well results below.

	<u>January 2024</u>	<u>January 2024</u>
Central Basin 1601T	71.42	201.65
Carson Well	47.56	24.44

Listed below are the static and pumping levels (in feet below surface) for the District's five active wells, and pump settings (depth), also, is the recorded Draw-down.

	<u>January 2024</u>					Pump Depth Top of Bowls
	Static	Pumping	Flow Rate	Drawdown	Well Depth	
Well #4A	48'	N/A	N/A	N/A	420'	150'
Well #5A	81'	92'	572gpm	11'	1020'	242'
Well #8	67'	93'	793gpm	26'	474'	243'
Well #10	45'	55'	367gpm	10'	605'	182'
Well #11	91'	109'	2001gpm	18'	1020'	312'

	<u>January 2023</u>			
	Static	Pumping	Flow Rate	Drawdown
Well #4A	97'	N/A	N/A	N/A
Well #5A	105'	117'	633gpm	12'
Well #8	96'	101'	793gpm	5'
Well #10	93'	103'	428gpm	10'
Well #11	109'	139'	1051gpm	25'

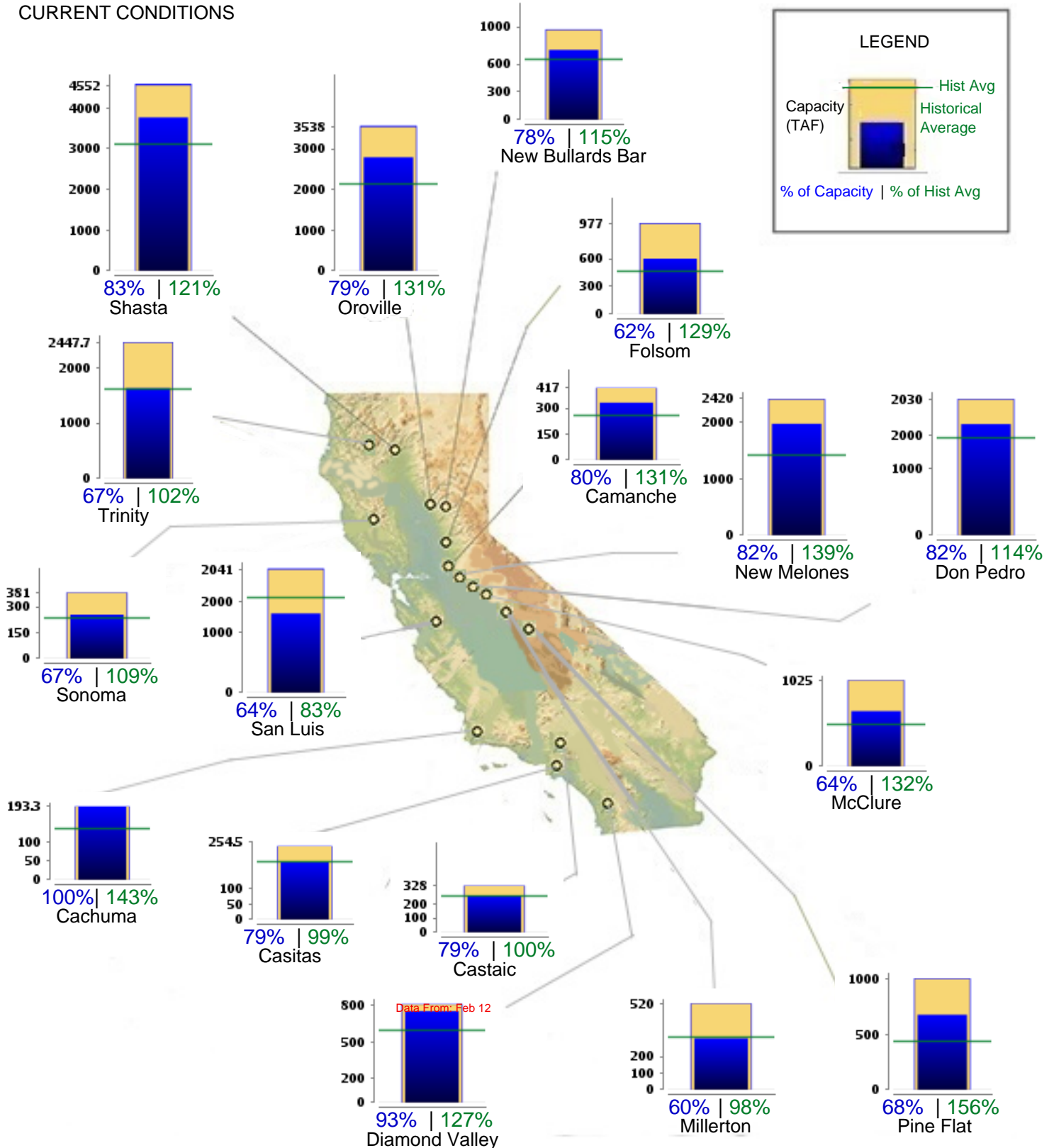


CURRENT RESERVOIR CONDITIONS

CALIFORNIA MAJOR WATER SUPPLY RESERVOIRS

Midnight - February 13, 2024

CURRENT CONDITIONS



PICO WATER DISTRICT

**OPERATIONS MONTHLY
ACTIVITY REPORT**

JANUARY 2024

Annual Activity Report

2024	January	February	March	April	May	June	July	August	September	October	November	December	Total
1 Mainline leaks	1												1
2 Service line leaks	6												6
3 Meter leaks	4												4
4 Number of Valves exercised	13												13
5 Well issues	1												1
6 Hit Fire Hydrants	0												0
7 Accidents	0												0
8 Installation / Replacement of new meters	16												16
9 Installation / Replacement of new service laterals	0												0
10 Installation / Replacement of new valves	0												0
11 Hydrant Repair & Replace	0												0
12 Installation of new mains	0												0
13 New potable services	0												0
14 New recycled water services	0												0