



Sunnyslope County Water District

BOARD OF DIRECTORS

REGULAR MEETING

District Office Board Room/Teleconference



3570 Airline Hwy., Hollister, CA

NOTICE & AGENDA

NOVEMBER 21, 2023

Regularly Scheduled Board Meeting - 5:15PM

Closed Session to Precede the Regular Session – 4:00PM

IN PERSON PUBLIC ACCESS TO DISTRICT MEETINGS IS AVAILABLE AND REMOTE ACCESS CAN BE OBTAINED THROUGH THE FOLLOWING ACCESS POINTS:

ZOOM MEETING ACCESS LINK

<https://us06web.zoom.us/j/89028286111?pwd=a1diNzBjc3BRYWdjSUtsZGZpU2gyQT09>

Zoom Link Passcode: SSCWD

Or Telephone: Dial + 1 (669) 444-9171 and when prompted enter Meeting ID: 890 2828 6111

Dial in Passcode: 866864

HEALTH AND SAFETY GUIDELINES

Public access to this meeting is provided both in person and through electronic viewing. Virtual meeting access will continue to be provided as a public convenience until further notice by the District Board. Remote viewing interruptions due to internet quality, power outages or other factors may occur and will not stop the meeting while a quorum is present in the Board Room; To ensure the health, safety, and welfare of those in attendance, all attendees must comply with any procedures/instructions announced by the Board of Directors or as directed by Staff prior to commencement of the meeting. Face coverings will be provided if health concerns dictate and will be made available upon request. The meeting will be available through Zoom for those who wish to join remotely. Anyone requiring accommodations may contact the Main Office at: (831) 637-4670 a minimum of 24 hrs prior to the start of the meeting.

Mission Statement:

“Our Mission is to provide safe, reliable, and high-quality water and wastewater services to our customers and all future generations in an environmentally and financially responsible manner.”

A. CALL TO ORDER - ROLL CALL

President Brown _____, Vice-President Mauro _____,

Director Parker _____, Director Alcorn _____, and Director Buzzetta _____.

- B. PUBLIC COMMENT ON CLOSED SESSION MATTERS** – Members of the public may address the Board on the item or items listed on the Closed Session agenda, with a time limit of three minutes per speaker.

CLOSED SESSION @ 4:00PM

C. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTIONS:

1. Conference with Legal Counsel – Pending Litigation (§ 54956.9):

1. *County of San Benito vs. SSCWD*, San Benito County Superior Court Case No. CU-20-00068, StatusUpdate.

2. Conference with Legal Counsel – Liability Claims (§ 54956.95):

1. Claimant – Bryan & Jacki Leung

3. Management Compensation/Benefits (§ 54957.8) – Title: Unrepresented Management Staff Classifications

4. Public Employee Performance Review (§ 54957) – Title: General Manager

REGULAR SESSION @ 5:15PM

D. PLEDGE OF ALLEGIANCE

E. REPORT IN OPEN SESSION ACTION TAKEN IN CLOSED SESSION

1. November 2, 2023 Special Meeting – Board of Directors
2. November 17, 2023 Special Meeting – Water & Wastewater Committee
3. November 21, 2023, Regular Meeting – Board of Directors

- F. APPROVAL OF AGENDA** – Any requests to postpone consideration of an agenda item or move an item forward on the agenda will be considered at this time.
- G. PUBLIC COMMENTS and AUDIENCE INTRODUCTIONS** – The public may comment¹ on any District business, not on the agenda, with a time limit of three minutes per speaker. To make a public comment in person please fill out a “Speaker Card” and return to the Minutes Clerk prior to speaking. When virtual meeting access is provided, please use the “hand-raise” feature and you will be called upon to speak. No action may be taken by the Board during the public comment period.
- H. CONSENT AGENDA** – Members of the Board and/or members of the public may request that the Board President pull matters from the Consent Agenda. Any matter pulled from the Consent Agenda requiring action shall be moved to New Business and treated as a matter of new business, or for matters needing clarification shall be moved to Staff Reports and addressed by the respective staff. The public may address the Board² on these items, not to exceed 3 minutes, when the Board reviews each pulled item.
1. Approve Minutes of the Regular Board Meeting of October 17, 2023 (page 1)
 2. Receive and Accept Allowance of Claims for Disbursements from October 1, 2023 Through October 31, 2023. (page 8)
 3. Associate Engineer Monthly Status Report – (October Report Not Available)
 4. Receive and Accept Finance Manager Monthly Status Reports:
 - a) Narrative Report (page 13)
 - b) Operation Summary (page 20)
 - c) Statement of Income (page 23)
 - d) Investment Summary (page 25)
 - e) Board Designated Reserves (page 26)
 5. Receive and Accept Superintendent Monthly Status Reports:
 - a) Maintenance (page 27)
 - b) City Meter Reading (page 34)
 - c) Groundwater Level Measurement (page 35)
 6. Receive and Accept General Manager Monthly Status Report. (page 36)

I. NEW BUSINESS – The Board will review and discuss agenda items and take action or direct staff to return to the Board for action at a following meeting. The public may address the Board² on these items as the Board reviews each item when directed to do so.

1. Receive the Audit Report/Presentation By Patricia Kaufman, CPA/Partner, With McGilloway, Ray, Brown & Kaufman On June 30, 2022 Audit. (Not A Project Under CEQA Per Article 20, Section 15378). (page 37)
2. Approve And Authorize The Board President To Sign Resolution 597, Adopting A Salary Scale Adjustment Of All Management Classifications Along With Incentive Pay Increases For Management Staff Who Acquire CWEA Certifications. (Not A Project As Defined By Article 20, Section 15378 Of The State CEQA Guidelines). (page 110)

J. STATUS REPORT

1. Governance Committee (JP, JB) – (No Meeting)
2. Water / Wastewater Committee (JP, JB) – (Meeting Held Nov. 20, 2023, **Conference with Legal Counsel – Pending Litigation (§ 54956.9):**
 1. *County of San Benito vs. SSCWD*, San Benito County Superior Court Case No. CU-20-00068, StatusUpdate.
3. Finance Committee (EM, MA) – (No Meeting)
4. Policy and Procedure Committee (JP, JB)– (No Meeting)
5. Personnel Committee (DB, EM) – (Meeting Held Nov. 9, 2023, Review of Management compensation proposal.)
6. Water Resources Association of San Benito County (MA, Alt. JP) – (No Meeting)

K. BOARD and STAFF REPORTS

1. Directors
2. District Counsel
3. General Manager – General Manager Update, (Oral Report)

L. FUTURE AGENDA ITEMS:

1. Willow Landing Development Agreement
2. Fairview Corners Development Agreement

3. Gavilan College Development Agreement
4. San Benito County/SSCWD – Cielo Vista Sewer Collection Agreement

M. ADJOURNMENT

Upon request, Sunnyslope County Water District (SSCWD) will make a reasonable effort to provide written agenda materials in appropriate alternative formats, languages or disability-related modification or accommodation, including auxiliary aids or services, to enable all individuals to participate in public meetings. SSCWD will also make a reasonable effort to provide translation services upon request. Please submit a written request, including your name, mailing address, phone number and brief description of the requested materials and preferred alternative format or auxiliary aid or service as soon as possible in advance of the meeting.

Next Regular Board Meeting – December 19, 2023 @ 5:15 p.m., District Office

AGENDA DEADLINE: December 13, 2023 @ 12:00 p.m.

Future Scheduled Committee Meetings

Water Resources Association of San Benito County – December 7th, 2023 @ 4pm

¹ The person speaking is requested to fill out a speaker card stating items on which they wish to comment to be properly recognized during communications from the public and address comments to the Board of Directors. A limit of three (3) minutes per speaker is requested to allow others an opportunity to comment. Board members may ask questions of the speaker, but no action may be taken, and no discussion may be held on non-agenized items raised by the public. The General Manager may refer the matter to the proper personnel for review.

² The person speaking is requested to fill out a speaker card stating their name, address, and items on which they wish to comment to be properly recognized during communications from the public and address comments to the Board of Directors. Please limit your comment to three (3) minutes. Please step up to and speak at the podium.

MINUTES
Regular Meeting of the Board of Directors
of the
SUNNYSLOPE COUNTY WATER DISTRICT
October 17th, 2023

A. CALL TO ORDER: The meeting was called to order at 5:15 p.m. by President Brown, at the Sunnyslope County Water District office, 3570 Airline Highway, Hollister, California.

ROLL CALL: Present in Person: President Dee Brown (DB), Vice President Edward Mauro (EM), Director Jerry Buzzetta (JB), Director James Parker (JP), Director Mike Alcorn (MA).

B. PLEDGE OF ALLEGIANCE: Director Parker led those in attendance in the Pledge of Allegiance.

C. APPROVAL OF AGENDA: Upon a motion made to approve the agenda by Director Alcorn, seconded by Director Mauro, for which President Brown then took a roll call vote as follows: (JB), yes; (EM), yes; (JP), yes; (MA), yes; (DB), yes; the motion carried 5-0.

D. REPORT IN OPEN SESSION ACTION TAKEN IN CLOSED SESSION

No additional report was required.

E. PUBLIC COMMENTS AND AUDIENCE INTRODUCTIONS: The Board welcomed members of the public and opened the meeting to public comments regarding matters not itemized on the agenda. No comments were received.

Staff Present for Open Session: In Person: General Manager/Secretary Drew Lander, Executive Assistant/Stenographer Madison Koester, Water/ Wastewater Superintendent Jose Rodriguez, Finance and HR Manager Barry Kelly, O&M Crew Chief Dee J. Burbank.

F. CONSENT AGENDA:

Director Buzetta requested item F-4, Finance Manager's Monthly Status Report be moved for discussion as an additional new business item. President Brown renumbered F-4 as item G-6 to be discussed as new business. President Brown asked for public comment and upon receiving none, President Brown requested a motion to approve the consent agenda. Upon a motion made by Director Parker to approve the Consent Agenda with Director Buzzetta's request, seconded by Director Mauro, for which President Brown then took a roll call vote as follows: (MA), yes; (JP), yes; (EM), yes; (JB) yes; and (DB) yes; the motion carried 5-0.

1. Approval of Minutes of the Regular Board Meeting of September 19th, 2023
2. Allowance of Claims – The Board reviewed the Disbursement Summary (below) for the period of September 1, 2023 through September 30, 2023, totaling \$2,629,787.76 which includes \$861,594.75 for payments to vendors, \$259,624.55 for Payroll, \$423,633.84 paid to the City of Hollister for collection of City sewer billings (net of our fees), and \$815.18 for customer refunds.

<u>Date</u>	<u>Number</u>	<u>Name</u>	<u>Amount</u>
09/05/2023	ACH2684	Sterling Administration Health	\$58.26
09/05/2023	ACH2685	Sterling Administration Health	\$200.00
09/05/2023	ACH2686	Principal	\$3,405.97
09/06/2023	51653	A-1 Services	\$403.00

09/06/2023	51654	ACC Business	\$1,323.29
09/06/2023	51655	Ace Hardware (Johnson Lumber Co.)	\$81.40
09/06/2023	51656	Adan Cervantes	\$70.75
09/06/2023	51657	Atlas Copco Compressors LLC	\$1,532.41
09/06/2023	51658	B.S.K. Associates	\$1,410.00
09/06/2023	51659	Badger Meter, Inc.	\$455.98
09/06/2023	51660	Bracco's Towing	\$731.25
09/06/2023	51661	Brenntag Pacific, Inc.	\$30,736.01
09/06/2023	51662	Brigantino Irrigation	\$239.25
09/06/2023	51663	Calgon Carbon Corporation	\$71,697.79
09/06/2023	51664	Central Ag Supply LLC	\$2,595.99
09/06/2023	51665	CM Analytical, Inc.	\$13,037.50
09/06/2023	51666	CWSRF Accounting Office	\$759,974.56
09/06/2023	51667	DKF Solutions Group, LLC	\$4,860.00
09/06/2023	51668	Frisch Engineering Inc.	\$645.00
09/06/2023	51669	Iconix Waterworks (US) Inc.	\$1,262.70
09/06/2023	51670	Mc Kinnon Lumber Co., Inc.	\$76.42
09/06/2023	51671	Mission Uniform Service	\$842.68
09/06/2023	51672	Recology San Benito County	\$342.91
09/06/2023	51673	RJR Recycling	\$1,000.00
09/06/2023	51674	San Benito County Water District	\$470.75
09/06/2023	51675	San Benito County Water District	\$323,674.13
09/06/2023	51677	Simplot Grower Solutions	\$1,409.40
09/06/2023	51678	Star Concrete	\$626.55
09/06/2023	51679	State Water Resources Control Board-DWOC	\$90.00
09/06/2023	51680	Trans Union LLC	\$219.10
09/06/2023	51681	USA Blue Book	\$35.27
09/06/2023	51682	Veolia Water Technologies	\$7,243.72
09/06/2023	51683	Wright Bros. Indust. Supply	\$28.09
09/06/2023	51684	Wright Bros. Welding & Sheet Metal, Inc.	\$32.77
09/06/2023	51685	MARC V THEBERGE	\$195.59
09/07/2023	ACH2687	P G & E	\$31,609.43
09/07/2023	JN00506	Net Pay	\$67,419.36
09/07/2023	JN00506	Total Tax	\$17,587.09
09/08/2023	ACH2688	CalPERS - Retirement	\$23.08
09/08/2023	ACH2689	CalPERS - Retirement	\$7,961.60
09/08/2023	ACH2690	CalPERS - Retirement	\$8,587.41
09/08/2023	ACH2691	Nationwide Retirements Solutions	\$9,156.61
09/08/2023	ACH2692	iCloud	\$11,459.10
09/11/2023	ACH2693	Sterling Administration Health	\$35.00
09/13/2023	ACH2694	Sterling Administration Health	\$887.90
09/13/2023	ACH2695	Colonial Life	\$1,898.96
09/14/2023	ACH2696	Sterling Administration Health	\$134.00
09/15/2023	ACH2697	ADP	\$2,221.35
09/18/2023	ACH2698	Sterling Administration Health	\$50.00
09/18/2023	ACH2699	Sterling Administration Health	\$150.00
09/20/2023	ACH2700	Sterling Administration Health	\$150.00
09/21/2023	51711	CHERI LOPES	\$6.00
09/21/2023	51712	SOFIA HERNANDEZ & LOURDES A ALDANA	\$193.74
09/21/2023	51713	MANZO CONSTRUCTION,	\$32.54
09/21/2023	JN00507	Net Pay	\$72,479.79
09/21/2023	JN00507	Total Tax	\$18,663.28
09/22/2023	51690	Ace Hardware (Johnson Lumber Co.)	\$217.25

09/22/2023	51691	Anne Muraski	\$6,000.00
09/22/2023	51692	Atlas Copco Compressors LLC	\$1,055.82
09/22/2023	51693	Bianchi Kasavan & Pope, LLP	\$35.00
09/22/2023	51694	Brenntag Pacific, Inc.	\$16,162.87
09/22/2023	51695	Brigantino Irrigation	\$50.17
09/22/2023	51696	Calcon System, Inc.	\$2,035.81
09/22/2023	51697	City of Hollister-Finance Dept	\$423,633.84
09/22/2023	51698	De Lay & Laredo	\$3,916.50
09/22/2023	51699	Eva Green Power	\$465,142.69
09/22/2023	51700	Extreme Air, Inc.	\$465.00
09/22/2023	51701	First Trust Alarm Company	\$753.00
09/22/2023	51702	Foster & Foster, Inc.	\$3,600.00
09/22/2023	51703	Mid Valley Supply	\$615.43
09/22/2023	51704	Petty Cash	\$90.00
09/22/2023	51705	Rain for Rent	\$5,921.89
09/22/2023	51706	Toro Petroleum Corp.	\$3,138.25
09/22/2023	51707	True Value Hardware	\$173.22
09/22/2023	51708	U.S. Bank Corporate Payment Systems	\$5,622.55
09/22/2023	51710	UWUA Local 820	\$784.72
09/25/2023	51714	Ace Hardware (Johnson Lumber Co.)	\$442.67
09/25/2023	51715	Atlas Copco Compressors LLC	\$1,055.82
09/25/2023	51715	Atlas Copco Compressors LLC Reversal	-\$1,055.82
09/25/2023	51716	Brenntag Pacific, Inc.	\$65,110.34
09/25/2023	51717	Brigantino Irrigation	\$223.44
09/25/2023	51718	Calcon System, Inc.	\$3,954.82
09/25/2023	51719	Calgon Carbon Corporation	\$71,697.79
09/25/2023	51720	Greenwood Chevrolet	\$1,055.23
09/25/2023	51721	Hach Company	\$756.67
09/25/2023	51722	Hollister Auto Parts, Inc.	\$91.55
09/25/2023	51723	Iconix Waterworks (US) Inc.	\$1,122.09
09/25/2023	51724	J M Electric	\$1,306.50
09/25/2023	51725	Mc Crometer, Inc.	\$371.30
09/25/2023	51726	Mc Master-Carr	\$119.15
09/25/2023	51727	Metropolitan Compounds Inc	\$3,957.77
09/25/2023	51728	O'Reilly Auto Parts	\$235.72
09/25/2023	51729	San Benito Tire Pros & Automotive	\$25.00
09/25/2023	51730	Veolia Water Technologies	\$7,025.43
09/25/2023	51731	SHAWNA MCKENZIE	\$6.15
09/25/2023	51732	MARTIN & LALENA CARTER	\$124.93
09/25/2023	51733	MARY & RANDY UBER	\$24.17
09/25/2023	51734	GLORIA CONNALLY & ROBIN ALLEN	\$33.26
09/25/2023	51735	JAMI L & MICHAEL D CARLOTTA	\$164.61
09/25/2023	51736	SELAM TEKLE & ALEM BERHANE	\$34.19
09/28/2023	ACH2701	CalPERS - Retirement	\$23.08
09/28/2023	ACH2702	CalPERS - Retirement	\$7,777.37
09/28/2023	ACH2703	CalPERS - Retirement	\$8,563.32
09/28/2023	ACH2704	Nationwide Retirements Solutions	\$9,156.61
09/28/2023	ACH2705	CalPERS - Health Insurance	\$25,255.86

-\$2,629,787.76

3. Receive Associate Engineer Monthly Status Report. (October Report Not Available)
4. Item F-4 Finance Manager Reports Moved to G-6 Under New Business.
5. Receive Superintendent Monthly Status Reports: a. Maintenance, b. City Meter Reading, and c. Groundwater Level Measurement.
6. Receive General Manager Monthly Status Report.

G. NEW BUSINESS:

1. **Authorize The General Manager To Purchase A Vac-Con Model VZ390LH/800 From Municipal Maintenance Equipment Inc. For A Cost Not To Exceed \$530,000 And To Surplus The 2009 Vac-Con Model V350LHA Purchased In 2020 (Not a project under CEQA per Article 20, Section 15378).**

O&M Crew Chief Dee J. Burbank was brought up to speak on the item, informing the board that the district's current Vac-Con is going to be subject to Tier 5 air quality standards; making the Vac-Con subject to annual inspections and reduced operating hours. In addition to these new regulations the maintenance of the older Vac-Con model regularly disrupts operations as small issues with the machinery takes it out of service for extended periods of time. General Manager Lander explained that although this was a purchase that was anticipated in the future, the circumstances surrounding the pricing of this Vac-Con are favorable to the district. The fact that this new vehicle would be deliverable 3 weeks from order with a considerable discount, due to the original purchaser not being able to complete the order, makes this an attractive value to the district.

President Brown then asked for any public comment. Upon receiving no public comment, President Brown requested a motion to approve the item. Director Alcorn made a motion to authorize the General Manager to purchase a Vac-Con model VZ390LH/800 from Municipal Maintenance Equipment Inc. for a cost not to exceed \$530,000 and to surplus the 2009 Vac-Con model V350LHA purchased as a used vehicle in 2020. This motion was seconded by Director Parker for which President Brown then took a roll call vote as follows: (JB), yes; (EM), yes; (JP) yes; (MA) yes; and (DB) yes; the motion carried 5-0.

2. **Authorize General Manager To Extend A Professional Services Contract With San Benito Engineering & Surveying Inc. For Temporary Field Inspection Services not to exceed \$50,000 (Not a project under CEQA per Article 20, Section 15378).**

GM Lander presented a contract for temporary field inspection services not to exceed \$20,000 back in July 2023, but due to an ongoing struggle to find a new Associate Engineer the item is brought back to the board to increase the budget to \$50,000.

President Brown then asked for any public comment. Upon receiving no public comment, President Brown requested a motion to approve the item. Director Alcorn made a motion to authorize General Manager to extend a professional services contract with San Benito Engineering & Surveying Inc. for temporary field inspection services not to exceed \$50,000. This motion was seconded by Director Mauro for which President Brown then took a roll call vote as follows: (JB), yes; (EM), yes; (JP) yes; (MA) yes; and (DB) yes; the motion carried 5-0.

3. Authorize The General Manager To Sign A Contract With Razzolink Inc. To Allow The Limited Lease Of A Location At The Ridgemark SBR For An Internet Service Antenna As Specified. (Not a project under CEQA per Article 20, Section 15378).

GM Lander spoke on the item, informing the board of Razzolink's request to place a low impact site antenna at the Ridgemark SBR, with an annual lease of \$6,000. Mr. Lander worked out that Razzolink would have to be in contact with the district if they needed to gain access to the antenna, but otherwise the antenna would not impact any daily facility operations.

Director Alcorn requested that the contract account for cost of living increases, to which General Manager Lander discussed adding that as a possible stipulation to the agreement to be approved at a later date by the finance committee.

President Brown then asked for any public comment. Upon receiving no public comment, President Brown requested a motion to approve the item. Director Alcorn made a motion to authorize the General Manager to sign a contract with Razzolink Inc. to allow the limited lease of a location at the Ridgemark SBR for an internet service antenna; with the added stipulation that General Manager Lander will seek to negotiate a COLA contract with Razzolink. This motion was seconded by Director Buzzetta for which President Brown then took a roll call vote as follows: (JP), yes; (MA), yes; (EM) yes; (JB) yes; and (DB) yes; the motion carried 5-0.

4. Considered Authorizing And Directing The President Of The Board To Sign On Behalf Of The District, The Sewer Treatment And Disposal Agreement Presented, Ratifying A Mutual Agreement Between The City Of Hollister And Sunnyslope County Water District For Sewer Treatment Extended To Only Those Parcels Identified.

GM Lander presented this item informing the board that this agreement was drafted by the City of Hollister at the direction of their Board after three years of negotiations. This agreement includes conditions for sewer treatment to Gavilan College, Fairview Corners, The Lands of Lee Development and the Cielo Vista neighborhood.

President Brown then asked for any public comment. Michael Durke, the attorney representing Bill Lee for the Lands of Lee Project, raised his hand to speak on the matter. Mr. Durke discussed the item and requests that section 8A & 8D be removed from the agreement. In removing these sections, it allows for a temporary septic system to be utilized if sewer services cannot be set up in a timely manner. Mr. Durke hit his three speaker minutes and was given special approval by President Brown to continue speaking. Mr. Durke finished by informing the board it might be in their best interest to approve the contract with and without the stipulations being requested in the event the other entities needing to approve the contract approve either of the versions.

After public comment, President Brown requested a motion to approve the item. Director Buzzetta made a motion to consider authorizing and directing the President of the board to sign on behalf of the district, the sewer treatment and disposal agreement presented, ratifying a mutual agreement between the City Of Hollister and Sunnyslope County Water District for sewer treatment extended to only those parcels identified; with and without the added stipulation taking out sections 8A & 8D of the agreement. This motion was seconded by Director Alcorn for which President Brown then took a roll call vote as follows: (MA), yes; (JP), yes; (JB) yes; (EM) yes; and (DB) yes; the motion carried 5-0.

5. **Considered Authorizing And Directing The Board President To Sign A Resolution Authorizing The General Manger To File A Financial Assistance Application With The Department Of Water Resources On Behalf Of Best Road Mutual Water Company (BRMWC).**

GM Lander brought this item to the board seeking approval to file a financial assistance application with the Department of Water Resources on behalf of Best Road Mutual Water Company. Sunnyslope has been working with Best Roads for the last year on grants being utilized for consolidating water services and in order to pursue an additional grant the Department of Water Resources requires the district complete the attached resolutions.

President Brown then asked for any public comment. Upon receiving no public comment, President Brown requested a motion to approve the item. Director Alcorn made a motion to considered authorizing and directing the Board President to sign a resolution authorizing the General Manger to file a financial assistance application with the Department Of Water Resources on behalf Of Best Road Mutual Water Company. This motion was seconded by Director Parker for which President Brown then took a roll call vote as follows: (JB), yes; (EM), yes; (JP) yes; (MA) yes; and (DB) yes; the motion carried 5-0.

6. **Finance Manager Monthly Status Reports.**

Director Buzzetta had this item pulled from F-4 and brought to new business for discussion regarding operating costs. Director Buzzetta expressed concerns over addiotnal water costs attributed to increased rates through SBCWD and asked for an additional meeting to discuss.

President Brown then asked for any public comment. Upon receiving no public comment, President Brown requested a motion to approve the item. Director Maruo made a motion to approve the Finance Manager's monthly status reports. This motion was seconded by Director Buzzetta for which President Brown then took a roll call vote as follows: (MA), yes; (JP), yes; (EM) yes; (JB) yes; and (DB) yes; the motion carried 5-0.

H. BOARD COMMITTEE and STATUS REPORTS

1. **Governance Committee:** (No meeting)
2. **Water/Wastewater Committee:** (Meeting held September 27th, 2023)
3. **Finance Committee:** (No meeting)
4. **Policy and Procedure Committee:** (No meeting)
5. **Personnel Committee:** (Meeting Held September 15th, 2023)
6. **Water Resources Association of San Benito County (WRA):** (No meeting)

I. BOARD and STAFF REPORTS

1. **Directors:** No Report.
2. **District Counsel:** Attorney Michael Laredo reported that an upcoming mediation will be taking place November 7th for the pending lawsuit. Additionally, counsel reported that General Manager Lander is due for his annual evaluation in November.
3. **General Manager:** GM Lander reported on current progress with the City sewer contract indicating it is moving forward slowly on the operation of the IWTP and that is going well at this time, and the status of the Solar installation is moving forward as the permit for the County of San Benito has been issued.

J. **FUTURE AGENDA ITEMS:** Willow Landing Development Agreement, Fairview Corners Development Agreement, Gavilan College Development Agreement, and San Benito County/SSCWD- Cielo Vista Sewer Collection Agreement.

K. **ADJOURNMENT:** President Brown adjourned the meeting at 7:41 p.m.

APPROVED BY THE BOARD:

Dorothy J. L. Brown, President

RESPECTFULLY SUBMITTED:

Drew A. Lander, Secretary



Sunnyslope Water District

Disbursement Reports FY 23-24

October 1, 2023 through October 31, 2023

Date	Num	Name	Amount
10/03/2023	51737	Peterson Trucks Inc.	\$2,873.70
10/04/2023	51738	A Tool Shed	\$625.60
10/04/2023	51739	Ace Hardware (Johnson Lumber Co.)	\$399.51
10/04/2023	51741	AT&T	\$1,033.45
10/04/2023	51742	Atlas Copco Compressors LLC	\$786.44
10/04/2023	51743	Brigantino Irrigation	\$296.87
10/04/2023	51744	Corbin Willits Systems, Inc. (MOM's)	\$150.00
10/04/2023	51745	David Padilla	\$131.10
10/04/2023	51746	EBCO Pest Control	\$69.00
10/04/2023	51747	exceedio	\$3,205.12
10/04/2023	51748	Hach Company	\$1,807.38
10/04/2023	51749	InfoSend	\$3,403.27
10/04/2023	51750	John Smith Road Landfill	\$1,550.70
10/04/2023	51751	MBS Business Systems	\$617.33
10/04/2023	51752	Mc Gilloway, Ray, Brown & Kaufman	\$10,080.00
10/04/2023	51753	Mission Uniform Service	\$1,166.64
10/04/2023	51754	Petty Cash	\$30.00
10/04/2023	51755	Razzolink.com	\$76.95
10/04/2023	51756	RJR Recycling	\$250.00
10/04/2023	51757	San Benito County Water District	\$301,017.11
10/04/2023	51759	San Benito Engineering & Surveying Inc.	\$7,280.00
10/04/2023	51760	State Water Resources Control Brd-WWOPCP	\$110.00
10/04/2023	51761	State Water Resources Control Brd-WWOPCP	\$110.00
10/04/2023	51762	Toro Petroleum Corp.	\$2,300.45
10/04/2023	51763	TPO	\$1,987.00
10/04/2023	51764	Troy Quick	\$125.54
10/04/2023	51765	True Value Hardware	\$23.10
10/04/2023	51766	U.S. Bank Corporate Payment Systems	\$4,025.22
10/04/2023	51768	UWUA Local 820	\$784.72
10/04/2023	51769	Verizon Wireless	\$519.98
10/04/2023	51770	Wallace Group	\$3,205.00
10/04/2023	ACH2706	Sterling Administration Health	\$150.00
10/04/2023	ACH2707	P G & E	\$33,745.62
10/05/2023	ACH2708	Sterling Administration Health	\$155.29
10/05/2023	ACH2710	Principal	\$3,405.97
10/05/2023	JN00513	Net Pay	\$69,232.88
10/05/2023	JN00513	Total Tax	\$18,518.78

Disbursement Reports FY 23-24

10/06/2023	ACH2709	Sterling Administration Health	\$993.00
10/09/2023	51771	Ace Hardware (Johnson Lumber Co.)	\$145.64
10/09/2023	51772	Assoc. of Calif. Water Agencies (ACWA)	\$815.00
10/09/2023	51773	Assoc. of Calif. Water Agencies (ACWA)	\$815.00
10/09/2023	51774	Assoc. of Calif. Water Agencies (ACWA)	\$815.00
10/09/2023	51775	Brenntag Pacific, Inc.	\$6,164.31
10/09/2023	51776	Brigantino Irrigation	\$536.33
10/09/2023	51777	Employee Relations, Inc.	\$13.22
10/09/2023	51778	Green Line	\$5,470.00
10/09/2023	51779	J M Electric	\$1,670.00
10/09/2023	51780	Maggiora Bros. Drilling, Inc.	\$6,735.26
10/09/2023	51781	Mission Uniform Service	\$816.97
10/09/2023	51782	Palace Business Solutions	\$49.74
10/09/2023	51783	Recology San Benito County	\$342.91
10/09/2023	51784	San Benito County Water District	\$524,285.32
10/09/2023	51786	San Benito County Water District	\$354.25
10/09/2023	51787	State Water Resources Control Board-DWOC	\$90.00
10/09/2023	51788	Toro Petroleum Corp.	\$2,064.73
10/09/2023	51789	Trans Union LLC	\$169.46
10/10/2023	ACH2711	Sterling Administration Health	\$25.00
10/10/2023	ACH2712	Sterling Administration Health	\$525.57
10/10/2023	ACH2713	Nationwide Retirements Solutions	\$9,156.61
10/10/2023	ACH2714	iCloud	\$12,689.20
10/11/2023	ACH2715	Sterling Administration Health	\$118.15
10/12/2023	51810	PEGGY & RAY PIERCE, INC RETIREMENT PL/	\$231.59
10/12/2023	51811	CODY & SHANNON SCHILKE	\$80.69
10/12/2023	51812	GRANITE CONSTRUCTION,	\$587.52
10/12/2023	ACH2716	CalPERS - Retirement	\$23.08
10/12/2023	ACH2717	CalPERS - Retirement	\$8,320.61
10/12/2023	ACH2718	CalPERS - Retirement	\$8,488.77
10/13/2023	51837	EVAN & BONNIE EATON	\$185.25
10/13/2023	ACH2719	Colonial Life	\$1,898.96
10/13/2023	ACH2720	ADP	\$2,221.35
10/16/2023	51790	ACC Business	\$1,323.29
10/16/2023	51791	Ace Hardware (Johnson Lumber Co.)	\$106.77
10/16/2023	51792	ACWA/JPIA	\$11,720.27
10/16/2023	51793	Brenntag Pacific, Inc.	\$32,184.44
10/16/2023	51794	Calcon System, Inc.	\$2,860.00
10/16/2023	51795	Central Ag Supply LLC	\$104.99
10/16/2023	51796	City of Hollister-Finance Dept	\$449,206.51

Disbursement Reports FY 23-24

10/16/2023	51797	CM Analytical, Inc.	\$13,252.50
10/16/2023	51798	Hach Company	\$1,769.18
10/16/2023	51799	Hollister Auto Parts, Inc.	\$163.26
10/16/2023	51800	Maggiora Bros. Drilling, Inc.	\$2,595.86
10/16/2023	51801	Mission Uniform Service	\$940.61
10/16/2023	51802	Primex	\$6,840.00
10/16/2023	51803	Quinn Company	\$912.60
10/16/2023	51804	San Benito County Water District	\$275,069.28
10/16/2023	51805	Sharp Engineering and Construction, Inc.	\$50,870.00
10/16/2023	51806	Simplot Grower Solutions	\$1,426.80
10/16/2023	51807	State Water Resources Control Board-DWOCP	\$90.00
10/16/2023	51808	TPO	\$393.75
10/16/2023	51809	Wallace Group	\$2,467.50
10/16/2023	ACH2721	Sterling Administration Health	\$134.00
10/17/2023	51813	Triplepoint Environmental LLC	\$68,025.38
10/18/2023	ACH2722	Sterling Administration Health	\$185.82
10/19/2023	JN00514	Net Pay	\$67,593.14
10/19/2023	JN00514	Total Tax	\$17,686.60
10/20/2023	ACH2723	CalPERS - Retirement	\$23.08
10/20/2023	ACH2724	CalPERS - Retirement	\$7,638.09
10/20/2023	ACH2725	CalPERS - Retirement	\$8,343.03
10/20/2023	ACH2726	Nationwide Retirements Solutions	\$9,156.61
10/20/2023	ACH2727	CalPERS - Health Insurance	\$23,102.40
10/23/2023	51814	A & B Fire Protection and Safety, Inc.	\$850.00
10/23/2023	51815	A-1 Services	\$403.00
10/23/2023	51816	Ace Hardware (Johnson Lumber Co.)	\$78.58
10/23/2023	51817	Auto Tech Service Center, Inc.	\$980.00
10/23/2023	51818	Brenntag Pacific, Inc.	\$5,885.38
10/23/2023	51819	Brigantino Irrigation	\$152.71
10/23/2023	51820	De Lay & Laredo	\$3,757.50
10/23/2023	51821	EBCO Pest Control	\$69.00
10/23/2023	51822	Edges Electrical Group, LLC	\$243.50
10/23/2023	51823	Hach Company	\$1,347.87
10/23/2023	51824	InfoSend	\$3,406.08
10/23/2023	51825	J & J Air Conditioning	\$515.00
10/23/2023	51826	Mission Uniform Service	\$287.88
10/23/2023	51827	Municipal Maintenance Equipment	\$526,095.00
10/23/2023	51828	Quinn Company	\$1,941.32
10/23/2023	51829	Raftelis Financial Consultants, Inc.	\$4,290.00
10/23/2023	51830	Rain for Rent	\$7,718.49

Disbursement Reports FY 23-24

10/23/2023	51831	San Benito County Water District	\$7,073.50
10/23/2023	51832	San Benito Engineering & Surveying Inc.	\$8,350.00
10/23/2023	51833	Star Concrete	\$179.72
10/23/2023	51834	Toro Petroleum Corp.	\$2,408.65
10/23/2023	51835	Tyler Technologies, Inc.	\$22,530.53
10/23/2023	51836	Unified Truck Services	\$300.00
10/23/2023	ACH2728	Sterling Administration Health	\$35.00
10/25/2023	ACH2729	Sterling Administration Health	\$150.00
10/26/2023	51858	TWIN OAKS COMMUNITY ASSOCIATION,	\$25.88
10/26/2023	51859	WENJING GENG & ZIXUAN WANG	\$14.43
10/26/2023	51860	MARIO AZIZZI	\$167.71
10/26/2023	51861	CATAMOUNT PROPERTIES 2018 LLC,	\$226.91
10/30/2023	51838	Ace Hardware (Johnson Lumber Co.)	\$40.67
10/30/2023	51839	AT&T	\$1,038.26
10/30/2023	51840	Brenntag Pacific, Inc.	\$56,604.99
10/30/2023	51841	Brigantino Irrigation	\$71.08
10/30/2023	51842	Calgon Carbon Corporation	\$71,697.79
10/30/2023	51843	Central Ag Supply LLC	\$1,948.50
10/30/2023	51844	Corbin Willits Systems, Inc. (MOM's)	\$150.00
10/30/2023	51845	CWEA Membership- TCP	\$221.00
10/30/2023	51846	exceedio	\$3,304.12
10/30/2023	51847	Inductive Automation	\$5,948.40
10/30/2023	51848	Mission Uniform Service	\$801.46
10/30/2023	51849	Razzolink.com	\$76.95
10/30/2023	51850	Sharp Engineering and Construction, Inc.	\$29,675.00
10/30/2023	51851	Star Concrete	\$71.01
10/30/2023	51852	Transene Company Inc (Shape Products)	\$152.36
10/30/2023	51853	True Value Hardware	\$147.90
10/30/2023	51854	UWUA Local 820	\$761.64
10/30/2023	51855	Verizon Wireless	\$475.61
10/30/2023	51856	Wallace Group	\$6,661.25
10/30/2023	51857	William K Boltz	\$147.43
			\$2,907,813.03

Disbursement Reports FY 23-24

S U M M A R Y:

Accounts Payable Paid to:

Vendors	\$1,094,376.64
Payroll - Employee	\$254,910.44
San Benito County	\$1,107,799.46
City of Hollister for City Billing Collected, Net of Fees	\$449,206.51
Customer Refunds & Returned Checks/ACH	\$1,519.98
Debt & Finance	\$0.00
Total Disbursements	\$2,907,813.03

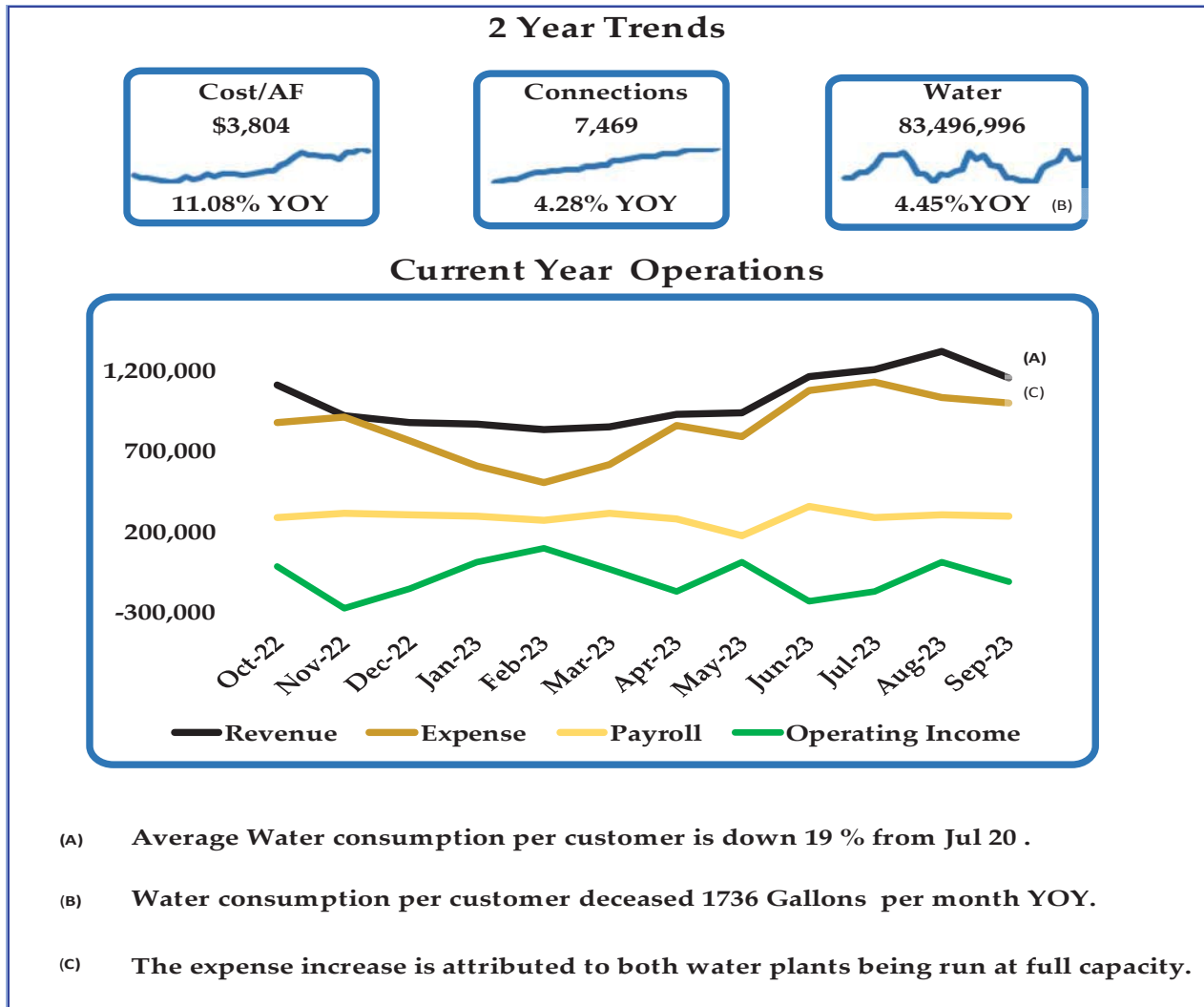
Staff Report

Agenda Item: **H – 4a**

DATE: November 13, 2023 (Nov 21, 2023 Meeting)
TO: Board of Directors
FROM: Finance & Human Resource Manager, Barry Kelly
SUBJECT: Statements of: a. Operations, b. Income, c. Investment, and d. Board Designated Reserves.

OPERATION SUMMARY

(Oct 2023)

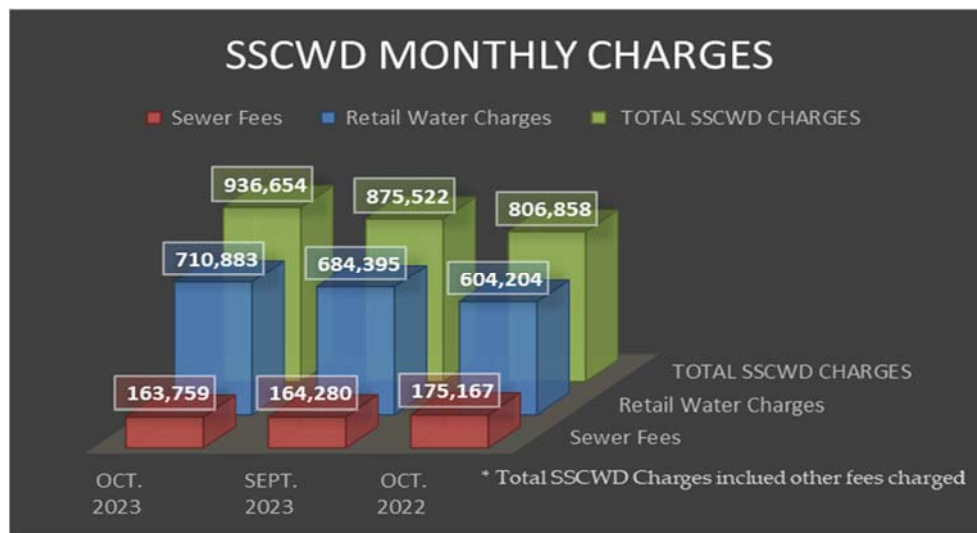


Connections increased by 23 accounts in September . We now serve 7,469 customers and 5,693 accounts utilize online services and electronic payments.

YTD Revenue for FY 24 increased 14% YOY.

SBCWD O&M receivables total \$496k which comprises current activity and is essentially current. San Benito Foods O&M totals \$271k and comprises all six months of the current operating year And \$72k of capital improvements from the previous year. Their contract allows them one month of operating activity or \$33k in credit. Thus they are \$238k in arrears. Negotiations are ongoing to resolve this issue.

Water consumption YTD per customer is up 18% from one year ago. Billed Metered water YTD through is 345.0 MM gallons vs 319.8 MM in the prior year.



STATEMENT OF INCOME VS BUDGET

(Sep 23)

YTD, we show an overall Net Operating loss of \$(153k) vs a loss of \$(48k) in the prior year. The projected FY 24 net income from operations is a loss of 3.25 million vs a budgeted loss of 2.3 MM. and an actual loss of \$799k in the previous fiscal year. The increased deficit is attributed to the cost of operating the plants at full capacity. The surface water blend averaged 34% in the prior year and was 78% in September. The impact of this was to add 51k to the actual loss for the month.

INVESTMENT SUMMARY

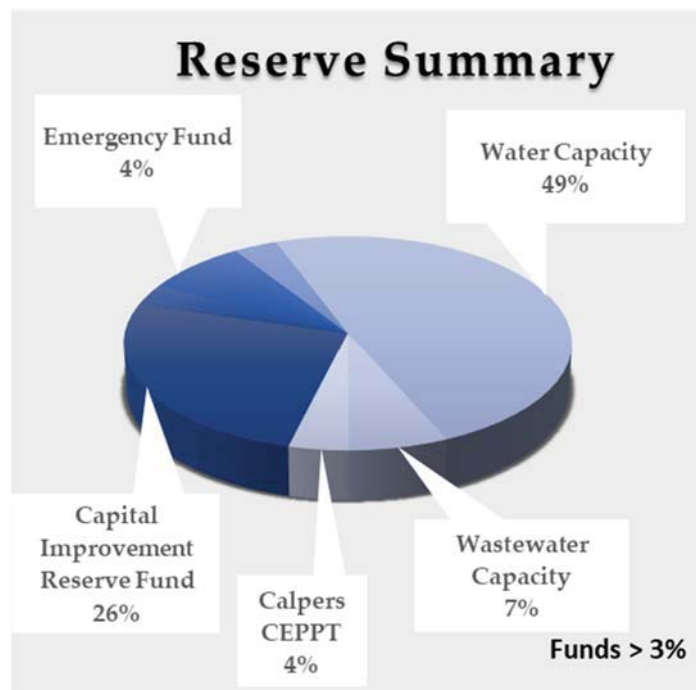
(Sep 2023)

Cash and invested funds total \$24.4 million. Over 22.2 million is earning between 3.5% and 4.5%. The FY24 income from investments is projected to be 550k.

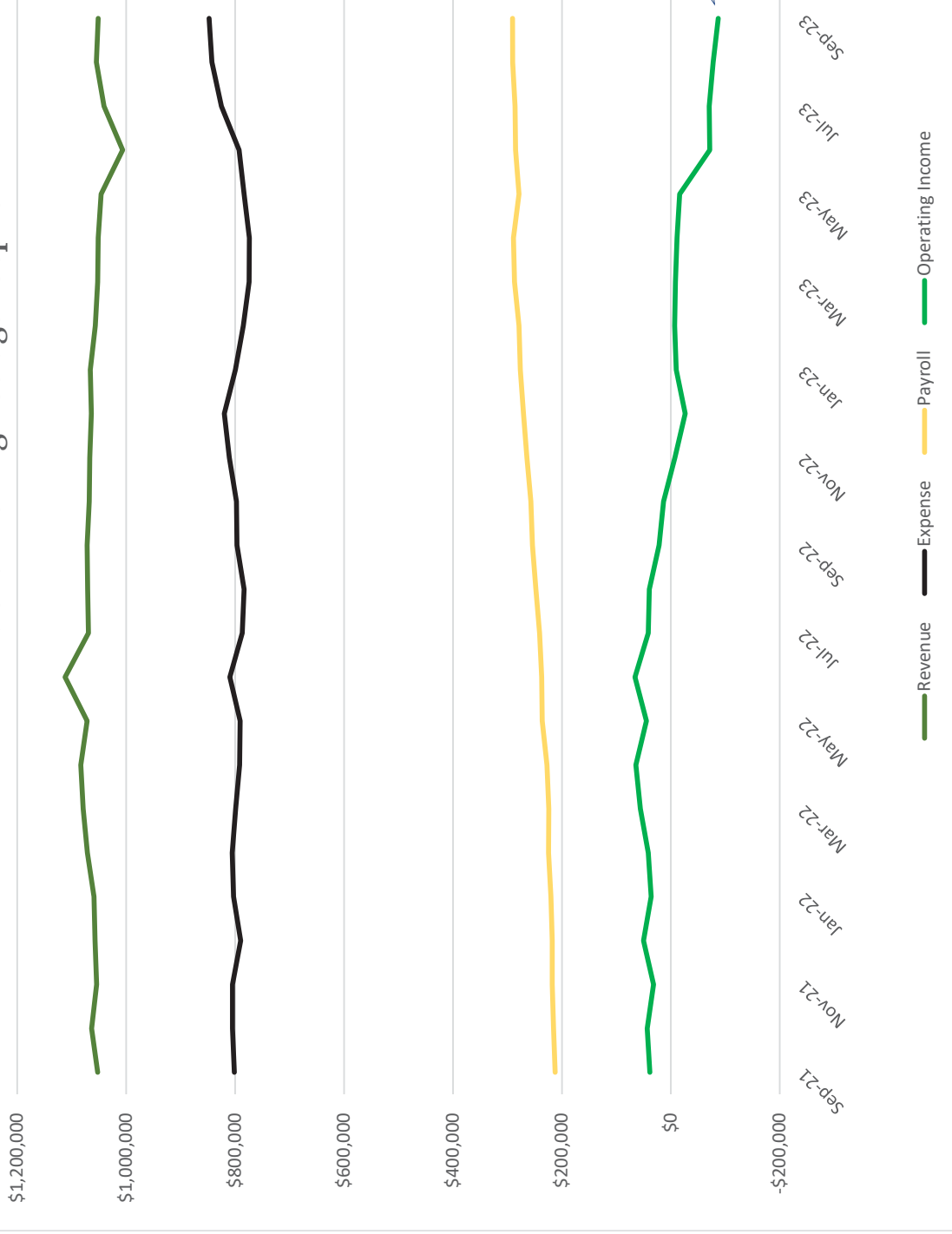
RESERVES

(Sep 2023)

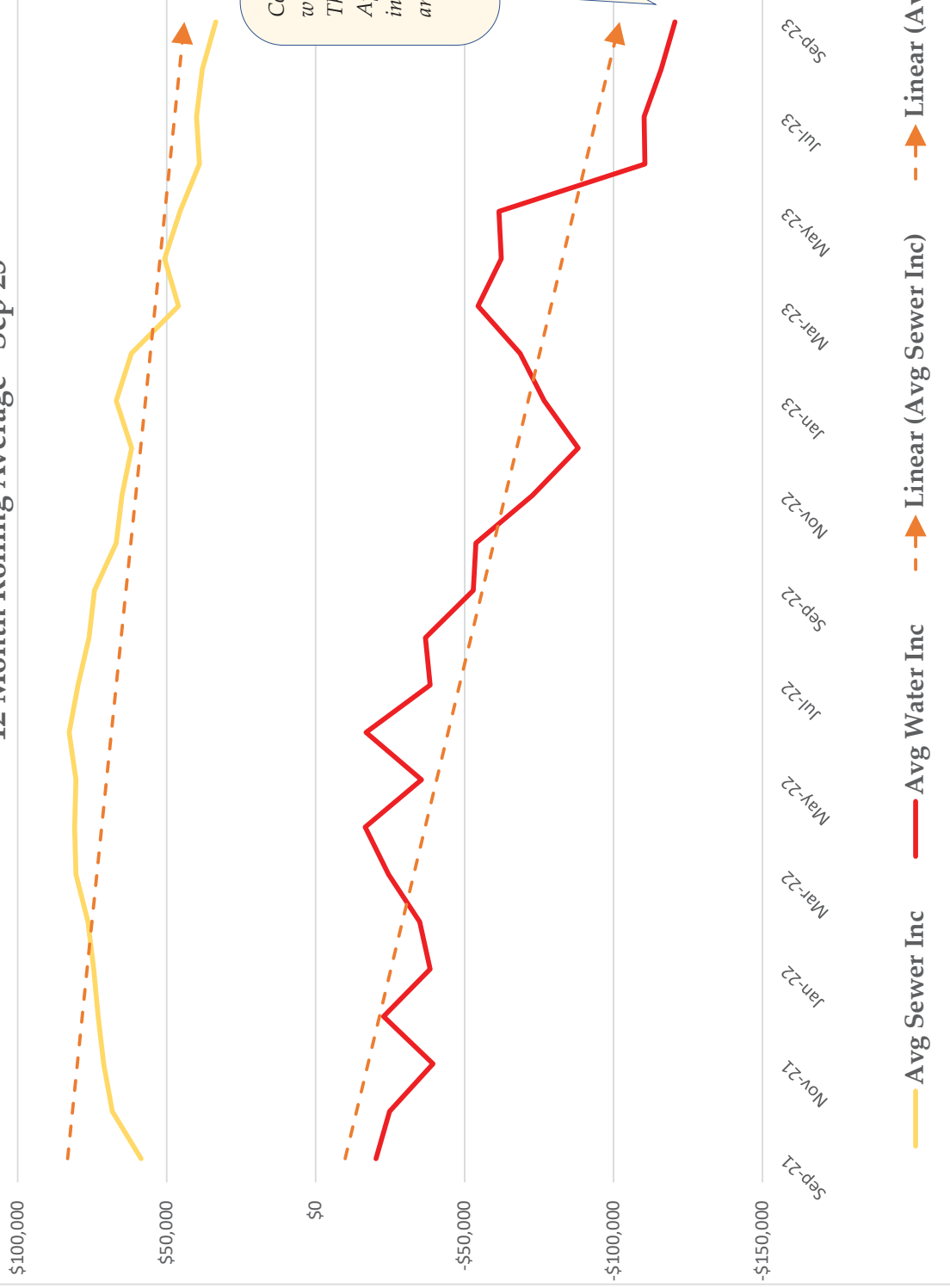
Reserves total \$22.7 million which equals 44% of capitalized assets. See the Board Designated Reserve report for a summary of the transactions and the status of actual expenditures per Board authorized expenditures.



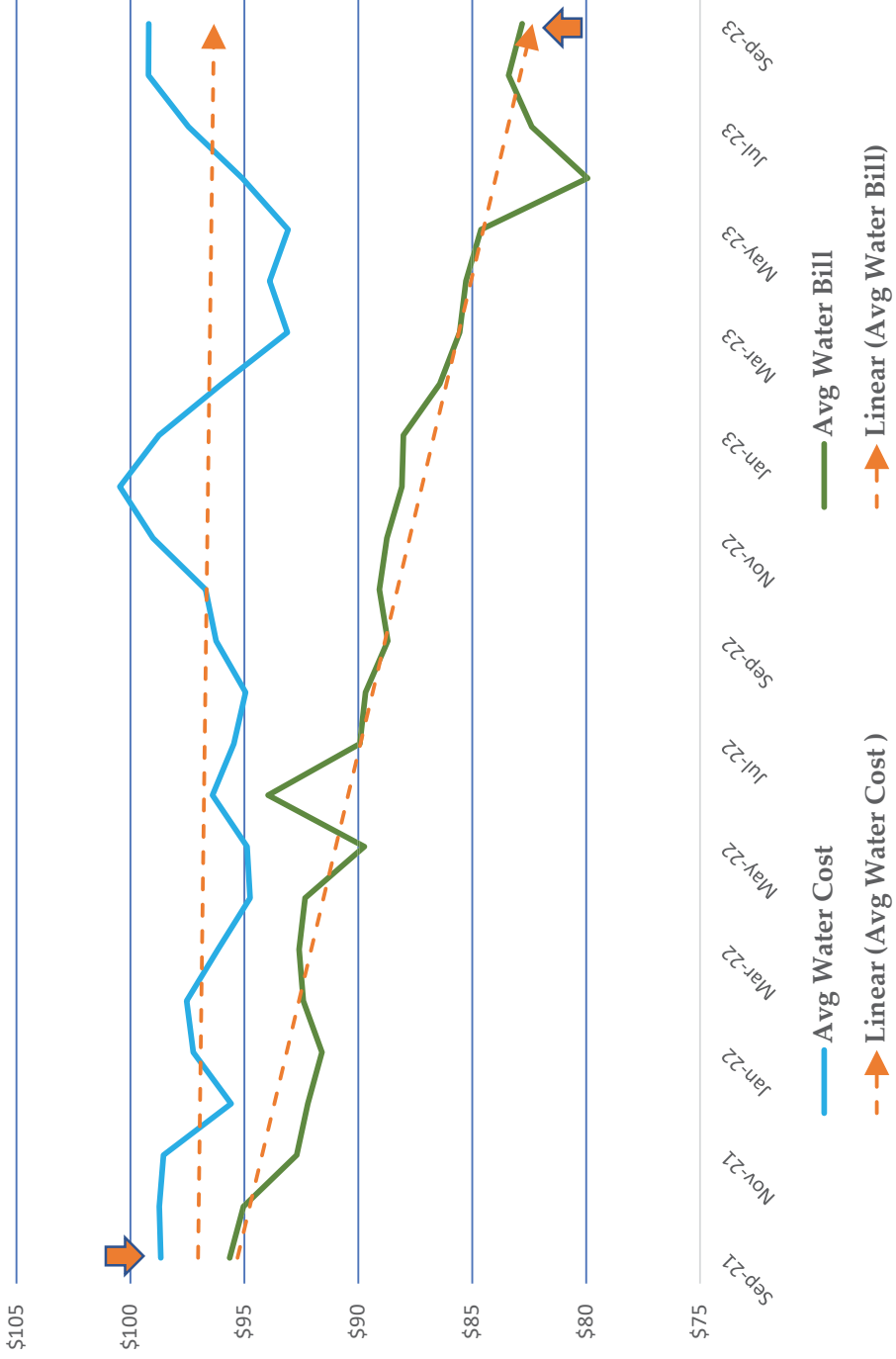
Statement of Operating Income 12 Month Rolling Average - Sep 23



Operating Income by Segment 12 Month Rolling Average - Sep 23

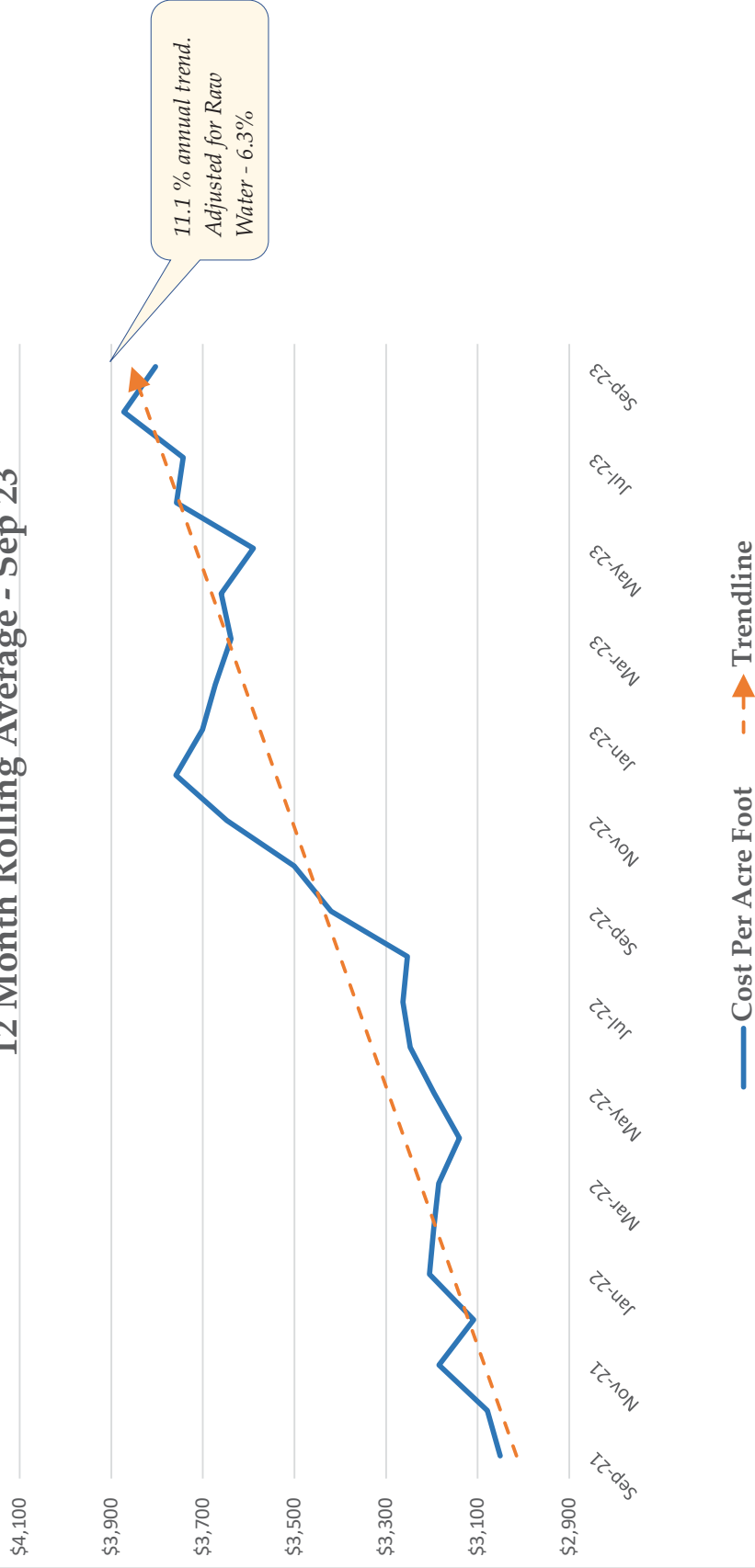


Per Customer Water Charges 12 Month Rolling Average - Sep 23



The difference between water costs and the average bill has grown from \$2 to \$16 since Sep 21. Average cost per customer has remained flat.

Cost Per Acre Foot 12 Month Rolling Average - Sep 23



Sunnyslope County Water District
2023 / 2024
OPERATION SUMMARY (This Year)

ITEMS	JULY 2023	AUG. 2023	SEPT. 2023	OCT. 2023	NOV. 2023	DEC. 2023	JAN. 2024	FEB. 2024	MAR. 2024	APR. 2024	MAY 2024	JUNE 2024	YTD TOTAL
NO. WATER CAPACITY FEE RECD	7	8	-	23	-	-	-	-	-	-	-	-	38
NO. WW CAPACITY FEE RECD	5	4	-	-	-	-	-	-	-	-	-	-	9
NO. WATER ACCOUNTS	7,413	7,413	7,419	7,459									
NO. SSCWD SEWER ACCTS	1,302	1,308	1,309	1,306									
NO. COH SEWER ACCTS	4,877	4,884	4,906	4,922									
WaterSmart / Invoice Cloud													
Total WaterSmart / Invoice Cloud	5,653	5,470	5,864	5,693	-	-	-	-	-	-	-	-	
NO. E-BILL Invoice Cloud (Paperless)	2,090	2,119	2,153	2,146									
MONTHLY CHARGES													
Retail Water Charges	\$ 679,622.03	\$ 851,334.48	\$ 684,394.94	710,883.41									\$ 2,925,234.86
Sewer Fees	162,527.70	162,127.99	164,279.77	163,739.42									652,694.88
Installation Fees	2,466.00	2,466.00	2,466.00	2,466.00									9,864.00
Administrative Fees	7,400.55	8,213.75	10,439.18	7,676.22									33,731.70
Admin. Collection Fees, net													
COH Billing Fees	14,679.00	14,721.00	14,808.00	14,832.00									59,040.00
Other Misc. Fees	2,785.48	2,325.39	1,600.00	30,186.38									36,897.25
TOTAL SSCWD CHARGES	\$ 868,974.76	\$ 1,043,582.61	\$ 875,521.89	\$ 936,654.43	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,724,233.69
CITY OF HOLLISTER CHARGES													
COH Sewer Fees	439,232.35	440,073.98	441,641.95	443,488.36									\$ 1,764,436.64
COH Street Sweeping	11,143.60	11,149.86	11,194.04	11,241.20									44,728.70
COH Senior Discount	(1,427.00)	(1,407.00)	(1,414.80)	(1,439.26)									(5,708.16)
Total COH Charges	446,948.95	449,816.84	451,421.19	453,290.30									1,803,857.18
Utility Fees	2,711.90	2,711.90	2,711.90	2,711.90									11,249.60
TOTAL COH CHARGES	\$ 452,520.70	\$ 455,422.21	\$ 456,744.10	\$ 458,752.39	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,825,239.60
ACCOUNTS RECEIVABLE - Aged													
A/R for Sunnyslope Water **	\$ 994,039.75	\$ 1,182,589.86	\$ 1,028,536.87	\$ 1,028,959.80									
A/R for City of Hollister **	563,971.82	584,258.78	576,598.85	574,964.95									
Unapplied Payments	(48,720.53)	(48,256.13)	(43,957.84)	(47,912.58)									
Outstanding Bills Owed	\$ 1,509,291.04	\$ 1,718,592.51	\$ 1,561,177.88	\$ 1,556,012.17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Past Due	\$ 267,120.54	\$ 259,706.29	\$ 289,851.57	\$ 265,104.60	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
% Past Due	17.70%	15.11%	18.57%	17.04%									
SSCWD O&M Owed		\$562,694.15	\$996,071.00	\$962,071.00									
San Benito Foods Owed		\$467,638.17	\$270,971.34	\$270,971.34									

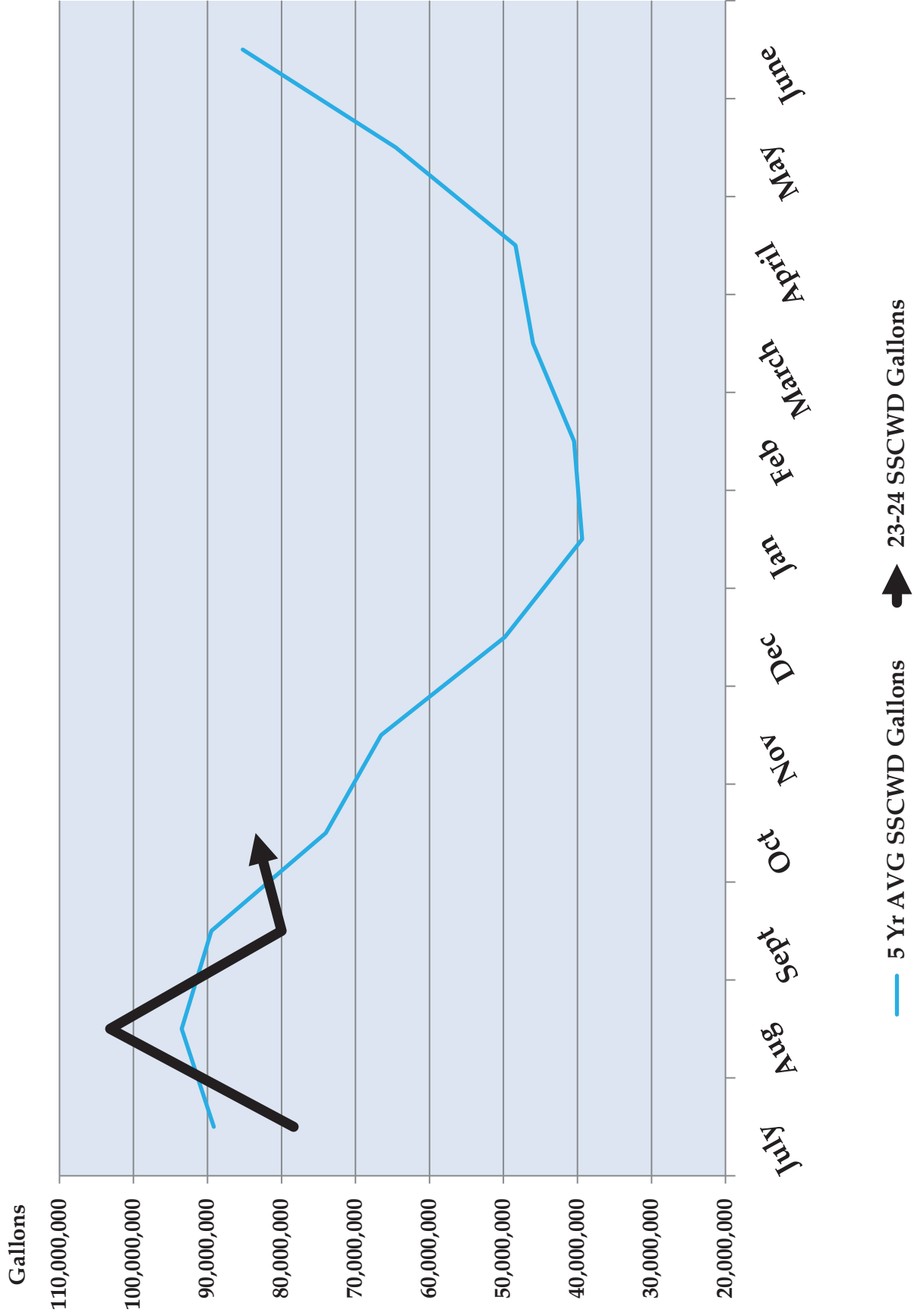
Sunnyslope County Water District
2023 / 2024
OPERATION SUMMARY (This Year)

ITEMS	JULY 2023	AUG. 2023	SEPT. 2023	OCT. 2023	NOV. 2023	DEC. 2023	JAN. 2024	FEB. 2024	MAR. 2024	APR. 2024	MAY 2024	JUNE 2024	YTD TOTAL
WATER METERED													
Cubic Feet	10,476,000	13,790,400	10,695,300	11,162,700	-	-	-	-	-	-	-	-	46,124,400
Total SSCWD Gallons	78,360,480	103,152,192	80,000,844	83,496,996	-	-	-	-	-	-	-	-	345,010,512
WATER SOURCE													
Well #2 (Southside Road)	3,216,000	4,438,000	1,566,000	20,000	-	-	-	-	-	-	-	-	9,240,000
Well #5 (Ray Cir/Enterprise)	1,258,700	1,445,061	2,941,907	3,086,942	-	-	-	-	-	-	-	-	8,732,610
Well #7 (Enterprise Rd)	1,975,951	1,045,825	388,265	21,383	-	-	-	-	-	-	-	-	3,431,424
Well #8 (Ridgemark)	5,719,000	12,855,000	19,826,000	15,937,000	-	-	-	-	-	-	-	-	54,337,000
Well #11 (Southside Road)	6,753,000	7,344,000	3,044,000	62,000	-	-	-	-	-	-	-	-	17,203,000
Net Well Interflow	(9,713,600)	(8,573,700)	(4,803,100)	(3,773,700)	-	-	-	-	-	-	-	-	(26,864,100)
TOTAL from Wells	9,209,051	18,554,186	22,963,072	15,553,625	-	-	-	-	-	-	-	-	66,079,934
Lessalt W.T.P. I (High Zone)	30,051,000	41,453,000	32,734,000	39,306,000	-	-	-	-	-	-	-	-	143,044,000
Lessalt W.T.P. I (Middle Zone)	13,037,000	16,620,000	12,880,000	14,828,000	-	-	-	-	-	-	-	-	57,365,000
West Hills W.T.P. (@ Well #2)	13,107,000	20,205,000	12,594,000	13,974,000	-	-	-	-	-	-	-	-	59,880,000
West Hills W.T.P. (@ Well #11)	25,764,000	31,979,000	21,927,000	27,068,000	-	-	-	-	-	-	-	-	106,738,000
West Hills W.T.P. (@ COH #2)	13,670,000	1,296,000	12,780,000	22,509,000	-	-	-	-	-	-	-	-	50,255,000
West Hills W.T.P. (@ COH #4)	22,709,000	14,146,000	8,998,000	3,185,000	-	-	-	-	-	-	-	-	49,038,000
West Hills W.T.P. (@ COH #5)	22,634,000	13,998,000	26,450,000	41,595,000	-	-	-	-	-	-	-	-	104,677,000
Net Surface Interflow	8,933,370	16,839,758	14,319,129	18,346,000	-	-	-	-	-	-	-	-	58,538,257
TOTAL Surface Water (Plant Production)	149,906,370	156,536,758	142,382,129	180,911,000	-	-	-	-	-	-	-	-	629,535,257
SSCWD % of Plant Production	54.67%	70.44%	56.01%	52.61%	0	0	0	0	0	0	0	0	58.30%
Estimated Water Gain(Loss)	(12,807,571)	(25,658,994)	(22,597,238)	(27,032,629)	-	-	-	-	-	-	-	-	(88,096,422)
Percent Difference	-8.05%	-14.65%	-13.68%	-13.77%	-	-	-	-	-	-	-	-	-12.66%
Water Consumption Per Customer	10528	13861	10740	11179	-	-	-	-	-	-	-	-	11577
Blend - % Surface	89.90%	85.60%	77.62%	86.11%	-	-	-	-	-	-	-	-	84.81%
Chemical, Carbon, Water PAF	1390	1350	1318	1262	-	-	-	-	-	-	-	-	1330
Blend Budget Impact	\$95,5916	\$82,971	\$50,659	\$91,436	-	-	-	-	-	-	-	-	\$320,661
Cost of Water Produced (Per Acre Foot)	3,526	2,755	3,303	-	-	5,073	4,324	3,128	3,406	7,175	3,740	4,649	2,390
Prior YTD Cost	2,666	2,445	3,115	3,970	4,342	5,073	4,324	3,128	3,406	7,175	3,740	4,649	3,795

(SSCWD Raw Water & Power increased \$110M May 2022, \$334 May 2023)

Chart Includes: Only Water Metered to SSCWD Customers,
Chart Does Not Include: COH Interties Wholesale Water Flow

FY24 Metered Water



Sunnyslope County Water District

STATEMENT OF INCOME
FOR THE FISCAL YEAR ENDING JUNE 30, 2024 (This Year)
UN-AUDITED 11/9/2023

*** WATER ***	Aug-23		Sep-23	Variance Over / (Under) Prior Month	Aug-22	Sep-22	YEAR- TO-DATE	PRIOR YEAR-TO- DATE	PROJECTED 23/24 ACTUAL	FY 23/24 BUDGET
	OPERATING REVENUES									
Water Sales	849,676	683,823		(165,853)	740,856	710,228	2,211,706	1,894,920	5,164,377	7,465,000
Contracted Services	283,374	279,320		(4,053)	228,312	173,947	961,965	630,571	4,261,000	4,261,000
Installation Fees	3,240	-		(3,240)	405	7,290	6,075	7,695	32,889	
Late Fees	7,057	9,212		2,155	8,912	9,832	22,491	24,999	60,019	
Other Revenue	13,498	13,067		(431)	10,145	10,465	40,466	32,558	502,312	228,220
TOTAL OPERATING REVENUES	1,156,844	985,422		(171,422)	988,631	911,762	3,242,703	2,590,742	10,020,597	11,954,220
OPERATING EXPENSES										
Salaries and Benefits	(255,924)	(229,076)		26,848	(219,036)	(245,704)	(722,947)	(692,518)	(2,924,162)	(2,660,460)
Operating Expenses	(899,729)	(861,074)		38,654	(682,251)	(714,564)	(2,769,955)	(2,050,307)	(10,810,306)	(12,051,637)
TOTAL OPERATING EXPENSES	(1,155,653)	(1,090,151)		65,502	(901,287)	(960,268)	(3,492,903)	(2,742,825)	(13,734,468)	(14,712,097)
NET OPERATING INCOME	1,192	(104,728)		(105,920)	87,344	(48,506)	(250,199)	(152,082)	(3,713,871)	(2,757,877)
NON OPERATING INCOME & (EXPENSES)										
Capacity Fees	112,200	-		(112,200)	13,800	248,400	209,250	262,200	209,250	-
Donated Asset				-			-	-	-	-
Miscellaneous Income (Farm Labor Camp)				-			-	-	-	-
Adjust LAIF Investment to Fair Value				-			-	-	-	-
Interest Income	25,056	17,760		(7,296)	5,870	5,539	76,868	28,083	76,868	500,000
Allocated from G & A (Interest & Sale of Assets)	6,471	32,387		25,915		5,716	85,144	5,588	85,144	21,000
Other Non-Operational				-	(113)	(1,321)	-	(1,435)	-	-
TOTAL NON OPERATING INCOME & (EXPENSES)	143,728	50,147		(93,581)	19,557	258,334	371,262	294,436	371,262	521,000
NET WATER INCOME (LOSS)	\$ 144,919	\$ (54,582)		(199,501)	\$ 106,900	\$ 209,828	\$ 121,063	\$ 142,354	\$ (3,342,609)	\$ (2,236,877)
NET WATER INCOME (LOSS) Adjusted for Non Budgeted Items	\$ 1,192	\$ (104,728)		(105,920)	\$ 87,231	\$ (49,828)	\$ (250,199)	\$ (153,517)	\$ (3,713,871)	\$ (2,757,877)

Sunnyslope County Water District

STATEMENT OF INCOME
FOR THE FISCAL YEAR ENDING JUNE 30, 2024 (This Year)
UN-AUDITED 11/9/2023

	Aug-23	Sep-23	Variance Over / (Under) Prior Month	Aug-22	Sep-22	YEAR- TO-DATE	PRIOR YEAR-TO- DATE	PROJECTED ACTUAL	FY 23/24 BUDGET
*** WASTEWATER ***									
OPERATING REVENUES									
Sewer Sales	162,673	163,770	1,097	175,778	175,854	491,143	468,268	1,568,319	2,205,000
Contracted Services	33,333	33,333	(0)	35,154	137,497	97,783	207,804	523,300	523,300
Installation Fees			-			-	-		
Late Fees	1,143	1,227	84	2,228	2,458	3,716	7,366	9,168	
Other Revenue	3,098	3,341	243	4,053	4,065	9,608	10,785	32,976	56,880
TOTAL OPERATING REVENUES	200,248	201,671	1,423	217,214	319,874	602,249	694,223	2,133,763	2,785,180
OPERATING EXPENSES									
Salaries and Benefits	(53,183)	(70,998)	(17,815)	(38,941)	(51,532)	(175,369)	(141,249)	(771,167)	(843,040)
Operating Expenses	(135,735)	(77,923)	57,812	(143,331)	(219,065)	(329,705)	(447,450)	(1,113,335)	(1,439,275)
TOTAL OPERATING EXPENSES	(188,918)	(148,921)	39,996	(182,272)	(270,598)	(505,074)	(588,700)	(1,884,502)	(2,282,315)
NET OPERATING INCOME	11,330	52,750	41,420	34,941	49,276	97,176	105,523	249,261	502,865
NON OPERATING INCOME & (EXPENSES)									
Capacity Fees			-			124,625	-	124,625	
Miscellaneous Income			-			-	-	-	
Adjust LAIF Investment to Fair Value			-			-	-	-	
Interest Income	3,296	6,502	3,206	414	376	13,902	1,153	13,902	40,000
Allocated from G & A (Interest & Sale of Assets)	1,486	82,821	81,335	(46)	(46)	94,931	(46)	94,931	9,000
Other Non-Operational			-		(534)	-	(564)	-	-
TOTAL NON OPERATING INCOME & (EXPENSES)	4,781	89,322	84,541	368	(158)	233,458	543	233,458	49,000
NET WASTEWATER INCOME (LOSS)	16,111	142,072	125,961	35,309	49,118	330,634	106,067	482,719	551,865
NET WASTEWATER INCOME (LOSS)	\$ 11,330	\$ 52,750	\$ 125,961	\$ 34,941	\$ 48,742	\$ 97,176	\$ 104,959	\$ 249,261	\$ 502,865
<i>Adjusted for Non Budgeted Items</i>									
*** WATER & WASTEWATER ***									
*** COMBINED INCOME (LOSS) WATER & WASTEWATER ***	161,031	87,491	(73,540)	142,210	258,946	451,697	248,420	(2,859,890)	(1,685,012)
*** COMBINED INCOME (LOSS) WATER & WASTEWATER	\$ 12,522	\$ (51,978)	\$ (64,500)	\$ 122,172	\$ (1,085)	\$ (153,024)	\$ (48,558)	\$ (3,464,610)	\$ (2,255,012)
<i>Adjusted for Non - Budgeted Items</i>									

Sunnyslope County Water District
Investment Summary
2023 / 2024 (This Year)

BANK ACCOUNT	INTEREST RATE	JULY 2023	AUGUST 2023	SEPTEMBER 2023	OCTOBER 2023	NOVEMBER 2023	DECEMBER 2023	JANUARY 2024	FEBRUARY 2024	MARCH 2024	APRIL 2024	MAY 2024	JUNE 2024	JUNE 2023
<u>Heritage Bank of Commerce</u>														
CHECKING ACCOUNT	0	1,593,120	1,606,042	2,196,208										2,040,106
Operating - General Fund		1,593,120	1,606,042	2,196,208										2,040,106
CHECKING SUBTOTAL														
MONEY MARKET ACCT (MMA)	0.75%	90,661	90,776	90,830										90,661
Invested - General Fund		90,661	90,776	90,830										90,661
MMA SUBTOTAL														
<u>L. A. I. F.</u>														
(Local Agency Investment Fund)	As of: Sep 2023													
General Fund	3.48%	-4,173,662	-4,173,662	-4,173,662										-4,104,152
Water Connect. Fee	3.48%	0	0	0										0
Sewer Connect. Fee	3.48%	0	0	0										0
SRF Loan Reserve	3.48%	774,890	774,890	782,041										774,890
Board Designated Reserves	3.48%	7,910,911	7,910,911	7,945,400										7,910,911
L.A.I.F. SUBTOTAL		4,512,138	4,512,138	4,553,778										4,581,649
<u>CEPPT</u>														
(CA Employee Pension Plan Trust)														
Employee Pension Reserve	0	1,000,000	1,000,000	1,000,000										1,000,000
CEPPT SUBTOTAL		1,000,000	1,000,000	1,000,000										1,000,000
<u>MBS Securities</u>														
(CD Brokerage - Water Capacity Funds)														
General Fund	4.00%	3,326,368	3,473,795	3,574,001										3,442,907
Board Designated Reserves	4.00%	436,010	440,970	445,666										403,709
Water Connect. Fee	4.00%	11,292,180	11,218,349	11,137,332										11,259,801
Sewer Connect. Fee	4.00%	1,485,983	1,489,265	1,491,615										1,357,257
MBS SUBTOTAL		16,540,541	16,622,379	16,648,614										16,463,673
GRAND TOTAL		23,736,460	23,831,336	24,489,431										24,176,089
* TOTAL INTEREST RECORDED	YTD Total	49,929	36,760	67,928										449,333

Sunnyslope County Water District

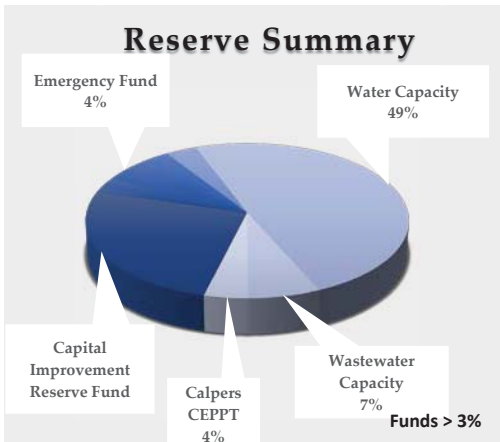
Reserve Summary As of September 30, 2023 (Policy #8600)

	<u>9/310/2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>Change</u>
1 Capital Improvement Reserve Fund	\$ 5,803,033	\$ 30,409		\$ 5,772,624	\$ 5,863,936	\$ (91,312)
2 Rate Stabilization Fund	250,000		-	250,000	250,000	\$ -
3 Drought Contingency Reserve	500,000			500,000	500,000	-
4 Emergency Fund	1,000,000			1,000,000	1,000,000	-
5 Vehicle Replacement Fund	413,650	15,518		398,132	348,078	50,054
6 Office and Misc. Equipment Replacement Fund	424,381	3,517		420,864	418,845	2,019
Board Designated Reserves	8,391,065	49,445	-	8,341,620	8,380,859	(39,239)
7 CSWRCB Loan	782,040	7,151		774,889	760,000	14,889
8 Water Capacity	11,137,332	173,699	296,168	11,259,801	11,410,006	(150,205)
9 Wastewater Capacity	1,491,615	134,358		1,357,257	1,320,135	37,122
10 Calpers CEPPT	899,643			899,643	640,401	259,242
Legally Restricted Reserves	14,310,629	315,207	296,168	14,291,590	14,130,542	161,048
TOTAL	\$ 22,701,694	\$ 364,652	\$ 296,168	\$ 22,633,210	\$ 22,511,401	\$ 121,809
Unreserved Cash	\$1,034,765.93					
Percentage of Total Capital Assets	43.51%					

(0)

Detailed Transactions:

Depr. Expense	\$ 12,000		\$ 461,194
Board Authorized Changes to Policy #8600	\$ -		\$ 5,729,257
Interest	\$ 130,985		\$ 25,685
Debt Amortization		296,168	\$ (1,184,682)
Water Capacity Fees	97,050		\$ 6,087,125
Sewer Capacity Fees	124,625		\$ 1,299,000
CEPPT Funding			\$ 1,000,000
Fixed asset Additions	-		\$ (483,314)
Fair Market Value & Misc Adj	(8)	-	\$ (610,420)
	\$ 364,652	\$ 296,168	\$ 12,323,845



Board Approved Disbursement Analysis

Date:	Description:	Vendor	Resolution	# Actual
1/19/2021	Audit (FY21,FY22 & FY 23)	Mc Gilloway	76,160	67,070
2/21/2023	Rate Study	Raftelis	110,502	52,991
11/15/2022	Promontory Amendment 2	Century Homes	110,000	110,000
4/18/2023	Best Road Initiative	Wallace Group	40,000	33,153
2/28/2023	Solar Project - SBR	Eva Green Power	1,300,000	614,107
2/28/2023	Solar Project - Lessalt	Eva Green Power	39,131	3,958
6/20/2023	Itron Meters	Meter Valve & Cc	107,000	0
6/20/2023	Temetra	Meter Valve & Cc	412,000	123,005
8/15/2023	Demographics	LGDR	40,000	0
8/15/2023	Trucks	Greenwood	130,000	0
8/15/2023	VOIP	Exceedio	16,178	0
9/19/2023	Hydroflush IWWTP	Green line	22,000	0
9/19/2023	Itron Meters	Meter Valve & Cc	250,000	0
10/17/2023	Vacon Truck	MM Equip Inc.	530,000	0

Staff Report

Agenda Item: H – 5a

DATE: November 15, 2023 (November 21, 2023, Meeting)

TO: Board of Directors

FROM: Water/Wastewater Superintendent, Jose J. Rodriguez

SUBJECT: Superintendent Monthly Status Report: a. Maintenance, b. City Meter Reading, and c. Groundwater Level Measurement.

Narrative

1. All three water reports were completed and submitted on time by October 10, 2023.
2. Westhills WTP and Lessalt WTP are now treating 2.5 MGD and 1.8 MGD, respectively. In the month of October, Westhills WTP produced a total of 101.648 million gallons with Lessalt WTP producing 53.994 million gallons. The total acre foot produced in October 2023 was 477.76-acre feet with a balance of 2,574.195-acre feet available for the 2023-2024 year.
3. Both Lessalt WTP and Westhills WTP's continue to utilize the Computer Maintenance Management System (CMMS) to better manage treatment facilities equipment and document preventative maintenance activities. A total of 246 Work Orders were completed by Sunnyslope Staff between the two facilities.
4. District staff dealt with four water service leak repairs, one water main break and one force main repair in the month of October. The district routinely repairs service line leaks, but the water main and force main repairs required more careful coordination and planning to complete the project safely and adequately.
5. During the isolation process for the Memorial and Hillcrest water break, a valve was broken which prevented isolation of the cracked water line. Nicholson was contracted to replace the 8-inch valve with the assistance of district staff. The broken valve caused additional customers' water service to be interrupted while repairs were completed. The district will need to repair additional valves within the district that also require attention for adequate isolation during repair and emergency situations.
6. Lessalt WTP completed another Granular Activated Carbon (GAC) exchange in October. With the water treatment plant production at near maximum capacity, GAC exchanges are required monthly to maintain Total Organic Carbon as low as possible to minimize the production of TTHM's in the distribution systems.
7. The city of Hollister replaced their pressure transducer which caused communication issues with the Westhills Facility and prevented the valve from opening into Well #4. The city's tech was not

successful in troubleshooting the issue. SSCWD had Calcon successfully troubleshoot the issue to allow the valves to operate properly.

8. Neil Jones concluded it's operation and discharge into the Industrial Plant Wastewater Treatment Plant on October 22nd. Sunnyslope requested that Neil Jones continue flushing the transmission line with Well water for a few additional days.

In addition to the daily, weekly & monthly work schedule, our maintenance personnel also performed these additional special work projects.

Water (14) October 2023

1. Repaired 8" broken water main on Hillcrest Road near Memorial Drive and Hillcrest Road. Water was leaking out of the street from an unknown location. Staff isolated several valves and excavated a large section of the street. Once located staff repaired a broken pipe with a sleeve and contracted Nicholson to restore asphalt to its original state.
2. Assisted Nicholson Construction Inc. with 8" valve replacement on Hillcrest Road. District staff assisted with isolation of the distribution system and traffic control.
3. Staff attended Traffic Control Set-up and Flagger Safety Training. This training covered basic principles of work zone flagging as outlined in the Cal/OSHA, Construction Safety Orders: 1599(f) and 1599(g). District staff was introduced on the basic fundamentals of traffic control work zone flagging in accordance with the current California Manual of Uniform Control Devices (MUTCD) and the Cal/OSHA Construction Safety orders.
4. Flushed all transducers at wells and tanks to maintain accurate reading on our gauges and increase reliability in instrumentation.
5. Continued clearing weeds around district facilities. Keeping weeds down allows for reliable access to buildings and equipment along with keeping unwanted rodents away.
6. Replaced leaking service line at 1275 Aspen Circle.
7. Installed waddles on bank behind office and shop.
8. Replaced leaking service line at 585 South Ridgemark Drive.
9. John from Calcon calibrated intertie meters. Meters need to be calibrated periodically to ensure reliability. Calcon also supports the district with its SCADA matters.
10. Continued flushing Blow-offs. Blow-offs are typically pipes that don't feed into a looped system or pipes that only flow in only one direction such as cul-de-sacs or long pipe runs to a single water user. These dead ends can cause water quality problems, including disinfectant residual loss, DBP formation, bacteria and turbidity increases, metals and minerals uptake, debris accumulation, and taste and odor complaints. Flushing blowoffs ensure that water at the dead ends remains clear and free of all impurities.
11. Cleaned out storm drains at office, shop, and parking lot.
12. Staff attended CWEA Collection System Training in Watsonville. District staff received hands-on demonstrations on practical and theoretical knowledge concerning the safe operation, basic maintenance, and basic troubleshooting of various nozzles and their usage. District staff also received training on how to accurately estimate the volume of a sanitary sewer overflow. The

- Instructor simulated a spill in the parking lot and provided various techniques on how to determine rate of flow, containment, determining start time and volume using various methods.
13. Replaced leaking fire hydrant at 540 Helen Court with new style Cowl hydrant.
 14. Robert from Enterprise Electric installed two new breakers at Fairview Tanks for mixer and exhaust fan.



Project Location	: Memorial and Hilcrest Water break
Project	: Repair broken 8-inch water line and replace 8-inch valve
Department	: Utilities/Maintenance Department

Description : Water main on Memorial and Hillcrest developed a small crack that had been leaking for a period of time. Over time the asphalt cracked, and water began to seep through. District staff had to dig a large section. It took staff several days to successfully locate the crack and properly repair it.

LESSALT Water Treatment Plant (12)

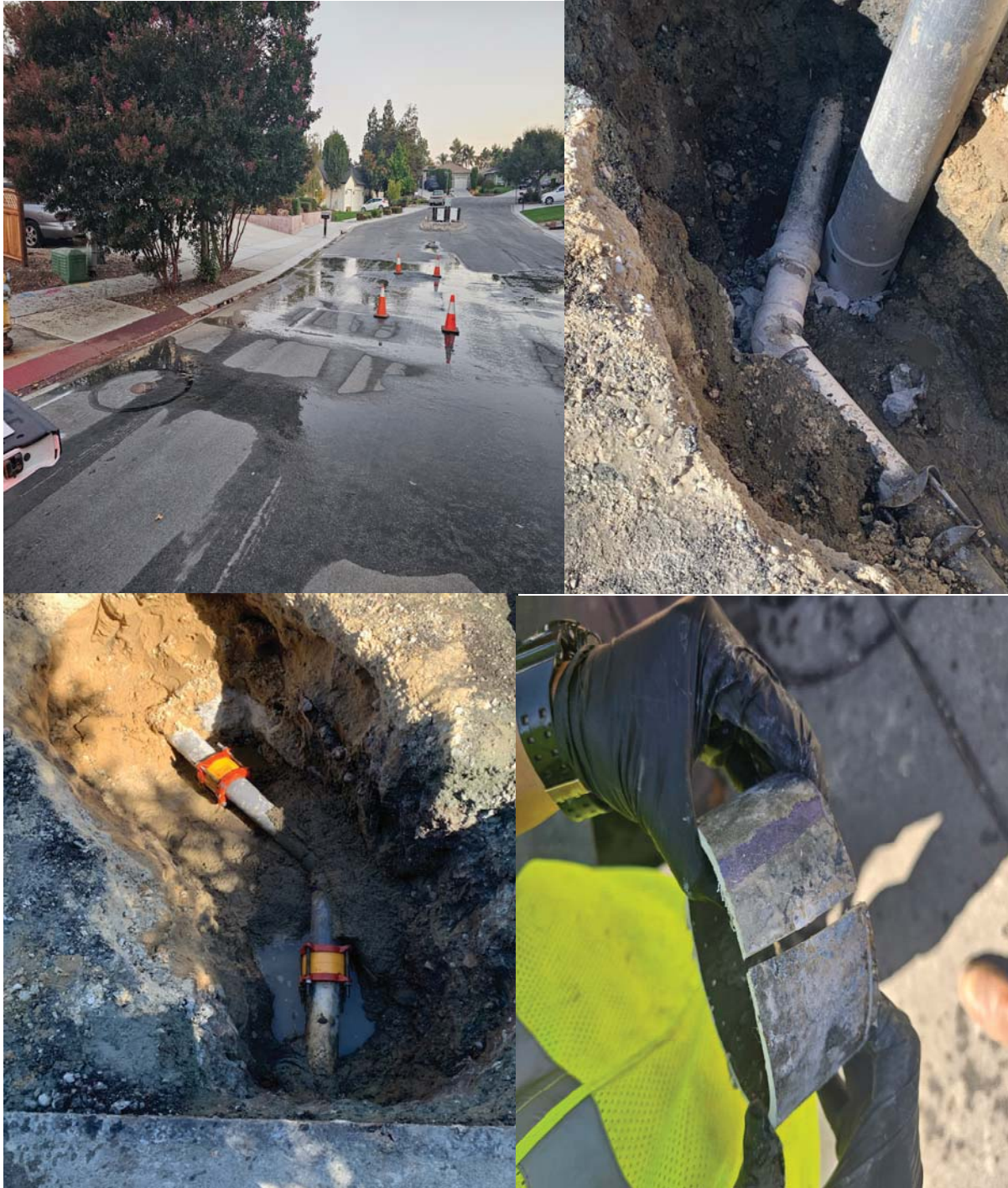
1. Met with representatives from Festo and Powermatic to go over updating manifolds for CMF units. The current manifolds have been in place for over 20 years. The representative commended the degree of preventative maintenance performed on these units but are no longer supported and new ones need to be purchased.
2. Acid cleaned all CL17s. Acid cleans are performed periodically to remove any calcium scaling on analyzer walls.
3. Peroxide cleaned and Flushed TOC analyzer.
4. Calibrated all turbidity meters. Calibration is required weekly by DDW to maintain accurate readings.
5. Air calibrated DO probe.
6. Replaced salt bridges on ORP analyzers.
7. Jim from Calcon repaired caustic tank level sensor.
8. John from Calcon calibrated middle and high zone meters.
9. Replaced insulation on the discharge lines for the coagulant piping.
10. Replaced the leaking suction side check-valve and tubing on CL2 pump #3.
11. Replaced the leaking bushing and nipple on discharge on CL2 pump #1.
12. Calgon replaced GAC on filter #1.

West Hills Water Treatment Plant (10)

1. Replaced PLC2 battery back-up.
2. Cleaned lamellas.
3. Replaced polymer mixer tank gearbox.
4. Acid cleaned CL17 analyzers.
5. Cleaned VFD filters.
6. Replaced belts on sand pump #1.
7. Emptied drying beds.
8. Replaced 4" DI cap on utility water line by drying beds.
9. ERS took core samples of the filter media.
10. Swapped out permanganate injector.

Wastewater (3)

1. Repaired broken 4" force sewer main coming from Oak Canyon Lift Station. Staff received an after-hour emergency call out of a Sanitary Sewer overflow at the Oak Canyon Lift Station. Staff was immediately dispatched and repairs to the cracked force main was repaired.
2. Continued hydro-jetting collection system.
3. Continued clearing weeds at RM2 ponds.



Project Location	: Sunnyslope County Water Collection System
Project	: Force Main Repair at the Oak Canyon Lift Station
Department	: Utilities/Maintenance Department
Description	: District staff repair a crackled force main. Additional sewer trucks were called to maintain lift station flow to allow district staff to properly repair this damaged section of pipe.

Industrial Plant (1)

1. Industrial Wastewater Plant concluded it's operating On October 22nd.
2. The headworks grinder, blower and 4 aerators were powered down.
3. Continued cutting, clearing, and spraying weeds around ponds.

Completed This Month	Job Descriptions	Completed YTD 2023 – 2024 July 1 to June 30	Completed 2022 – 2023 July 1 to June 30	Completed 2021 – 2022 July 1 to June 30	Completed 2020 – 2021 July 1 to June 30
307	Work Orders	1144	2480	2520	2469
21	Temporary Manual Read Water Meters Installed in New Construction Accounts	33	287	292	368
1	Radio Read Meters & ERTs Installed in New Construction Accounts	1	3	1	21
0	Total: Manual Read Meters Replaced with Radio Read Meters & ERT's, including Radio Meters Installed in New Construction Accounts	19 (Total = 7212)	268	300	282
9	Existing Radio Read Meters & ERTs Replaced with New Radio Read Meters & ERTs	87	247	309	322
36	Valves Exercised (Approx. 2674 in SSCWD System 3/2021)	171	528	487	721
23	Fire Hydrants Flushed (Approx. 938 in SSCWD System 3/2021)	109	537	342	749
9	Meters on Repair List	115	250	335	326
11	Emergency Calls	60	158	161	174
167	Locates on our Water/Sewer Lines	593	1512	1816	1732
0	Sewer Inspections	0	0	0	0
0	Shutoff Notices	0	0	0	0
2	Water Services Replaced	7 (Total = 953)	15	39	12

(3/2021 Update Valve and Fire Hydrant Count, Includes Santana Ranch pH 1, Villages, Tyler Knoll, Walnut Park, Creekside)



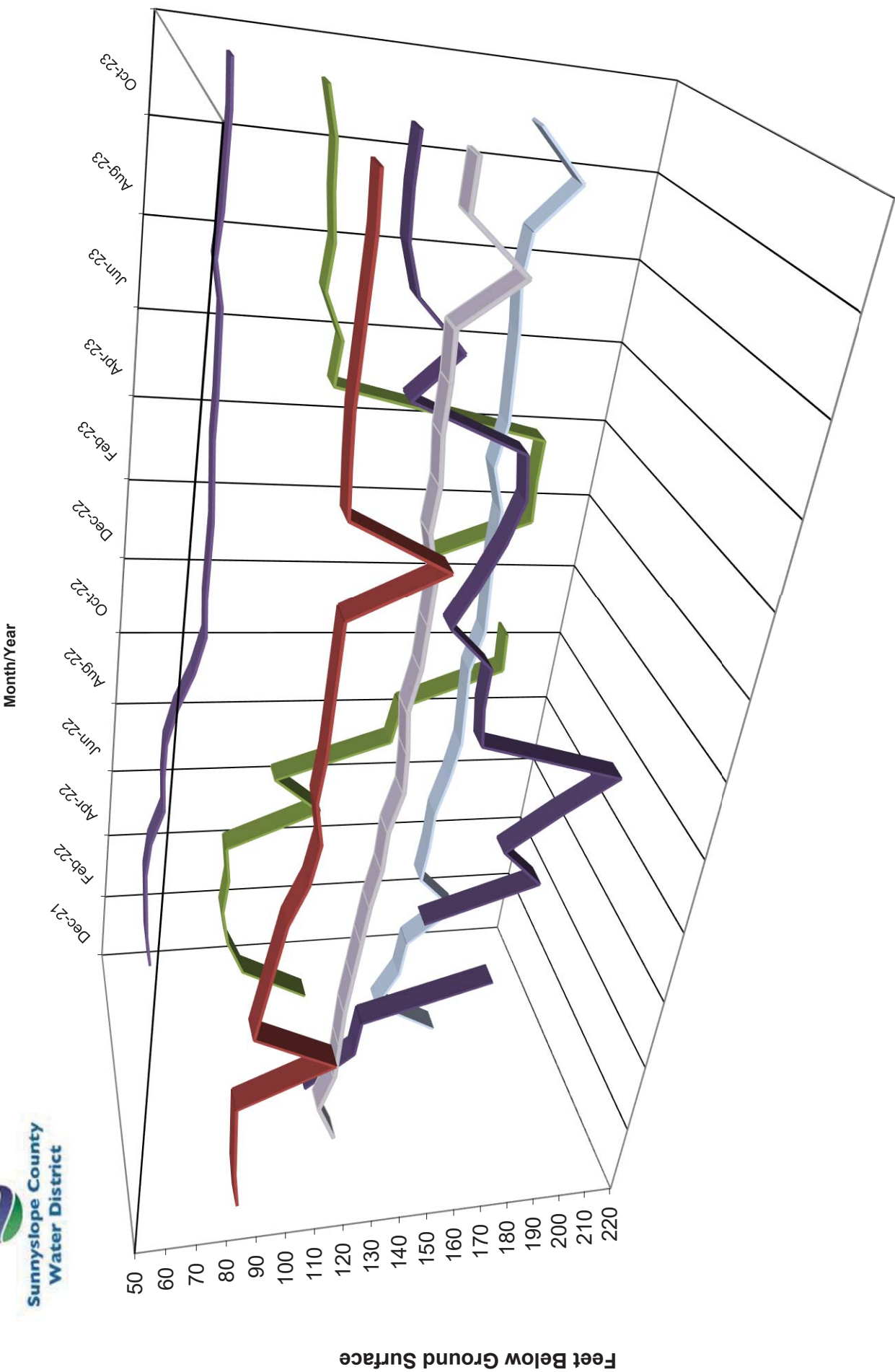
Hollister/Sunnyslope Intertie Water Balance

Report Date: November 1, 2023		to		October 16, 2023	
Current Consumption Period: September 13, 2023		to		October 16, 2023	
Intertie Location	Groundwater Flow to COH	Surface Flow to COH	Groundwater Flow to SSCWD	Surface Flow to SSCWD	to
	i n G a l l o n s				
Southside Road Intertie Water Total Flow	0	4,000,000			
Sunset & Memorial Water Total Flow	3,661,500	11,997,900	50		0
Sunnyslope & Memorial Water Total Flow	0	0	0		0
Hillcrest and Memorial Water Total Flow	17,500	137,300	0		0
Santa Ana & La Baig Water Total Flow	94,700	2,310,800			
Intertie Sub-Total Water Flow	3,773,700	18,446,000	50		0
<i>Total Combined Surface and Ground Water Intertie Flow</i>		22,219,700		50	
City of Hollister Well 2 Surface Water Total Flow (West Hills)		22,509,000			
City of Hollister Well 4 Surface Water Total Flow (West Hills)		3,185,000			
City of Hollister Well 5 Surface Water Total Flow (West Hills)		41,595,000			
Sunnyslope Well 2 Surface Water Total Flow (West Hills)				13,974,000	
Sunnyslope Well 11 Surface Water Total Flow (West Hills)				27,068,000	
Sunnyslope Surface Water Total Flow (LESSALT)				54,134,000	
Surface Water Flow Sub-Totals		67,289,000		95,176,000	
Ground Water and Surface Water Flow Totals	3,773,700	85,735,000	50		95,176,000
Current Period:	COH half of Surface Water Flow to Distribution (LESSALT & WH)		81,232,500		
	Net Ground/Surface Water Balance Owed to SSCWD (to COH)	3,773,650	4,502,500		
	Beginning Water Balance Owed to SSCWD (to COH)	791,101,200	-390,943,483		
	Gallons Billed to COH thru Report Date October 1, 2023	0		Informational Last Month Net Total	400,157,717
	Sub-total Ending Water Balance Owed to SSCWD (to COH)	794,874,850	-386,440,983	Net Sub Total	408,433,867
	Half of Total Gallons LESSALT Discharge to City of Hollister Wastewater Treatment Plant during the current consumption period			1,562,000	
	Exchange Factor; Half of the total gallons discharged to COH WWTP from LESSALT multiplied by a factor of 4				6,248,000.00
	Ending Water Balance Owed to SSCWD (to COH)	788,626,850	-386,440,983	Net Total	402,185,867

Current:	LESSALT WTP Total Flow to Distribution	54,134,000			
	Percent of LESSALT Surface Water Received	COH	34.1%	SSCWD	65.9%
Current:	COH half of LESSALT Total Flow to Distribution	27,067,000			
	Intertie Net Surface Water Total Flow to COH	18,446,000			
	Intertie Net Ground Water Total Flow to COH	3,773,650			
Current:	West Hills WTP Total Flow to Distribution	108,331,000			
	Percent of Surface Water Received	COH	62.1%	SSCWD	37.9%
Current:	COH half of West Hills WTP Total Flow to Distribution	54,165,500			
	West Hills WTP Surface Water Total Flow to COH	67,289,000			

From April 1, 2023 to Present					
YTD	LESSALT WTP Total Flow to Distribution	298,423,000			
	West Hills WTP Total Flow to Distribution	470,596,000			
	Surface WTPs Total Flow to Distribution	769,019,000			
	Total YTD Surface Flow to COH/SSCWD	COH	335,355,799	SSCWD	433,663,201
	Percent of Surface Water Received	COH	43.6%	SSCWD	56.4%

Depth to Standing Water Level Below Ground Surface



Ground Elevation in Feet Above Sea Level
 Well 2 = 325
 Well 5 = 438
 Well 7 = 361
 Well 8 = 481

Well 11 = 330
 Test Well 12 = 308

Staff Report

Agenda Item: H-6

DATE: November 15, 2023 (November 21, 2023 Meeting)

TO: Board of Directors

FROM: General Manager, Drew Lander P.E.

SUBJECT: General Manager Monthly Status Report

ACTIVE TASKS:

1. **IWTP Season Operation** – The canning season has ended successfully. Transmission lines have been cleaned by Greenline Inc. on schedule and the IWTP has been turned back over to the city for winter operations.
2. **Solar Field Design** – The solar field installation has been scheduled to begin construction on December 4th. This is a couple weeks later than anticipated, however the contractor is confident that the field will be installed by the end of the year.
3. **Permit Compliance** – Monthly water reports have been completed on time and no water violations were reported.
4. **Staffing** – The Assistant/Associate Engineering position remains open until filled.
5. **Razzolink Contract** – The manager of Razzolink agreed to an annual increase in compensation for using the SBR roof for the antenna discussed last month. The contract was signed, and the equipment will be installed this month to begin the rental.
6. **City Sewer Contract** – The Gavilan College Sewer extension was signed by the city. A meeting with some Cielo Vista neighbors was held at the district office. President Brown attended. Design for the sewer line and coordination between the County, City and the Fairview corners developer is ongoing. The schedule anticipates Gavilan College connected to sewer by mid 2024.

Staff Report

Agenda Item: I-1

DATE: November 15, 2023 (November 21, 2023 meeting)

TO: Board of Directors

FROM: Barry Kelly, Finance and Human Resource Manager

SUBJECT: Receive Audit Report/Presentation By Patricia Kaufman, CPA/Partner, With Mcgilloway, Ray, Brown & Kaufman On June 30, 2022 Audit. (Not A Project Under CEQA Per Article 20, Section 15378)

RECOMMENDED ACTION:

Accept by a motion of the Board, the June 30, 2023, financial statements of Sunnyslope County Water District that were audited by the accounting firm McGilloway, Ray, Brown & Kaufman and direct staff to file the report.

BACKGROUND:

The Audit Requirements for Special Districts is found in the California Code of Regulations Title 2, Section 1131.2. A financial Audit is due within 6 months of the concluding fiscal year. In 2020 the Board authorized a three-year contract for McGilloway, Ray, Brown & Kaufman (MRBK) to perform Audit services for the district. Patricia Kaufman, CPA/Partner with McGilloway, Ray, Brown & Kaufman, will give the Board a report/presentation regarding the District's June 30, 2023, audit and the resulting audited financial statements (attached) and Governance Letter (attached).

FISCAL IMPACT:


While there is no dollar fiscal impact, the district needs to provide audited financial statements to an array of governmental, banking, and financial entities to remain in compliance with various agreements and to be compliant with governmental transparency oversight regulations.

ENVIRONMENTAL IMPACT:

The proposed action is not a project as defined by Article 20, Section 15378 of the State CEQA Guidelines and therefore CEQA is not applicable.

**Sunnyslope County
Water District
June 30, 2023
Audit Presentation**

Presented by:
Patricia Kaufman, Audit Partner


 McGilloway | Ray | Brown | Kaufman
ACCOUNTANTS AND CONSULTANTS

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Reports Issued

- ▶ Independent Auditor's Report on Financial Statements (unmodified)
- ▶ Communication with those Charged with Governance

 McGilloway | Ray | Brown | Kaufman
ACCOUNTANTS AND CONSULTANTS

2

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Audited Financial Statements

- ▶ Audit opinion unqualified
 - ▶ Unmodified opinion - Financial statements are fairly stated in all material respects (Page 1)
- ▶ Basic financial statements
 - ▶ Statement of Net Position (Pages 14-15)
 - ▶ Statement of Revenues, Expenses and Changes in Net Position (Page 16)
 - ▶ Statement of Cash Flows (Pages 17-18)
 - ▶ Notes to financial statements (Pages 19-52)

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Communication with those Charged with Governance

- ▶ Significant Audit Findings
 - ▶ Management is responsible for the selection and use of appropriate accounting policies – we noted no transaction entered into the District books during the FY 2022-23 for which there is lack of authoritative guidance or consensus
 - ▶ Accounting estimates - evaluated the underlying assumptions for allowance for uncollectible accounts, useful lives/depreciation, deferred inflows and outflows, pension liability, and postemployment benefit liability and found them to be appropriate
- ▶ All significant transactions have been recognized in the financial statements in the proper period
- ▶ Sensitive Financial Statement Disclosures
 - The disclosure of Pension Plan in Note 8 - CalPERS GASB Statement No. 68, *Accounting Valuation Report*, with the measurement date of June 30, 2022
 - The disclosure of Other Post-Employment Benefit (OPEB) Plan in Note 10 - GASB Statement 75, *Accounting Valuation Report*, with the measurement date of June 30, 2022
 - The disclosure of SBITA in Notes 4 & 7 – GASB Statement 96, *Subscription Based Information Technology Arrangements*, with a discount rate of 8.65%

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Management Letter – Material Deficiency

- ▶ None Noted!

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Implemented GASBs

- ▶ Statement No. 96
 - ▶ *Subscription-Based Information Technology Arrangements (SBITA)*
- ▶ The District has subscription arrangements for accounting services & water monitoring services (Tyler & WaterSmart). These arrangements are now capitalized and recorded as right-to-use software arrangements. The corresponding liability for payments due over the term of the arrangement are recorded as Subscription Liabilities

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Statement of Net Position- Assets

	June 30, 2023	June 30, 2022	Change
Current assets	\$ 26,896,584	\$ 25,643,221	\$ 1,253,363
Capital assets, net	41,865,797	40,405,465	1,460,332
Other non-current assets	471,341	2,209,616	(1,738,275)
Deferred outflows of resources	2,987,185	2,939,258	47,927
Total assets and deferred outflows	\$ 72,220,907	\$ 71,197,560	\$ 1,023,347

Capital Assets, Net: Increase due to significant additions to Water Utility plants (\$3,454,080) and capitalization of right-to-use software (\$118,211)

Other non-current assets: Decrease is due to pension asset recognized in the prior year and pension liability in current year



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ACCOUNTANTS AND CONSULTANTS

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Statement of Net Position- Liabilities

	June 30, 2023	June 30, 2022	Change
Current liabilities	\$ 2,548,975	\$ 3,452,793	\$ (903,818)
Long-term liabilities	18,225,150	19,513,821	(1,288,671)
Deposits received	1,117,437	542,815	574,622
Subscription liability	22,006	56,568	(34,562)
Net pension liability	1,132,465	-	1,132,465
Net OPEB liability	393,663	200,933	192,730
Deferred inflows of resources	722,844	965,838	(242,994)
Total liabilities and deferred inflows	24,162,540	24,732,768	(570,228)
Net Position			
Net investment in capital assets	22,449,847	19,734,859	2,714,988
Restricted for capacity and connection fees	13,398,342	12,730,141	668,201
Restricted for debt services	780,051	1,400,401	(620,350)
Restricted for pension benefits	899,643	-	899,643
Unrestricted	10,530,484	12,599,391	(2,068,907)
Total net position	48,058,367	46,464,792	1,593,575
Total liabilities and net position	\$ 72,220,907	\$ 71,197,560	\$ 1,023,347

Current Liabilities: Decreased primarily due to decrease in accounts payable year over year (\$717,249).

Long-Term Liabilities: Decreased due to current year principal payments on debt and commitments.

Net Pension Liability: Changes due to actuarial valuation.

Net investment in capital assets: Increase due to significant additions to Water Utility plants.



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ACCOUNTANTS AND CONSULTANTS

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Statement of Revenues, Expenses, and Changes in Net Position

	June 30, 2023	June 30, 2022	Change
Operating revenues	\$ 12,044,101	\$ 13,345,614	\$ (1,301,513)
Operating expenses	15,413,771	9,669,593	5,744,178
Income (loss) from operations	(3,369,670)	3,676,021	(7,045,691)
Non-operating revenues (expenses), net	169,037	(647,034)	816,071
Income (loss) before capital contribution	(3,200,633)	3,028,987	(6,229,620)
Capital contribution			
Capacity and connection fees	1,438,150	7,349,525	(5,911,375)
Developer capital assets contributions	3,356,058	-	3,356,058
Change in net position	1,593,575	10,378,512	(8,784,937)
Net position - beginning of year	46,464,792	36,086,280	10,378,512
Net position - end of year	<u>\$ 48,058,367</u>	<u>\$ 46,464,792</u>	<u>\$ 1,593,575</u>

Operating Expenses: Increase is due to pension credit in the prior year.

Capacity and Connection Fees: Decrease due to the District received 101 new water capacity fees in current year as compared to 501 in prior year.

Developer capital assets contributions: Increase due to donated capital assets received in the current year.

Thank You!

November 21, 2023

To the Board of Directors of
Sunnyslope County Water District
Hollister, California

We have audited the financial statements of Sunnyslope County Water District for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 24, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Sunnyslope County Water District are described in Note 1, Significant Accounting Policies, to the financial statements. As described in Note 1 to the financial statements, the District adopted GASB Statement No. 96 *Subscription Based Information Technology Arrangements (SBITA)*. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Management's estimate of the allowance of uncollectable accounts is calculated as a percentage of the outstanding balance using historical and economic data. We evaluated the methods, assumptions, and data used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the useful lives of a capital asset is based on historical experience with similar capital assets. We evaluated the key factors and assumptions used to develop depreciation and determined that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability and related deferral are based on an amount actuarially determined in accordance with the parameters of GASB Statement 68. We evaluated the key factors and assumptions used to develop the net pension liability and related deferral that is reasonable in relation to the financial statements.

Management's estimate of the discount rate used for the calculation of the right-to-use subscription asset and subscription liability was determined utilizing a quote from a banking agency determined in accordance with the parameters of GASB Statement 96. We evaluated the key factors and assumptions used to discount rate that is reasonable in relation to the financial statements.

Management's estimate of the net OPEB liability and related deferral are based on an amount actuarially determined in accordance with the parameters of GASB Statement 75. We evaluated the key factors and assumptions used to develop the net OPEB liability and related deferral that is reasonable in relation to the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of Pension Plan in Note 8 to the financial statements – GASB Statement 68, *Accounting Valuation report*, with the measurement date of June 30, 2022.

The disclosure of Other Post-Employment Benefits (OPEB) Plan in Note 10 to the financial statements – GASB Statement 75, *Accounting Valuation Report*, with the measurement date of June 30, 2022.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 21, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management’s Discussion and Analysis, the schedule of the District’s Proportionate Share of the net pension liability (asset) and related ratios as of measurement date- cost sharing defined benefit pension plan, the schedule of the District’s required employer contributions – pension plan, the schedule of changes in the District’s net OPEB liability (asset) and related ratios as of measurement date, and the schedule of the District’s employer OPEB contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the board of directors and management of Sunnyslope County Water District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

McGilloway, Ray, Brown & Kaufman
Salinas, California

DRAFT

Sunnyslope County Water District

San Benito County, California

INCORPORATED, DECEMBER 17, 1954



BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR
ENDED JUNE 30, 2023
PREPARED BY THE FINANCE DEPARTMENT

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FINANCIAL SECTION

DRAFT
11/15/23

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sunnyslope County Water District
Hollister, California

Opinion

We have audited the accompanying financial statements of Sunnyslope County Water District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended 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.

Change in Accounting Principle

As discussed in Note 14 to the financial statements, in 2023 the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. Our opinion was not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 Sunnyslope County Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sunnyslope County Water District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of District's Proportionate Share of the Plan's (PERF C) of the Net Pension Liability (Asset) and Related Ratios, Schedule of the District's Required Employer Contributions, Schedule of Changes in the District's Net OPEB Liability (Asset) and Related Ratios, and the Schedule of the District's OPEB Contributions, 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.

Report on Summarized Comparative Information

We have previously audited the District's 2022 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated December 13, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, with the exceptions of the change in accounting principle described in Note 14, in all material respects, with the audited financial statements from which it has been derived.



McGilloway, Ray, Brown & Kaufman
Salinas, California
November 21, 2023

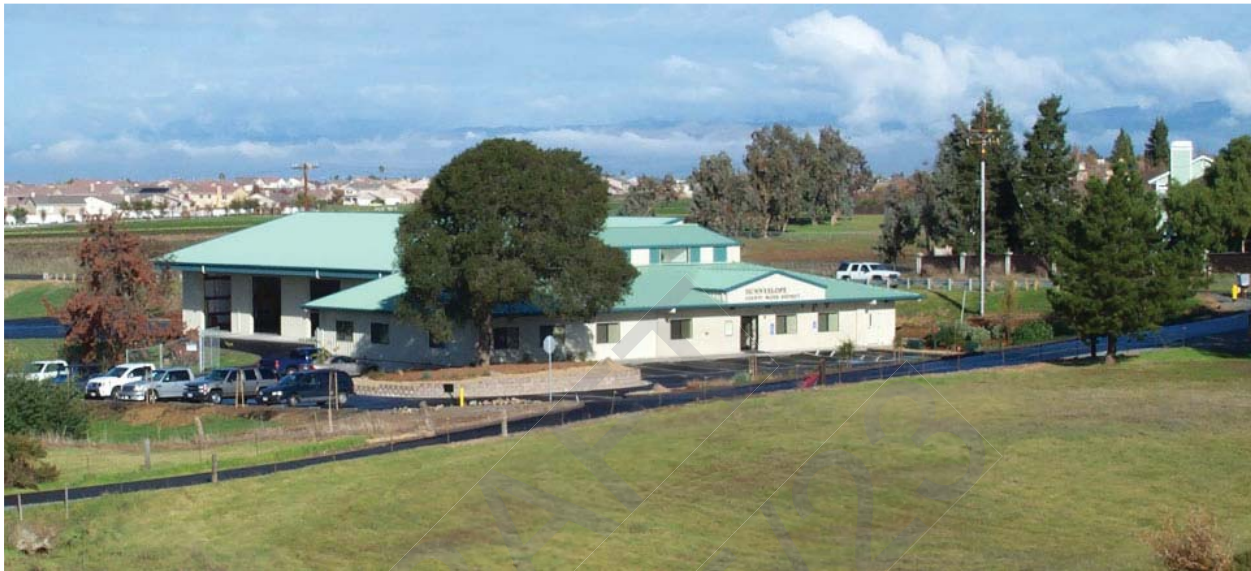
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11/15/23

Sunnyslope County Water District

Management's Discussion and Analysis

For the Year Ended June 30, 2023

As management of the Sunnyslope County Water District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023 (with 2022 information provided for comparative purposes only). This information is presented in conjunction with the transmittal letter in the Introductory Section, and with the basic financial statements and related notes, which follow this section.



The District

Sunnyslope County Water District was formed December 17, 1954 as a California Special District pursuant to the California County Water District Act, §30000 et seq., to furnish water and wastewater services to residents of the District in San Benito County, California. The District's water system serves an area of approximately 3.9 square miles in the City of Hollister and surrounding County areas. The District's wastewater system (of collection, treatment, and disposal) serves a few housing developments within the County consisting of Ridgemark Estates and the Oak Creek and Quail Hollow subdivisions. The District serves approximately 7,426 water accounts, of which 97.9% are residential customers, and approximately 1,298 sewer accounts, of which 99.4% are residential customers.

The District is a proprietary entity and uses enterprise fund accounting to report its activities for financial statement purposes. Proprietary funds are reported using the accrual basis of accounting and account for activities in a manner similar to private business enterprises. The intent of the governing body is that the cost (including depreciation) of providing goods and services to the general public on a continuing basis be financed primarily through user rates, fees, and charges.

The Basic Financial Statements

The basic financial statements include Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.

Sunnyslope County Water District

Management's Discussion and Analysis

For the Year Ended June 30, 2023

The Statement of Net Position: includes all of the District's Assets and Deferred Outflows, and Liabilities and Deferred Inflows, with the difference between the two reported as Net Position, some of which are restricted in accordance with Board action, or other legal commitments. This statement provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility. Trending increases or decreases in net position over time can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Net Position can be found on pages 14 and 15.

The Statement of Revenues, Expenses, and Changes in Net Position: presents information illustrating how net position changed during the fiscal year. 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 of its costs through its rates and other charges. This statement can also be used to evaluate profitability and creditworthiness. The Statement of Revenues, Expenses, and Changes in Net Position can be found on page 16.

The Statement of Cash Flows: presents information relating to the District's cash receipts and cash payments during the year. When used with related disclosures and information in other financial statements, the information in this statement should help readers assess the District's ability to generate future cash flows, its ability to meet its obligations as they come due, and its need for external financing. It also provides insight into the reasons for differences between operating income and associated cash receipts and payments, and the effects of the District's financial position from its non-capital and capital related financing and its investing transactions during the year. This statement answers questions such as; where cash came from, what was cash used for, and what was the change in cash balance during the reporting period? The Statement of Cash Flows can be found on pages 17 and 18.

The *Notes to the Basic Financial Statements* provide the reader with additional information that is necessary to understand all of the data provided in the basic financial statements. The notes to the financial statements are included immediately following the financial statements and can be found beginning on page 19 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents the required supplementary information. The required supplementary information concerns the District's liabilities related to pension and Other Post-Employment Benefits (OPEB) and can be found on pages 53 through 56 of this report.

Financial Analysis

The following condensed schedules contain a summary of financial information that was taken from the basic financial statements to assist readers in assessing the District's overall financial position and operating results as discussed in this Management's Discussion and Analysis (MD&A).

Sunnyslope County Water District
Management’s Discussion and Analysis
For the Year Ended June 30, 2023

Condensed Financial Information

Statement of Net Position

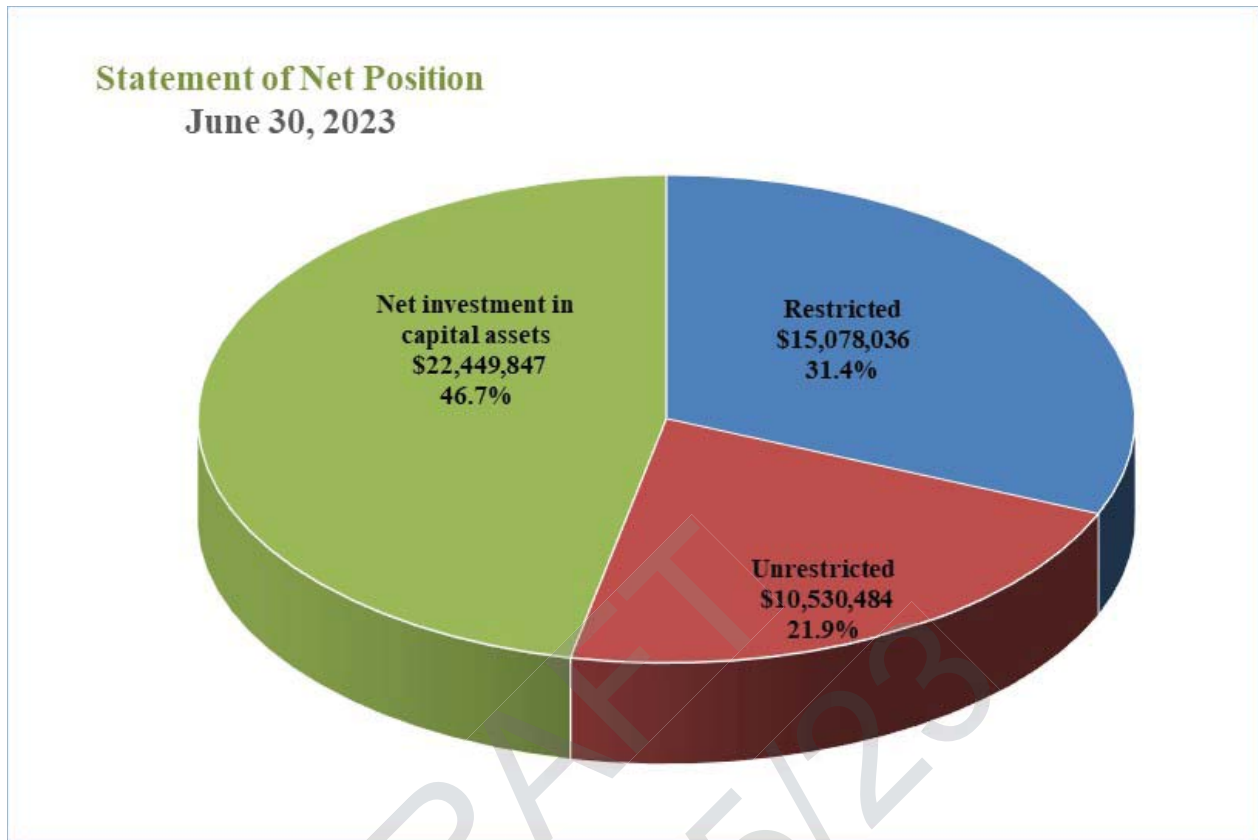
The following is the condensed Statement of Net Position for the fiscal year ended June 30, 2023 and 2022:

Condensed Statement of Net Position

	June 30, 2023	June 30, 2022	Amount Change	Percent Change
Current assets	\$ 26,896,584	\$ 25,643,221	\$ 1,253,363	4.9%
Other assets	471,341	2,209,616	(1,738,275)	-78.7%
Capital assets, net	41,865,797	40,405,465	1,460,332	3.6%
Total Assets	69,233,722	68,258,302	975,420	1.4%
Deferred outflows of resources	2,987,185	2,939,258	47,927	1.6%
Current liabilities	2,548,975	3,452,793	(903,818)	-26.2%
Long-term liabilities	20,890,721	20,314,137	576,584	2.8%
Total Liabilities	23,439,696	23,766,930	(327,234)	-1.4%
Deferred inflows of resources	722,844	965,838	(242,994)	-25.2%
Net Position				
Net investment in capital assets	22,449,847	19,734,859	2,714,988	13.8%
Restricted for capacity fees, debt service, and pension benefits	15,078,036	14,130,542	947,494	6.7%
Unrestricted	10,530,484	12,599,391	(2,068,907)	-16.4%
Total Net Position	\$ 48,058,367	\$ 46,464,792	\$ 1,593,575	3.4%

As noted earlier, net position over time may serve as a useful indicator of an agency’s financial position. The District’s assets exceeded liabilities by \$48,058,367 at June 30, 2023, which is the District’s net position. The largest portion of the District’s net position (46.7%) reflects its investment in capital assets of \$22,449,847 (e.g., land, transmission and distribution systems, wells, tanks, pumps, buildings and structures, equipment, and vehicles), net of accumulated depreciation and related outstanding debt used to acquire those assets. The District uses its capital assets to provide water and wastewater service to its designated service area, and as such, these assets are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to repay the debt. Other assets and Deferred outflows of resources pertain to valuation of both pension assets and obligations. In total, current year adjustments increased the Net Position by \$1,593,575. Pension balances are evaluated based on the previous fiscal year activity. In fiscal year 2022 the pension funds experienced returns on investments significantly below projections.

Sunnyslope County Water District Management's Discussion and Analysis For the Year Ended June 30, 2023



After restricting net position for capacity fees and debt service of \$15,078,036 (31.4%), the remaining net position of \$10,530,484 (21.9%) is unrestricted and may be used at the Board's discretion to continue meeting the needs of the District. See the Notes to Financial Statements, Note 11 – Net Position, for more details on the District's net position.

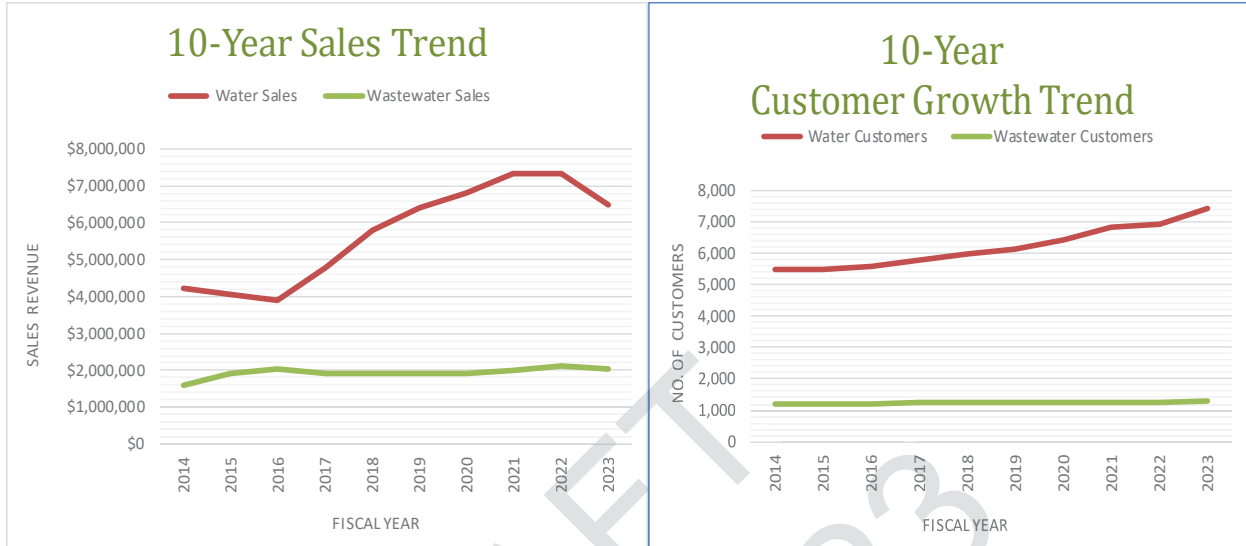
The District's net position increased \$1,593,575 from the prior fiscal year. The increase is primarily a result of the income from operations, capacity fees collected, developer capital contributions, and interest earned, offset by interest expense.

Statement of Revenues, Expenses, and Changes in Net Position

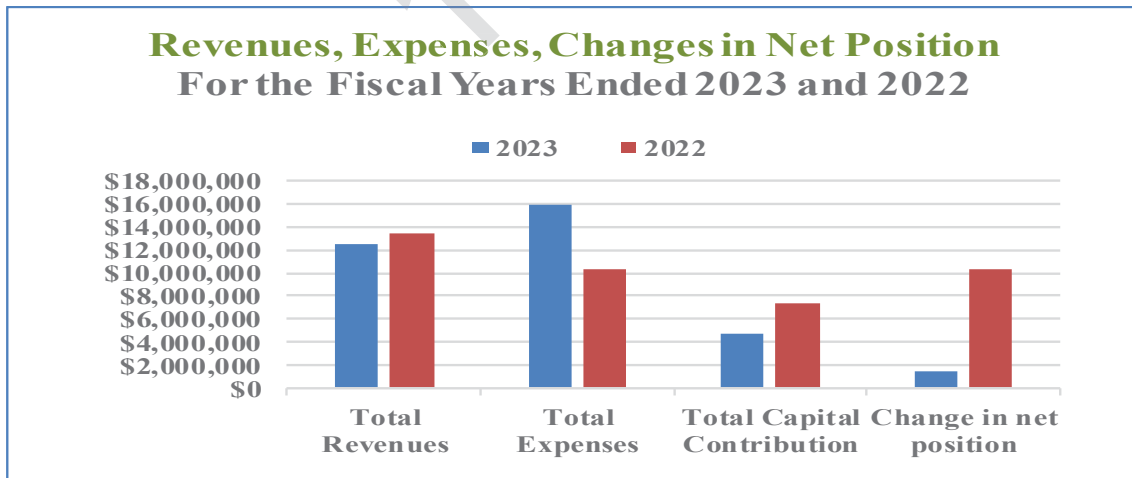
The District's principal source of revenue is from water sales (53.8% of operating revenue) and wastewater sales (16.8% of operating revenue), which together constitute 70.6% of operating revenue. The District's principal sources of water supply are from several wells owned by the District, from treated surface water received from the Lessalt Water Treatment Plant, from treated surface water received from the West Hills Water Treatment Plant and through interties with the City of Hollister. Presently wells provide approximately 50.0%, the Lessalt WTP providing approximately 21.3% and the West Hills WTP providing approximately 28.7% of the water pumped into the distribution system. These percentages have changed in recent years due to surface water allocations associated with the statewide drought being lifted. The Board approved water rate increases by Ordinance No. 73 in December 2013, which phased the increases over a six-year period, beginning in December 2013. The Board approved wastewater rate increases by Ordinance No. 74 in August 2013, which phased in the increases of 19.0% each year over a two-year period, beginning in December 2013. The water and wastewater rate increases were deemed necessary to implement the Hollister Urban Area Water Project (HUAWP). Several projects recommended in the HUAWP have been constructed that improve

Sunnyslope County Water District Management's Discussion and Analysis For the Year Ended June 30, 2023

drinking water quality for residents and help the District meet state and federal regulations for water and wastewater. The wastewater rate increase was also implemented to pay for the construction of the new Sequencing Batch Reactor (SBR) at the Ridgemark Wastewater Treatment Plant.



Water sales revenue remained flat through the first few years of rate increases, even though we implemented five years of rate increases of approximately 11.5% each year beginning in December 2013 and ending with the final increase of 3% in December 2018. The primary reason for slow revenue growth, despite the rate increases, was due to slow customer growth and customer water conservation during the California drought. Water sales revenue decreased 11.8% in the current years due to state-imposed drought restrictions. We expect to see water use fluctuate with the seasons and the amount of rainfall received. The customer base grew 331 in fiscal year 22 and 287 in fiscal year 23. Wastewater sales revenue decreased 4.6% this fiscal year. The effect on revenue from drought restrictions is tempered by the fixed component built into the sewer rate.



Sunnyslope County Water District

Management's Discussion and Analysis

For the Year Ended June 30, 2023

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	June 30, 2023	June 30, 2022	Dollar Change	Percent Change
Revenues				
Operating revenues	\$ 12,044,101	\$ 13,345,614	\$ (1,301,513)	-9.8%
Non-operating revenues	459,884	44,846	415,038	925.5%
Total revenues	<u>12,503,985</u>	<u>13,390,460</u>	<u>(886,475)</u>	<u>-6.6%</u>
Expenses				
Operating expenses	15,413,771	9,669,593	5,744,178	59.4%
Non-operating expenses	290,847	691,880	(401,033)	-58.0%
Total expenses	<u>15,704,618</u>	<u>10,361,473</u>	<u>5,343,145</u>	<u>51.6%</u>
Gain (loss) before capital contributions	<u>(3,200,633)</u>	<u>3,028,987</u>	<u>(6,229,620)</u>	<u>205.7%</u>
Capital Contributions				
Capacity and connection fees	1,438,150	7,349,525	(5,911,375)	-80.4%
Developer capital asset contributions	3,356,058	-	3,356,058	100.0%
Total capital contribution	<u>4,794,208</u>	<u>7,349,525</u>	<u>(2,555,317)</u>	<u>-34.8%</u>
Change in net position	<u>1,593,575</u>	<u>10,378,512</u>	<u>(8,784,937)</u>	<u>-84.6%</u>
Net position - beginning	46,464,792	36,086,280	10,378,512	28.8%
Net position - ending	<u>\$ 48,058,367</u>	<u>\$ 46,464,792</u>	<u>\$ 1,593,575</u>	<u>3.4%</u>

The primary source of non-operating revenues are water and wastewater capacity fees and investment income. Development of new housing moderated in the current year. Connection fees totaled \$1,438,150. We received 104 water capacity fees this fiscal year, compared to 331 last year, and we received zero wastewater capacity fees this fiscal year, compared to 61 last year. With the improvements to the Lessalt (surface) Water Treatment Plant, bringing the West Hills (surface) Water Treatment Plant online and the addition of a new well back in February 2010, the District significantly increased water supply pumping capacity. With the upgrades to the wastewater treatment system, including the construction of the sequencing batch reactor, the District has sufficient wastewater disposal capabilities for all existing customers and for developments under construction.

Operating expenses include salaries and benefits for 23 full-time employees, including water and wastewater system operations. The water department's expenses include electricity for pumping water, well water pumping fees, surface water cost and treatment, repairs and maintenance of the production and distribution systems, and an 80% share of customer service and general and administrative costs. The wastewater department's expenses include electricity for sewer pumping stations, repair and maintenance of the sewer manholes and mainline pipes, treatment costs, operation and maintenance of the Sequencing Batch Reactor (SBR), sludge disposal, and a 20% share of customer service and general and administrative costs. Operating expenses are down 3.4% compared to last fiscal year excluding pension adjustments. The decrease in expenses is attributed to the reduction in surface water purchase and treatment and the idling of the Lessalt water treatment plant.

Non-operating expenses include interest expense on our debt, and the loss on disposal of assets.

Sunnyslope County Water District

Management’s Discussion and Analysis

For the Year Ended June 30, 2023

Contributed capital comes from water and wastewater system infrastructure constructed by developers and turned over to the District for operation and maintenance. In fiscal year 2023, we accepted the water infrastructure and appurtenances of four completed subdivisions into our system for a total value of \$3,356,058. The five subdivisions include, West of Fairview Phase 1A & 1B (\$1,650,330), Robert Ranch Phase 1&2 (\$1,191,857), Santana Ranch Phase 7 (\$246,881) and Twin Oaks Phase 4&5 (\$266,990).

Capital Assets and Debt Administration

Capital Assets

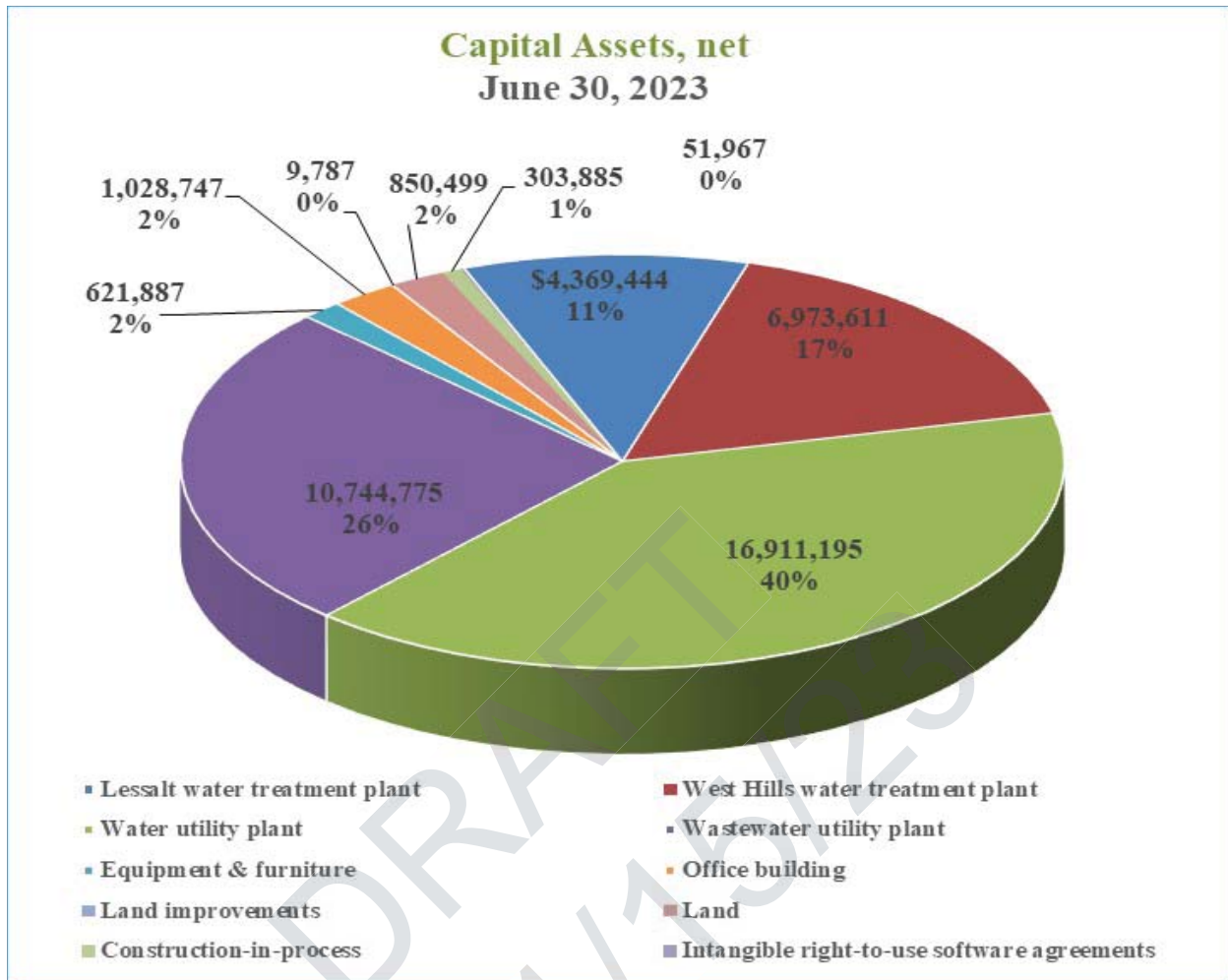
Capital assets include the District’s water infrastructure, wastewater infrastructure, land, buildings, equipment, furniture, and work-in-process.

The District’s investment in capital assets as of June 30, 2023 was \$41,865,797, net of accumulated amortization and depreciation. The \$3,927,587 in major capital asset additions for the current year included \$3,356,058 in donated assets, 549 new and replacement water meters installed (\$189,023), and work-in-process (\$238,092). The capital additions are offset by disposition of capital assets which were immaterial, amortization expense (\$921,454), and depreciation expense (\$1,545,534).

Schedule of Capital Assets, net of depreciation

	June 30, 2023	June 30, 2022	Dollar Change	Percent Change
Water rights				
Lessalt water treatment plant	\$ 4,369,444	\$ 4,474,166	\$ (104,722)	-2.3%
West Hills water treatment plant	6,973,611	7,757,222	(783,611)	-10.1%
Water utility plant	16,911,195	14,292,526	2,618,669	18.3%
Wastewater utility plant	10,744,775	11,134,627	(389,852)	-3.5%
Equipment & furniture	621,887	431,247	190,640	44.2%
Office building	1,028,747	1,130,804	(102,057)	-9.0%
Land improvements	9,787	10,255	(468)	-4.6%
Land	850,499	850,499	-	0.0%
Construction-in-process	303,885	239,030	64,855	27.1%
Intangible right-to-use software agreements	51,967	85,089	(33,122)	-38.9%
Capital assets, net	\$ 41,865,797	\$ 40,405,465	\$ 1,460,332	3.6%

Sunnyslope County Water District Management's Discussion and Analysis For the Year Ended June 30, 2023



Long-Term Debt

As of June 30, 2023, the District had long-term debt and long-term liabilities, totaling \$22,199,474. The decrease in loans and commitments payable is due to principal payments on the outstanding debt. The increase in deposits from customers is primarily due to customer turnover and new customers. The decrease in net pension liability and the net OPEB liability is primarily due to the impact of the District making additional payments toward the unfunded liabilities. More information on the District's pension plan can be found in Note 8 – Pension Plan of the financial statements. More information on the District's OPEB plan can be found in Note 10 – Other Post-Employment Benefit Plan of the financial statements.

Sunnyslope County Water District

Management’s Discussion and Analysis

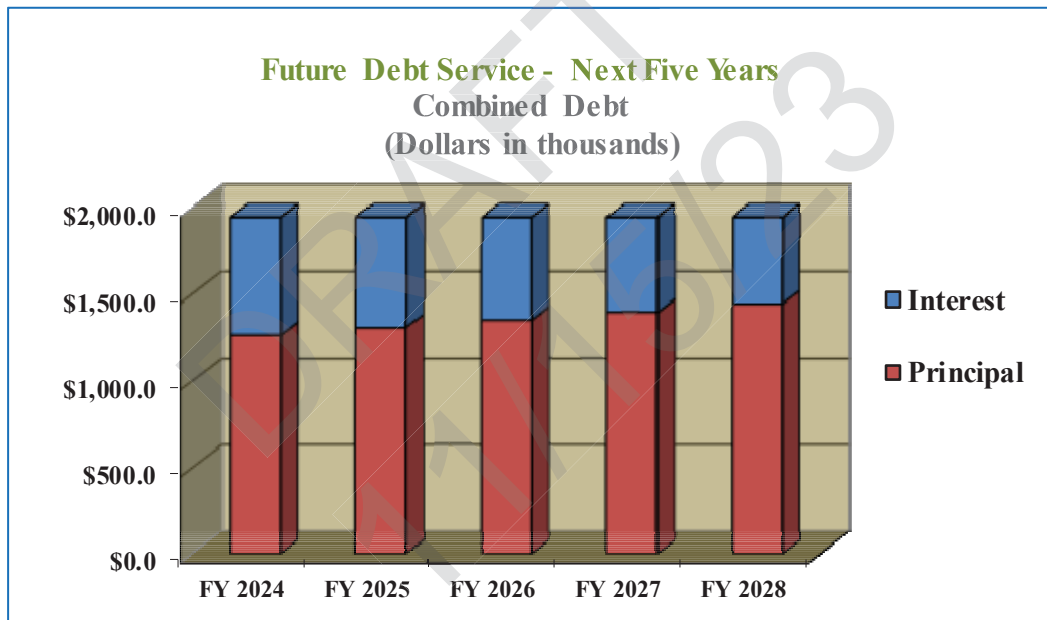
For the Year Ended June 30, 2023

Schedule of Long-Term Debt & Long-Term Liabilities

	June 30, 2023	June 30, 2022	Dollar Change	Percent Change
Accrued compensated absences	\$ 138,549	\$ 172,598	\$ (34,049)	-19.7%
Subscription Liability	56,568	88,276	(31,708)	-35.9%
Loans payable	7,190,138	7,748,648	(558,510)	-7.2%
Commitments payable	12,170,654	12,833,682	(663,028)	-5.2%
Deposits from customers	1,117,437	542,815	574,622	105.9%
Net pension liability	1,132,465	-	1,132,465	N/A
Net OPEB liability	393,663	200,933	192,730	95.9%
Debt and long-term liabilities	\$ 22,199,474	\$ 21,586,952	\$ 612,522	2.8%

Future Debt Service

The District’s debt service requirements for the next five years, through June 30, 2028, are shown on the following table, averaging \$1,941.7 thousand annually.



Other Future Economic Factors

From the years 2002 to 2015, the District experienced low to no housing growth, however, in fiscal years 2023 and 2022, new housing starts within the District service boundary have generated 287 and 331 new water connections, and 61 and 3 wastewater connections, respectively. Due to drought conditions, the state cut the District’s surface water allocation to zero in 2022 through spring of 2023. The effect was offset from the storage of prior allocations in the San Justo reservoir. San Benito County Water District is currently engaged in securing a larger state allocation from the state water project and is planning for the development of a new underground storage project. Due to cost trends and in consideration of the need to expand the county’s storage potential of surface water the District has contracted with Raftelis to perform a new rate study. We anticipate a new rate structure starting in fiscal year 2024.

Sunnyslope County Water District

Management's Discussion and Analysis

For the Year Ended June 30, 2023

Rates and Fees

The District conducted a wastewater rate study in 2013. New wastewater rates were passed after a public hearing was held in August 2013. The first approved increase took effect on December 21, 2013 and a second increase took effect on December 21, 2014, increasing by 19.0% each year. No increases in wastewater rates are anticipated for fiscal years 2017 through 2022.

Finally, the District conducted a water and wastewater capacity charge rate study in 2013. The new water and wastewater capacity charges were passed after a public hearing in August 2013, effective October 6, 2013. These fees are charges imposed as a condition of providing new or increased water and wastewater services through new connections. The water capacity fee for a 5/8", 3/4", or 1" meter size was \$11,000, effective July 1, 2019, and \$10,975, effective July 1, 2018, and is adjusted annually. The wastewater capacity fee for a single-family residential dwelling was \$19,875 per dwelling unit, effective July 1, 2019, and \$19,825 per dwelling unit, effective July 1, 2018, and is adjusted annually. The capacity fees increase on July 1 of each year by the San Francisco Construction Index for the prior year as published in the Engineering News Record. The current rates effective July 1, 2022, are \$14,205 and \$24,950 for a single-family dwelling for water and waste, respectively.

COVID-19

As a result of California State Executive Orders N-25-20 and N-29-20, the District abstained from administering shutoffs associated with non-payment of service bills. The District holds an average of \$250,000 in unpaid monthly service charges. The District is expected to reinstate the practice of service shutoffs beginning in February 2024. The District has not had an operational disruption of service delivery or regulatory compliance violations from the onset of the pandemic through the issuance date of the financials.

Contacting the District Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overall view of the District's finances and to demonstrate the District's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact the General Manager by writing Sunnyslope County Water District, 3570 Airline Highway, Hollister, California, 95023.



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

	2023	Restated 2022
Assets		
Current Assets		
Cash and investments	\$ 8,962,314	\$ 8,580,416
Accounts receivable, net	3,128,686	2,300,236
Inventory supplies	389,226	373,658
Prepaid expenses	237,965	258,369
Restricted cash and investments	14,178,393	14,130,542
Total Current Assets	<u>26,896,584</u>	<u>25,643,221</u>
Noncurrent Assets		
Capital assets		
Water rights, net	11,343,056	12,231,388
Depreciable, net	29,294,961	26,978,009
Nondepreciable	1,175,813	1,110,979
Intangible right-to-use software agreement, net	51,967	85,089
Idle assets	471,341	471,341
Net pension asset	-	1,738,275
Total Noncurrent Assets	<u>42,337,138</u>	<u>42,615,081</u>
Total Assets	<u>69,233,722</u>	<u>68,258,302</u>
Deferred Outflows of Resources		
Deferred outflows - pension	2,529,684	2,550,801
Deferred outflows - OPEB	457,501	388,457
Total Deferred Outflows of Resources	<u>2,987,185</u>	<u>2,939,258</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 72,220,907</u>	<u>\$ 71,197,560</u>

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

	2023	Restated 2022
Liabilities		
Current Liabilities		
Accounts payable	\$ 784,620	\$ 1,501,869
Accrued expenses	455,602	678,109
Accrued compensated absences - current portion	11,397	19,571
Loan and commitment payable - current portion	1,262,794	1,221,536
Subscription liability - current portion	34,562	31,708
Total Current Liabilities	2,548,975	3,452,793
Long-Term Liabilities		
Accrued compensated absences - less current portion	127,152	153,027
State Revolving Fund loan payable	6,617,107	7,190,138
Commitment payable for water rights	11,480,891	12,170,656
Deposits received	1,117,437	542,815
Subscription liability - less current portion	22,006	56,568
Net pension liability	1,132,465	-
Net OPEB liability	393,663	200,933
Total Long-Term Liabilities	20,890,721	20,314,137
Total Liabilities	23,439,696	23,766,930
Deferred Inflows of Resources		
Deferred inflows - pension	713,586	863,434
Deferred inflows - OPEB	9,258	102,404
Total Deferred Inflows of Resources	722,844	965,838
Total Liabilities and Deferred Inflows of Resources	24,162,540	24,732,768
Net Position		
Net investment in capital assets	22,449,847	19,734,859
Restricted for capacity fees	13,398,342	12,730,141
Restricted for debt service	780,051	1,400,401
Restricted for pension benefits	899,643	-
Unrestricted	10,530,484	12,599,391
Total Net Position	48,058,367	46,464,792
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 72,220,907	\$ 71,197,560

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

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Water services	\$ 6,480,883	\$ 7,346,626
Wastewater service	2,019,649	2,116,652
Contracted services	3,221,968	3,513,647
Late fees	84,884	115,540
Customer fees	52,157	207,940
Other	184,560	45,209
Total Operating Revenues	<u>12,044,101</u>	<u>13,345,614</u>
Operating Expenses		
Salaries and benefits	3,401,910	3,468,707
Pension	2,792,861	(3,532,778)
Operations and maintenance	6,762,696	7,342,410
Amortization and depreciation	2,456,304	2,391,254
Total Operating Expenses	<u>15,413,771</u>	<u>9,669,593</u>
Operating Income (Loss)	<u>(3,369,670)</u>	<u>3,676,021</u>
Non-Operating Revenues (Expenses)		
Interest income	449,391	44,846
Unrealized (loss) on investments	(275,856)	(675,297)
Gain on disposal of assets	10,493	-
Other expense	(8,593)	(8,412)
Interest expense	(6,398)	(8,171)
Net Non-Operating Revenues (Expenses)	<u>169,037</u>	<u>(647,034)</u>
Income (loss) Before Capital Contribution	<u>(3,200,633)</u>	<u>3,028,987</u>
Capital Contribution		
Capacity and connection fees	1,438,150	7,349,525
Developer capital asset contributions	3,356,058	-
Total Capital Contributions	<u>4,794,208</u>	<u>7,349,525</u>
Change in Net Position	1,593,575	10,378,512
Net Position - Beginning of Year, as restated Note 14	<u>46,464,792</u>	<u>36,086,280</u>
Net Position - End of Year	<u>\$ 48,058,367</u>	<u>\$ 46,464,792</u>

See accompanying notes to basic financial statements

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

	2023	2022
Cash Flows from Operating Activities		
Cash received from customers	\$ 11,790,273	\$ 12,975,737
Cash paid to suppliers	(7,706,209)	(7,414,100)
Cash paid to employees	(3,456,271)	(3,542,815)
Net Cash Provided by Operating Activities	627,793	2,018,822
Cash Flows from Capital and Related Financing Activities		
Capacity and connection fees received	4,794,208	7,349,525
Acquisition and construction of capital assets	(3,927,587)	(564,843)
Loan and commitment payments	(1,221,538)	(3,656,957)
Net Cash (Used) Provided by Capital and Related Financing Activities	(354,917)	3,127,725
Cash Flows from Investing Activities		
Interest received	447,720	44,848
Change in value of LAIF	(290,847)	(721,817)
Net Cash Provided (Used) by Investing Activities	156,873	(676,969)
Net increase in cash and cash equivalents and restricted cash and cash equivalents	429,749	4,469,578
Cash and Cash Equivalents at Beginning of Year	22,710,958	18,241,380
Cash and Cash Equivalents at End of Year	\$ 23,140,707	\$ 22,710,958
Unrestricted Cash and Cash Equivalent	\$ 8,962,314	\$ 8,580,416
Restricted Cash and Cash Equivalent	14,178,393	14,130,542
	\$ 23,140,707	\$ 22,710,958

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

	2023	2022
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (3,369,670)	\$ 3,676,021
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Amortization and depreciation	2,456,304	2,391,254
(Increase) in accounts receivable	(828,450)	(402,204)
(Increase) decrease in inventory supplies	(15,568)	58,429
(Increase) in prepaid expenses	20,404	(174,985)
Increase (decrease) in net OPEB asset	192,730	245,229
Decrease in deferred outflows - pension	2,093,300	569,497
Decrease in deferred outflows - OPEB	(2,141,227)	(2,528,190)
Increase (decrease) in accounts payable	(717,249)	(236,181)
(Decrease) Increase in accrued expenses	(265,149)	277,964
Increase (decrease) in deposits from customers	574,622	(5,779)
Increase (decrease) in net pension liability	2,870,740	(2,106,950)
Increase (decrease) in deferred inflows - pension	(149,848)	167,019
Increase (decrease) in deferred inflows - OPEB	(93,146)	87,698
Net Cash Provided by Operating Activities	\$ 627,793	\$ 2,018,822
Supplemental Disclosures of noncash Investing and Financing Activities		
Intangible right-to-use software agreement and subscription liability		\$ 118,211

Sunnyslope County Water District

Notes to Basic Financial Statements June 30, 2023

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Sunnyslope County Water District (the District) was formed December 17, 1954 as a California Special District pursuant to the California County Water District Act, §30000 et seq., to furnish water and wastewater services to residents of the District in San Benito County, California. The District is governed by a five-member Board of Directors who serve overlapping four-year terms. The District operates as a non-taxable governmental entity and earns the majority of its revenues from water sales and services to residential users. The District's water system serves an area of approximately 3.9 square miles in the City of Hollister and surrounding areas. The District's wastewater system serves a smaller area within the County consisting of Ridgemark Estates and the Oak Creek and Quail Hollow subdivisions. For fiscal year 2023, water sales constitute approximately 53.80% of operating revenues and wastewater sales are approximately 16.77% of operating revenues.

B. Basis of Accounting

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

C. Accounting Principles

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

D. Basis of Presentation and Measurement Focus

The Proprietary fund financial statements are reported using the *economic resource measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus all assets and liabilities (whether current or non-current) associated with the District's activities are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned while expenses are recognized when the liability is incurred regardless of the timing of cash flow.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District is charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, maintenance of capital assets, depreciation, and other recoverable charges on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Capital contributions consist of contributed capital assets and special charges that are legally restricted for capital expenditures by state law or by the Board action that established those charges.

Sunnyslope County Water District

Notes to Basic Financial Statements June 30, 2023

E. Budgets

The Board of Directors adopts the budget by passage with a majority vote prior to July 1st, for the new fiscal year, with a mid-year review. The budget is adopted by the governing Board as an operating plan and budgetary basis financial statements are not presented because there is no legal requirement to report budgetary basis financial information.

F. New Accounting Pronouncements

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

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

Statement No. 96	<i>"Subscription-Based Information Technology Arrangements"</i>	The provisions of this statement are effective for reporting periods beginning after June 15, 2022. The District has implemented this pronouncement for the year 2022-2023.
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Pending Accounting Standards

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

Statement No. 100	<i>"Accounting Changes and Error Correction" An Amendment of GASB statement No. 62</i>	The provisions of this statement are effective for reporting periods beginning after June 15, 2023.
Statement No. 101	<i>"Compensated Absences"</i>	The provisions of this statement are effective for reporting periods beginning after December 15, 2023.

G. Cash and Investments

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

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

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

Sunnyslope County Water District

Notes to Basic Financial Statements June 30, 2023

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

- ◆ U.S. Treasury Obligations, or Federal Agency Securities
- ◆ FDIC Insured Certificates of Deposit
- ◆ Fully Collateralized Certificates of Deposit
- ◆ Commercial Paper, (rated in highest short-term ratings category)
- ◆ California's Local Agency Investment Fund
- ◆ Securities of the State of California, its agencies, or any local agency within the state
- ◆ Medium term corporate notes (rated "A" or better)
- ◆ Negotiable Certificates of Deposit (rated "A" or better)
- ◆ Shares of beneficial interest issued by diversified management companies that are money market funds registered with Securities and Exchange Commission (highest rating by at least 2 rating organizations)
- ◆ Registered Treasury Notes or Bonds of any of the other remaining 49 states
- ◆ Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7

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

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

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

H. Receivables

Receivables include amounts due from water utility customers as well as amounts due from contracts, and other receivables. The District provides an allowance for doubtful accounts for all accounts deemed uncollectible. The allowance for fiscal year 2023 is calculated as 2.5% of the outstanding receivable balance on the District's accounts. The bad debt allowance is held low due to the District's strict shut-off policy for accounts that reach 3 months past due, and the District's deposit requirement policy. Management's periodic evaluation of outstanding receivables is based on the District's past loss experience. The majority of accounts that become uncollectible are final bills to customers who have left our service area. Once collection efforts have been exhausted, a list of accounts deemed uncollectible is provided to management for approval to write-off and are turned over to a collection agency for further attempts at collection.

Sunnyslope County Water District

Notes to Basic Financial Statements
June 30, 2023

The District provides water and wastewater services to residential and commercial customers who reside or do business in our service area. As part of normal operating practices, credit is granted to customers with a good prior credit history with the District or a TransUnion credit score of 700 or greater (a fee applies) on an unsecured basis. New customers or customers who have been shut-off for non-payment are required to pay, in addition to any other past-due balances or applicable fees, a deposit of \$125 if a water only customer, or a deposit of \$400 if a water and wastewater customer (less any amount currently held on deposit), prior to the start or reinstatement of service. New customers also may opt to pay 50% of the required deposit if they also sign up for the District’s automatic electronic payment program for a minimum of three years.

I. Inventories and Prepaid Expenses

Inventory consists primarily of water meters, parts, and spare pumps that are used in the repair and maintenance of water and wastewater utility plant and is valued at cost using the consumption method on a first-in, first-out basis. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

J. Restricted Cash and Investments

Restricted cash and investments represent allocations of cash and investments that are a statutory or contractual requirement. The District has established various accounts to provide for specific activities in accordance with special regulations and restrictions placed by contracts, laws or regulations of other governments. Specific detail on source of restrictions is provided in Note 11 – Net Position. Restricted capacity fees are used first to fund debt obligations and the Debt Service Reserve is restricted by the California State Water Resource Control Board’s Debt Covenant to establish a Reserve equal to one year’s debt service. Additionally, the Districts maintains a Section 115 trust with the California Public Employees’ Retirement System (CalPERS) called California Employers’ Pension Prefunding Trust (CEPPT) that is dedicated to pre-funding employer contributions to the defined benefits pension plan.

K. Capital Assets

Capital assets purchased or constructed by the District are carried at historical cost. Constructed costs include direct labor, materials, transportation, and such indirect items as engineering, supervision, employee fringe benefits, and interest on net borrowed funds related to plant under construction. Contributed assets from developers, such as water main services, fire hydrants, valves, and related appurtenances, are stated at their cost to construct or acquisition value at the date of donation to the District. The District’s capitalization threshold by asset category are as follows:

	Actual Cost or FMV
Land (by purchase, gift, donation, or bequest)	
Land Improvements	\$ 5,000
Buildings and Improvements	10,000
Leasehold Improvements	10,000
Furniture and Equipment	1,000
Property Leased from Others Under Capital Leases	1,000
Computer Software	1,000

Sunnyslope County Water District

Notes to Basic Financial Statements
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Land and construction in progress are not depreciated. Depreciation on the other assets is calculated using the straight-line method over the following estimated useful lives of the assets:

Hydrants, Transmission Mains, Lift Stations	40 Years
Valves, Storage Tanks, Service Lines	40 Years
Distribution Pipes (Water and Wastewater Mains)	40 Years
Wells, Buildings	25-40 Years
Landscaping/Grading/Lighting/Fencing/Paving	10-25 Years
Backflow Prevention	10-20 Years
Tools and Shop Equipment	7-15 Years
Meters, Chlorination and Other Treatment Equipment	10 Years
Office Furniture/Supplies, Electrical Systems	7-10 Years
Pumps, Transportation Equipment	5-10 Years
Lab/Monitoring and SCADA Monitoring Equipment	5-10 Years
Computers/Printers	5 Years

L. Idle Assets

Idle assets consist of potential site for Well #12 on Southside Road, including some engineering and design work, hydrogeology and water quality testing, environmental review work, drilling a test well, and a 2-acre parcel lot line adjustment, and a potential site for expansion of the West Hills Water Treatment Plant.

The Well #12 test well was taken out of service in 2012 because the project is on hold until such future time as we need additional groundwater, and the cost of the 2-acre lot line adjustment was taken out of service in 2016. In 1999, two adjoining parcels of land were purchased jointly with the City of Hollister as a future site for a surface water treatment plant. One of the parcels was ultimately chosen for the site of the West Hills Water Treatment Plant, which was jointly donated in 2015 to San Benito County Water District (SBCWD) under the Hollister Urban Area Water Supply and Treatment Agreement. The remaining adjoining parcel is being held for possible future expansion needs.

M. Water Rights

The District participates in various water rights agreements for imported surface water. These agreements are included in capital assets as water rights which are further described in Note 4 Capital Assets, Net and Note 7 B Commitments Payable.

Sunnyslope County Water District

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N. Compensated Absences

The District's employment policy provides for the accumulation of earned vacation leave and vested sick leave.

Vacation

The District's policy permits full-time employees to accrue vacation time as follows:

Compensated Absences

0 - 5 years of service	10 paid days
6 - 10 years of service	15 paid days
11 - 15 years of service	20 paid days
16 + years of service	22 paid days

Employees may accumulate earned but unused vacation benefits, up to a maximum of 240 hours, which are eligible for payment upon separation from the District. The liability for such leave is reported as an expense when incurred.

Sick Leave

The District also allows employees to accrue unused sick days. Any current employee who has completed ten years of continuous service with the District and who retires under CalPERS will be compensated for 25% of accrued unused sick leave in excess of 240 hours at the then current rate of pay at the time of retirement. The liability for such leave is reported as an expense when incurred.

Another option provides that any current employee who has completed ten years of continuous service with the District and having an unused sick leave accrual balance in excess of 500 hours, may "cash-out" up to a maximum of 96 hours of unused sick leave annually, as long as the cashed-out hours do not reduce the unused sick leave accrual balance to less than 500 hours. The employee may elect to contribute any portion of this payout directly to their deferred compensation plan account, up to the maximum plan contribution allowed that year. The expense for this option is recorded annually at the time this election is made. Accumulated sick leave lapses when employees separate from the District in any other manner.

O. Pension Plan

The District offers 2 retirement plans to its employees. Employees hired before January 1, 2013 are members of the CalPERS Classic Plan and employees hired after January 1, 2013 are members of the California Public Employees' Pension Reform Act Plan (PEPRA Plan).

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expenses, information about the fiduciary net position of the San Sunnyslope County Water District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS finance office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 8 for the CalPERS Classic Plan disclosures.

Sunnyslope County Water District

Notes to Basic Financial Statements June 30, 2023

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

Valuation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July1, 2021 to June 30, 2022

P. Other Post-Employment Benefits (OPEB)

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

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. Investments are reported at fair value. See Note 10 for additional disclosures. GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July1, 2021 to June 30, 2022

Q. Deferred Outflows/Inflows of Resources

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

- ◆ Deferred outflows of resources related to pensions are reported in the government-wide financial statements as described further in Note 8.
- ◆ Deferred outflows of resources related to OPEB are reported in the government-wide financial statements as described further in Note 10.

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

- ◆ Deferred inflows of resources related to pensions are reported in the government-wide financial statements as described further in Note 8.
- ◆ Deferred inflows of resources related to OPEB are reported in the government-wide financial statements as described further in Note 10.

Sunnyslope County Water District

Notes to Basic Financial Statements June 30, 2023

R. Net Position

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

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

Restricted – This component of net position consists of constraints placed on the use of net positions by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Restricted net position includes water and wastewater capacity (connection) fees and amounts held in a Section 115 trust with CalPERS, called the California Employer's Pension Prefunding Trust (CEPPT), that are restricted for future contributions to the pension plan. The resolution establishing the authority for water and wastewater capacity fees restricts the use of these fees to the construction, acquisition, or financing of capital assets. The water and wastewater capacity fees are exchange transactions (capital contributions). The connecting party receives a benefit (connection to the system) approximately equal in value to the amount paid.

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

S. Water & Wastewater Service Revenue Recognition

Revenues are recognized when earned and include accrual of revenue for the 10 days at fiscal year-end. Metered water accounts are read and billed on a monthly cycle that ends on the 20th of the month. Meter readings usually begin 3 to 4 working days prior to the 20th of the month. Wastewater customers are also billed monthly and are included with the water billing. Bills are mailed on or near the last working day of the month.

T. Contracted Services Revenue Recognition

Contracted services revenues are recognized when the performance obligation is satisfied over time.

U. Amortization

The District has Water Rights per various agreements for imported surface water. These Water Rights are amortized over the term of the agreements, which are further described in Note 4, Capital Assets, Net and Note 7, B Commitments Payable.

V. Restricted and Unrestricted Resources

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

W. Use of Estimates

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

Sunnyslope County Water District

Notes to Basic Financial Statements
June 30, 2023

X. Comparative Prior Year Financial Information

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District’s prior year financial statements, from which this selected financial data was derived.

Y. Reclassifications

Certain amounts in the prior year’s financial statements have been reclassified to conform to the current year’s financial statement presentation.

2. CASH AND INVESTMENTS

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

Cash and investments	\$ 8,962,314
Restricted cash and investments	<u>14,178,393</u>
Total cash and investments	<u><u>\$ 23,140,707</u></u>

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

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Petty Cash	\$ -	\$ 800	\$ 800
Heritage Bank of Commerce	-	1,237,452	1,237,452
California Employers' Pension Prefunding Trust (CEPPT)	899,643	-	899,643
MBS Securities	14,178,393	2,312,280	16,490,673
Local Agency Investment Fund	-	<u>4,512,139</u>	<u>4,512,139</u>
Total	<u><u>\$ 15,078,036</u></u>	<u><u>\$ 8,062,671</u></u>	<u><u>\$ 23,140,707</u></u>

See Note 11, Net Position for additional detail regarding restricted and board designated net position.

Pension Trust

The District established a Section 115 trust account with CalPERS entitled CEPPT to hold assets that are legally restricted for use in administering the District’s pension plan. Trust account holders can select one of two strategy options for investments. The District selected the CEPPT allocation Strategy 2 portfolio, which seeks to provide capital appreciation and income consistent with its strategic asset allocation. The CEPPT Strategy 2 portfolio is invested in various asset classes that are passively managed to an index. CalPERS periodically adjusts the composition of the portfolio in order to match the target allocations. Generally, equities are intended to help build the value of the portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds.

Sunnyslope County Water District

Notes to Basic Financial Statements
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Compared with CEPPT Strategy 1, this portfolio has a lower allocation of equities to bonds. The CEPPT Strategy 2 portfolio consists of the following asset classes and corresponding benchmarks:

Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	21%	+/- 5%	MSCI All Country World Index IMI (Net)
Fixed Income	61%	+/- 5%	Bloomberg US Aggregate Bond Index
Treasury Inflation-Protected Securities ("TIPS")	9%	+/- 3%	Bloomberg US TIPS Index, Series L
Real Estate Investment Trusts ("REITs")	9%	+/- 5%	FTSE EPRA/NAREIT Developed Index (Net)
Cash	-	+2%	91-Day Treasury Bill

Investments Authorized by the District’s Investment Policy

The District’s investment policy conforms to state law (Government Code Sections 53601 through 53659). The District’s investment policy authorizes investment in commercial paper at local banking institutions and in the local government investment pool administered by the State of California. The District’s investment policy does not contain any specific provisions intended to limit the District’s exposure to interest rate risk, credit risk, and concentration of credit risk.

Investment in State Investment Pool: The District is a voluntary participant in the Local Agency Investment Fund (LAIF) an investment pool managed by the State of California. LAIF is a special fund of the California State Treasury through which local governments may pool investments. As of June 30, 2023, the total fair value amount invested by all public agencies in LAIF is \$176,442,053,163 and managed by the State Treasurer. No amounts were invested in derivative financial products. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the District’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the District has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly.
- Level 3 inputs are unobservable and significant to the fair value measurement. These unobservable inputs reflect the District’s own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). The unobservable inputs are developed based on the best information available in the circumstances and may include the District’s own data.

Sunnyslope County Water District

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As of June 30, 2023, the balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The District’s other investments are composed primarily of Certificates of Deposits traded on the open market. See leveling of the investments below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$ 16,490,673	\$ -	\$ -	\$ 16,490,673

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The 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, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposit made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2023, \$250,000 of the balance on deposit with Heritage Bank of Commerce was covered by federal depository insurance, and the excess of \$1,880,766 was collateralized by the pledging institution as required by Section 53652 of the California Government Code.

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

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the District and that the District will not be able to recover the value of its investments or collateral securities. Credit risk is mitigated by investing only in U.S. Treasury Obligations, Federal Agency securities and in other high-quality investments, and by diversifying the portfolio so that the failure of any issuer would not unduly harm the District’s cash flow. The District diversifies its investments by security type and institution. The LAIF is managed by the State Treasurer is not rated, CEPPT is managed by CalPERS and is not rated, and Heritage Bank of Commerce has a credit rating of Green/***/BB from Veribanc, Inc.

Concentration of Credit Risk: Concentration of credit risk is the risk of a loss attributed to the magnitude of a government’s investment in a single issuer. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments represent a concentration. The investment in LAIF account are not considered a concentration of risk.

Sunnyslope County Water District

Notes to Basic Financial Statements
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The LAIF investment portfolio is as follows at June 30, 2023:

	<u>Amortized Cost</u>	<u>0-3 Months</u>
Local Agency Investment Fund	<u>\$ 4,512,139</u>	<u>\$ 4,512,139</u>

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. As a means of limiting exposure to fair value losses arising from interest rates, the District’s investment policy limits the maturity of investments in accordance with Government Code.

3. ACCOUNTS RECEIVABLE, NET

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectible accounts) amount on the financial statements. Below is the detail of the receivables as of June 30, 2023, including applicable allowances for uncollectible accounts:

	<u>Sunnyslope Water & Wastewater Sales and Services</u>	<u>City of Hollister Customer Billings</u>	<u>Other Receivables</u>	<u>Total June 30, 2023</u>
Accounts receivable	\$ 935,359	\$ 556,019	\$ 1,660,692	\$ 3,152,070
Less: Allowance for uncollectible accounts	(23,384)	-	-	(23,384)
Net accounts receivable	<u>\$ 911,975</u>	<u>\$ 556,019</u>	<u>\$ 1,660,692</u>	<u>\$ 3,128,686</u>

The District entered into an agency agreement with the City of Hollister (City) to bill wastewater and street sweeping charges to District’s water customers who receive their wastewater service from the City. Accounts receivable from customers includes \$556,019 due from the City’s customers as of June 30, 2023. Likewise, accounts payable includes \$556,019 due to the City for the amount billed to their customers as of June 30, 2023. See Note 6 – Accounts Payable. No provision was made for uncollectible accounts for the accounts receivable balance due from the City’s customers.

Other receivables represent those billings outside of the normal water and wastewater sales and services. The receivables include \$1,119,878 in contracted services billings for the operation and maintenance of the Lessalt Water Treatment Plant, the West Hills Water Treatment Plan and San Benito Foods.

Sunnyslope County Water District

Notes to Basic Financial Statements
June 30, 2023

4. CAPITAL ASSETS, NET

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

	June 30, 2022	Additions	Disposals	Transfers	June 30, 2023
Water rights					
Lessalt water treatment plant	\$ 6,500,000	\$ -	\$ -	\$ -	\$ 6,500,000
West Hills water treatment plant	12,200,000	-	-	-	12,200,000
Depreciable assets					
Water utility plant	25,802,884	3,545,080	-	-	29,347,964
Wastewater utility plant	15,628,605	-	-	-	15,628,605
Equipment and furniture	2,311,239	144,415	(69,869)	173,238	2,559,023
Office building	2,823,517	-	-	-	2,823,517
Land improvements	21,449	-	-	-	21,449
Non-depreciable assets					
Land	850,499	-	-	-	850,499
Construction-in-process	239,030	238,092	-	(173,238)	303,884
Intangible right-to-use software agreement	118,211	-	-	-	118,211
Total capital assets	<u>66,495,434</u>	<u>3,927,587</u>	<u>(69,869)</u>	<u>-</u>	<u>70,353,152</u>
Accumulated amortization	<u>(6,501,732)</u>	<u>(921,454)</u>	<u>-</u>	<u>-</u>	<u>(7,423,186)</u>
Accumulated depreciation	<u>(19,588,237)</u>	<u>(1,545,534)</u>	<u>69,602</u>	<u>-</u>	<u>(21,064,169)</u>
Capital assets, net	<u>\$ 40,405,465</u>	<u>\$ 1,460,599</u>	<u>\$ (267)</u>	<u>\$ -</u>	<u>\$ 41,865,797</u>

Sunnyslope County Water District

Notes to Basic Financial Statements
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The accumulated amortization and depreciation by major classes are summarized as follows:

	June 30, 2022	Additions	Disposals	June 30, 2023
Amortization				
Water rights				
Lessalt water treatment plant	\$ (1,913,890)	\$ (216,666)	\$ -	\$ (2,130,556)
West Hills water treatment plant	(4,554,720)	(671,666)	-	(5,226,386)
Software agreement	(33,122)	(33,122)	-	(66,244)
Total amortization	<u>(6,501,732)</u>	<u>(921,454)</u>	<u>-</u>	<u>(7,423,186)</u>
Depreciation				
Water utility plant	(11,510,360)	(926,380)	-	(12,436,740)
Wastewater utility plant	(4,493,978)	(389,852)	-	(4,883,830)
Equipment and furniture	(1,898,493)	(57,175)	-	(1,955,668)
Office building	(1,674,210)	(102,057)	-	(1,776,267)
Land improvements	(11,196)	(468)	-	(11,664)
Total depreciation	<u>(19,588,237)</u>	<u>(1,475,932)</u>	<u>-</u>	<u>(21,064,169)</u>
Total amortization and depreciation	<u>\$ (26,089,969)</u>	<u>\$ (2,397,386)</u>	<u>\$ -</u>	<u>\$ (28,487,355)</u>

The District implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, in fiscal year 2023. The District has two software arrangements that require recognition under GASBS No. 96. The software amortization expense is included on the Statement of Revenues, Expenses and Change in Fund Net Position related to the District’s intangible asset of two software, which is included in the above tables as Intangible Right-to Use Software arrangements. The District now recognizes a subscription-based information technology arrangements (SBITA) liability and an intangible right-to-use asset for the accounting software and water monitoring software.

The accounting software arrangement is a 4-year agreement of \$71,392, initiated in fiscal year 2020 with a monthly payment of \$2,046. The District used an 8.65% discount rate for this arrangement based on a quote from Heritage Bank. There is no option to purchase the software.

The water monitoring software is a 5 year agreement of \$46,819, initiated in fiscal year 2020 with a monthly payment of \$1,129. The District used an 8.65% discount rate for this arrangement based on a quote from Heritage Bank. There is no option to purchase the software.

5. IDLE ASSETS

Idle assets are recorded at cost. Management believes there is no impairment to the carrying amount of the idle assets at June 30, 2023 which are summarized as follows:

Site for Well #12	\$ 115,194
Well #12 Test Well	176,676
Site for Future W. Hills	
Water Treat. Plant Expansion	<u>179,471</u>
Total idle assets	<u>\$ 471,341</u>

Sunnyslope County Water District

Notes to Basic Financial Statements
June 30, 2023

6. ACCOUNTS PAYABLE

The District entered into an agency agreement with the City of Hollister (City) to bill wastewater and street sweeping charges to District’s water customers who receive their wastewater service from the City beginning July 1, 2007. Accounts payable includes \$566,019 due to the City for the amount billed to their customers as of June 30, 2023. Likewise, accounts receivable from customers includes \$556,019 due from the City’s customers as of June 30, 2023 - see Note 3 Accounts Receivable.

Amounts are aggregated into a single accounts payable total on the financial statements. Below is the detail of the accounts payable as of June 30, 2023:

Sunnyslope Water District Vendors	City of Hollister Customer Billings	Total
\$ 228,601	\$ 556,019	\$ 784,620

7. LONG TERM DEBT PAYABLE

The change in loans and commitments payable of the District for the year ended June 30, 2023, are summarized as follows:

	June 30, 2022	Increase	Decrease	June 30, 2023	Due Within One Year
Accrued compensated absences	\$ 172,598	\$ 290,584	\$ (290,765)	\$ 138,549	\$ 11,397
Subscription liability	88,276	-	(31,708)	56,568	34,562
Direct Borrowings and Placements					
State Revolving Fund loan payable	7,748,648	-	(558,510)	7,190,138	573,031
Commitment payable	12,833,682	-	(663,028)	12,170,654	689,763
Total Direct Borrowings and Placements	20,582,330	-	(1,221,538)	19,360,792	1,262,794
Total Long-Term Liabilities	\$20,843,204	\$ 290,584	\$(1,544,011)	\$ 19,555,909	\$1,308,753

Sunnyslope County Water District

Notes to Basic Financial Statements
June 30, 2023

The aggregate maturities of loans and commitments are as follows:

Fiscal Year Ending June 30,	Direct Borrowings and Placements		
	Principal	Interest	Total
2024	\$ 1,262,794	\$ 678,902	\$ 1,941,696
2025	1,305,521	636,175	1,941,696
2026	1,349,773	591,923	1,941,696
2027	1,395,605	546,091	1,941,696
2028	1,443,076	498,622	1,941,698
2029-2033	7,552,800	1,734,660	9,287,460
2034-2038	3,232,313	636,917	3,869,230
2039-2043	1,753,414	222,659	1,976,073
2044	65,496	369	65,865
	<u>\$ 19,360,792</u>	<u>\$ 5,546,318</u>	<u>\$ 24,907,110</u>

A. State Revolving Fund Loan – State Water Resources Control Board

On April 11, 2011, the District entered into a project financing agreement with the State Water Resources Control Board for a State Revolving Fund (SRF) loan in the amount of \$11.4 million. This loan provided funds for the construction of the Ridgemark Wastewater Treatment and Recycled Water Improvements Project (the System), which generally consisted of upgrade and consolidation of the District’s Ridgemark I and Ridgemark II wastewater treatment facilities. The term of the agreement is from December 14, 2010 to September 30, 2033. The construction completion date was extended to September 30, 2013 and the initiation of operation date to January 1, 2014. The loan is scheduled to be repaid over a 20-year period beginning September 30, 2014. Interest accrued during the construction period of \$345,037 is being added to the principal balance due on the loan. The annual interest rate is 2.6%, resulting in amortized principal and interest payments of \$759,975 per year. Principal and interest are to be paid from pledged future revenues of the System.

The SRF loan is collateralized by a pledge of revenues derived and to be derived from the operations of the District after deduction therefrom of the amounts necessary to pay all operating and maintenance charges of the District. The District is also required to establish and maintain a reserve fund equal to one year’s debt service from available cash.

The SRF loan is collateralized by a pledge of net revenues derived and to be derived from the operations of the District. Net revenues are revenues received from the ownership or operation of the System less the amounts necessary to pay all system operating and maintenance charges of the District, excluding depreciation, replacement and obsolescence charges or reserves and amortization of intangibles. In addition, the District covenants to establish rates and charges in amounts sufficient to generate net revenues equal to at least 1.2 times the total annual debt service.

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Net revenue available for debt service for the year ended June 30, 2023, is determined as follows:

Wastewater System Revenue	\$ 2,064,479
Cost of Good Sold	472,650
Other Expenses	1,329,105
Total Expenses	<u>1,801,755</u>
Operating Wastewater System Income	262,724
Add:	
Capacity fees	1,357,257
Depreciation	423,143
Net Revenue	<u>\$ 2,043,124</u>
Annual Debt Service	<u>\$ 759,975</u>
Net Revenue Ratio	2.69
Required Net Revenue Ratio	1.20

In the event of violation of any material provision of the agreement and the District fails to return to compliance with the provisions, the State Water Resources Control Board may terminate the agreement by written notice. In the event of such termination, the District must repay an amount equal to installment payments due, including accrued interest and any penalty assessments.

The maturities of SRF loan payable are as follows:

Fiscal Year Ending June 30,	Direct Borrowing and Placement		
	Principal	Interest	Total
2024	\$ 573,031	\$ 186,944	\$ 759,975
2025	587,930	172,045	759,975
2026	603,216	156,759	759,975
2027	618,900	141,075	759,975
2028	634,990	124,987	759,977
2029-2033	3,431,355	368,517	3,799,872
2034-2035	740,716	19,259	759,975
	<u>\$ 7,190,138</u>	<u>\$ 1,169,586</u>	<u>\$ 8,359,724</u>

B. Commitments Payable – San Benito County Water District – Surface Water Treatment Facilities

The San Benito County Water District (SBCWD) committed to finance up to \$30 million of the project costs to upgrade the surface water treatment process at the Lessalt Water Treatment Plant to meet current water quality regulations, and to construct a second surface water treatment plant called the West Hills Water Treatment Plant. These funds were committed in two tranches. The first tranche of \$13 million was made available on the effective date of the agreement, September 1, 2013. The second tranche of \$17 million was made available effective May 1, 2015, the start of the construction phase of the West Hills Water Treatment Plant.

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The actual project cost exceeded \$30 million by \$11.6 million, and these additional project costs were financed with a combination of \$4.2 million in Proposition 84 Grant Funds, \$3.4 million from reserves of the District and the City, and a \$4 million loan procured by SBCWD. The District paid its \$1.7 million share from reserves during fiscal year 2017, which was capitalized as water rights and is being amortized accordingly. The loan commitment of \$4 million by SBCWD became tranche 3 and was made available on January 1, 2016. The District and the City are committed to share equally in the costs associated with these two surface water treatment plants and share in the rights to receive the treated water produced.

The District's share of the first tranche capital cost is \$6.5 million and is spread in equal monthly payments over thirty years at an interest rate of 4.5%. The District's share of the second tranche capital cost is \$8.5 million and is spread in equal monthly payments over twenty years at an interest rate of 4.0%. The District's share of the third tranche capital cost is \$2 million, which is being repaid quarterly over a 15 year period at an interest rate of 3.45%, with the District's monthly payment based on one-third of its share of the quarterly payment.

In accordance with the financial covenants of the agreement, the District shall pledge net Water revenues, defined as gross revenues received during any period less the amount required by the District to pay for all operation and maintenance costs during such period. Operation and maintenance costs shall mean the reasonable and necessary costs and expenses for maintaining and operating the water system, excluding depreciation, replacement and obsolescence charges or reserves, amortization of intangibles, payments of principal and interest on all outstanding parity debt or other obligations of the District and costs of capital additions, replacements or improvements chargeable to a capital account.

In the event of default, the District will be required to pay all direct damages including the District's respective share of all remaining capital costs incurred for development and construction of facilities, including interest, in addition to any obligations that remain unpaid as of the date of the default.

The aggregate maturities of commitments are as follows:

Fiscal Year Ending June 30,	Direct Borrowing and Placement		
	Principal	Interest	Total
2024	\$ 689,763	\$ 491,958	\$ 1,181,721
2025	717,591	464,130	1,181,721
2026	746,557	435,164	1,181,721
2027	776,705	405,016	1,181,721
2028	808,086	373,635	1,181,721
2029-2033	4,121,445	1,366,143	5,487,588
2034-2038	2,491,597	617,658	3,109,255
2039-2043	1,753,414	222,659	1,976,073
2044-2045	65,496	369	65,865
	<u>\$ 12,170,654</u>	<u>\$ 4,376,732</u>	<u>\$ 16,547,386</u>

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The maturities of Tranche 1 commitment payable are as follows:

Fiscal Year Ending June 30,	Direct Borrowing and Placement		
	Principal	Interest	Total
2024	\$ 163,089	\$ 232,126	\$ 395,215
2025	170,581	224,634	395,215
2026	178,418	216,797	395,215
2027	186,614	208,601	395,215
2028	195,188	200,027	395,215
2029-2033	1,118,968	857,105	1,976,073
2034-2038	1,400,719	575,354	1,976,073
2039-2043	1,753,414	222,659	1,976,073
2044	65,496	369	65,865
	<u>\$ 5,232,487</u>	<u>\$ 2,737,672</u>	<u>\$ 7,970,159</u>

The maturities of Tranche 2 commitment payable are as follows:

Fiscal Year Ending June 30,	Direct Borrowing and Placement		
	Principal	Interest	Total
2024	\$ 392,475	\$ 225,625	\$ 618,100
2025	408,465	209,635	618,100
2026	425,107	192,993	618,100
2027	442,426	175,674	618,100
2028	460,451	157,649	618,100
2029-2033	2,599,409	491,091	3,090,500
2034-2035	1,090,878	42,304	1,133,182
	<u>\$ 5,819,211</u>	<u>\$ 1,494,971</u>	<u>\$ 7,314,182</u>

The maturities of Tranche 3 commitment payable are as follows:

Fiscal Year Ending June 30,	Direct Borrowing and Placement		
	Principal	Interest	Total
2024	\$ 134,199	\$ 34,207	\$ 168,406
2025	138,545	29,861	168,406
2026	143,032	25,374	168,406
2027	147,665	20,741	168,406
2028	152,447	15,959	168,406
2029-2031	403,068	17,947	421,015
	<u>\$ 1,118,956</u>	<u>\$ 144,089</u>	<u>\$ 1,263,045</u>

C. Commitments Payable – Subscription Liability (SBITA)

At June 30, 2023, \$51,967 (net) has been recorded as intangible right-to-use software arrangements in the statement of net position. Due to the implementation of GASB Statement No. 96, these arrangements for accounting software and water monitoring software met the

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criteria of a SBITA; thus, requiring it to be recorded by the District as intangible assets and a SBITA Liability. These assets will be amortized over the lease terms of four and five years. There are no residual value guarantees in the arrangement provisions. The accounting software arrangement will end in 2025 and the water monitoring software arrangement will end in 2026. A summary of the subscription liability (SBITA) is as follows.

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 34,562	\$ 3,544	\$ 38,106
2025	20,877	860	21,737
2026	1,129	8	1,137
	<u>\$ 56,568</u>	<u>\$ 4,412</u>	<u>\$ 60,980</u>

8. PENSION PLAN

A. *General Information about the Pension Plan*

Plan Description - All qualified employees are eligible to participate in the District’s Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plan (PERF C or the Plan) is administered by the California Public Employees Retirement System (CalPERS). A menu of benefit provisions as well as other requirements are established by State statutes within the California Public Employees’ Retirement Law (PERL). The District’s Board of Directors selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Employees Covered - All full-time District employees are eligible for benefits under the Plan in one of two tiers. Employees hired prior to January 1, 2013, or who are hired after December 31, 2012 and qualify as “classic” members on date of hire are in Tier 1 (rate plan #620), and employees hired after December 31, 2012 and who do not qualify as “classic” members are in Tier 2 (rate plan #26656). At June 30, 2023, there are 25 full-time employees, with 7 in Tier 1, and 18 in Tier 2.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the PERL.

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

	Miscellaneous	
	Classic	PEPRA
Hire date	Hire prior to January 1, 2013	Hire on or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% at 62
Benefit vesting schedule	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	2.7%	2.0%
Final compensation period	1 year	3 years
Required employee contribution rates	7.96%	6.750%
Required employer contribution rates	14.030%	7.470%
Required Payment of Unfunded Liability	\$47,971	\$2,882

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

Contribution Description - Section 20814(c) of the California PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. It is the responsibility of the District to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions (EPMC) or cost sharing whether by contract amendment or by resolution of the governing board. The District’s contributions were as follows:

	Fiscal Year Paid	
	2022/23	2021/22
Misc. Classic	\$ 168,549	\$ 159,139
Misc. PEPRA	107,124	102,036
	<u>\$ 275,673</u>	<u>\$ 261,175</u>

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

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

	Fiscal Year Ended	
	June 30, 2023	June 30, 2022
Total Net Pension Asset (Liability)	<u>\$ (1,132,465)</u>	<u>\$ 1,738,275</u>

The District's net pension asset (liability) is measured as the proportionate share of the net pension asset (liability). The net pension liability is measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions for all participating employers, actuarially determined. The District's proportionate share of the net pension asset (liability) as of June 30, 2023 and 2022 were as follows:

	Percentage Share of Risk		Change: Increase/(Decrease)
	6/30/2023	6/30/2022	
Fiscal year ended	6/30/2023	6/30/2022	
Measurement date	6/30/2022	6/30/2021	
Percentage of Plan (PERF C) NPL	0.00980%	-0.03214%	0.04194%

For the year ended June 30, 2023, the District recognized pension expense of \$3,017,681. As of June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,743	\$ 15,232
Changes in assumption	116,045	-
Net differences between projected and actual earnings on plan investments	207,438	-
Change in employer's proportion	1,907,785	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	698,354
Pension contributions subsequent to measurement date	275,673	-
Total	<u>\$ 2,529,684</u>	<u>\$ 713,586</u>

The deferred outflows of resources to contributions of \$275,673 were subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

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

<u>Year Ending June 30,</u>	
2024	\$ 540,887
2025	534,186
2026	338,474
2027	126,878
Total	<u>\$ 1,540,425</u>

Actuarial Methods and Assumptions used to determine Total Pension Liability - For the measurement period ended June 30, 2022 (the measurement date), the total pension liability was determined by an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension liability to June 30, 2022. The total pension liability was based on the following assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Investment rate of return	7.15%
Inflation	2.30%
Salary increases	Varies by Entry Age and Service
Mortality rate table*	Derived using CalPERS' Membership Data for all Funds
Post-retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

*The Mortality table used was developed based on CalPERS's specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of the scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Changes of Assumptions – There were no changes in the discount rate for the PERF C, which remained at 7.15%.

Discount Rate – The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

The expected real rates of return by asset class per the CalPERS’ Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022 as followed:

Asset Class	Assumed Asset Allocation	Real Return Years 1-10*
Global equity - cap-weighted	30.00%	4.45%
Global equity non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	50.00%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

*An expected inflation of 2.30% used for this period

Amortization of Deferred Outflows and Deferred Inflows of Resources – Net difference between projected and actual earnings on pension plan investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining net difference between projected and actual investment earning on pension plan investments is amortized over the remaining amortization periods. Net difference between projected and actual investment earning on pension plan investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

Deferred outflows of resources and deferred inflows of resources relating to differences between expected and actual experience and changes of assumptions are amortized over the Expected Average Remaining Service Lifetime (EARSL) of members provided with pensions through the Plan determined as of the beginning of the related measurement period. The EARSL for PERF C for the June 30, 2022 measurement date is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of all active employees) by 153,587 (the total number of participants: active, inactive, and retired) in PERF C. Inactive

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employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

	Discount Rate		
	5.90%	6.90%	7.90%
	(1% Decrease)	(Current Rate)	(1% Increase)
Measurement date		June 30, 2022	
Fiscal Year End		June 30, 2023	
Net Pension Liability (Asset)	\$ 3,458,221	\$ 1,132,465	\$ (781,055)

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

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

9. DEFERRED COMPENSATION PLAN

The District offers its employees a choice between two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Retirement law allows "rollovers" of 457 plan assets into other qualified retirement plans. Participants are fully vested at all times and the District or creditors of the District have no claim against the plan. All funds are held by outside trustees and excluded from the statement of net position in conformity with Government Accounting Standards.

Effective July 1, 2010, the District agreed to match the lesser of 30% of the employee deferral contribution or \$468, to the extent that District contributions and employee deferral do not exceed the maximum permitted by law.

For the year ended June 30, 2023, employee contributions consisting of employee deferrals, compensated absences, and cash in lieu of insurance benefits converted to deferred compensation totaled \$262,097. For the year ended June 30, 2023, the required employer matching contribution was \$7,159.

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The investment balances and financial institutions that administer the District’s 457 Plans are as follows:

<u>Plan Administrator</u>	<u>Investment Balance</u>
Nationwide Retirement Solutions, Inc.	\$ 4,058,570
CalPERS Supplemental Income Plan	<u>111,066</u>
Total	<u>\$ 4,169,636</u>

10. OTHER POST-EMPLOYMENT BENEFIT PLAN (OPEB)

A. General Information about the OPEB Plan

Plan Description: The District rejoined the Public Employees' Medical & Hospital Care Act (PEMHCA) in January 2011 for its employees. The healthcare plan is offered through the California Public Employees’ Retirement System (CalPERS). The Sunnyslope County Water District Retiree Healthcare Plan provides benefits as approved by the Board and subject to the requirements of California Government Code Section 22892. For purposes of reporting under GASB Statements 74 and 75, the plan is an agent multiple employer plan administered by the CalPERS Employers’ Retirement Benefit Trust (CERBT).

The plan information is as follows:

<u>Fiscal Year End</u>	<u>June 30, 2023</u>
Plan Type	Agent Multiple Employer
OPEB Trust	Yes
Special Funding Situations	No
Nonemployer Contributing Entities	No

Employees Covered: As of the June 30, 2022 actuarial valuation, the following current and former employees were covered by the benefit terms under the healthcare plan:

<u>June 30, 2023 Fiscal Year End</u>	<u>Number of Covered Participants</u>
June 30, 2022 Measurement Date	
June 30, 2022 Valuation Date	
Actives Employees	24
Inactive Employees Currently Receiving Benefit Payments	7
Inactive Employees Entitled to but not yet Receiving Benefit Payments	<u>6</u>
Total Employees	<u>37</u>

Benefits and Eligibility: Under the CalPERS health plan, the District is required to pay the minimum employer health premium contribution for the District’s eligible retirees and eligible surviving spouses. The employee is responsible for paying the remainder of the monthly healthcare premium. The minimum employer contribution for retirees’ health premiums for calendar year 2023 is \$151 per month. The amount will increase in subsequent years to reflect inflation in the cost of healthcare. These benefits are being paid through the CalPERS California Employers’ Retirement Benefit Trust (CERBT). To be eligible for retirement medical, an active employee must be at least 50 and have a minimum of 5 years of service and retire directly from the District.

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Contributions: The District intends to contribute to the Trust the actuarially determined contribution (ADC) net of the pay-as-you-go benefits paid annually directly from employer resources. For the fiscal year ended June 30, 2023, the District's cash contributions were \$13,953 in premium payments made on behalf of retirees, implied subsidy payments of \$57,268, and administrative expenses of 458, resulting in total payments of \$71,679. No trust contributions were made in 2022/23 fiscal year.

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

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

<u>Fiscal Year Ended</u>	<u>June 30, 2023</u>
<u>Measurement Date</u>	<u>June 30, 2022</u>
Total OPEB Liability (TOL)	\$ 1,033,949
Fiduciary Net Position (FNP)	640,286
Total Net OPEB Liability	<u>\$ 393,663</u>
Funded status (FNP/TOL)	61.9%

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

<u>Changes in Net OPEB Liability</u>	<u>Total OPEB Liability (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) - (b)</u>
Balance at June 30, 2022 (Measurement Date June 30, 2021)	\$ 951,381	\$ 750,448	\$ 200,933
Service Cost	40,869	-	40,869
Interest	59,081	-	59,081
Changes of Benefit Terms	-	-	-
Actual versus Expected Experience	-	-	-
Changes of Assumptions	47,205	-	47,205
Employer Contributions	-	54,710	(54,710)
Employee Contributions	-	-	-
Net Investment Income	-	(99,820)	99,820
Benefit Payments	(64,587)	(64,587)	-
Administrative Expenses	-	(465)	465
Net Changes	<u>82,568</u>	<u>(110,162)</u>	<u>192,730</u>
Balance at June 30, 2023 (Measure Date June 30, 2022)	<u>\$ 1,033,949</u>	<u>\$ 640,286</u>	<u>\$ 393,663</u>

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OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: As of fiscal year ended June 30, 2023, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Differences Between Projected and Actual Earnings on Plan Investments	\$ 51,296	\$ -
Differences Between Expected and Actual Experience	282,190	9,258
Changes of Assumptions	52,336	-
Employer Contributions after Measurement Date	71,679	-
Total	<u>\$ 457,501</u>	<u>\$ 9,258</u>

Deferred outflows of resources in the amount of \$71,679 related to contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2024.

Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

<u>Year Ending June 30,</u>	<u>Deferred Outflows of Resources</u>
2024	\$ 51,922
2025	52,067
2026	48,696
2027	74,827
2028	46,048
Thereafter	<u>103,004</u>
Total	<u>\$ 376,564</u>

Recognition of Deferred Outflows and Deferred Inflows of Resources: Gain and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. For the fiscal year ended June 30, 2023, the District recognized OPEB expense of \$102,219.

Sunnyslope County Water District

Notes to Basic Financial Statements
June 30, 2023

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

Significant Accounting Actuarial Assumptions and Methods:

Fiscal Year End	June 30, 2023
Measurement Date	June 30, 2022
Valuation Date	June 30, 2021
<hr/>	
Discount Rate	6.00%
Long-Term Expected	6.00%
General Inflation	2.75% annually
Mortality Rate	Mortality rates from CalPERS 2017 actuarial valuation. The mortality table used was developed based on CalPERS’ specific data. The table includes 15 years of mortality improvements using 90% of Society of Actuaries Scale MP 2016.
Pre-Retirement Turnover and Retirement	Retirement and termination rates from CalPERS 2017 actuarial valuation for “public agency miscellaneous 2.7% at 55,” based on the 1997-2015 experience study. No disablement assumed
Salary Increases	3% per year
Healthcare Trend Rate	Medical premium amounts are assumed to increase 5% per year. The CalPERS minimum required employer contribution is assumed to increase 4% per year
Participation	50% of active employees are assumed to elect health care benefits at retirement
Changes of Benefit Terms	None
Changes in Actuarial Assumptions	None

Discount Rate: The discount rate used to measure the total OPEB liability was 6.00%. The cash flows of the OPEB plan were projected to future years, assuming that the District will contribute an amount equal to retirees’ benefits. Under that projection, the plan assets are projected to be adequate to pay all benefits to retirees in all future years, so the discount rate has been set equal to the long-term expected rate of return on investments, 6.00%.

Sunnyslope County Water District

Notes to Basic Financial Statements
June 30, 2023

Expected Long-Term Rate of Return on Investments: The long-term expected rate of return on investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The asset class percentages are taken from the current composition of the CERBT trust, and the expected yields are taken from a recent CalPERS publication for the Pension Fund:

Measurement Date	June 30, 2021	
CERBT Trust: Pension Fund	% of Fund	Expected Real Rate of Return
Asset Class %		
Global Equity	59%	5.25%
Fixed Income	25%	0.99%
Treasury Securities	5%	0.45%
Real Estate Trusts	8%	4.50%
Commodities	3%	3.00%
Assumed Long-Term Rate of Inflation		2.75%
Expected Long-Term Net Rate of Return, Rounded		6.50%

Discount Rate Sensitivity Analysis: The following schedule presents the District’s net OPEB liability if it were calculated using discount rate that is that is 1 percentage-point lower (5.00%) or 1 percentage-point higher (7.00%) than the current rate (6.00%) for measurement period ended June 30, 2022:

	Discount Rate		
	(1% Decrease)	(Current Rate)	(1% Increase)
	5.00%	6.00%	7.00%
Net OPEB Liability	\$ 527,295	\$ 393,663	\$ 284,183

Medical Trend Sensitivity Analysis: 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 (4.0%) or one percentage point higher (6.0%) than the current rate (5.0%), for measurement period ended June 30, 2022:

	Healthcare Trend		
	(1% Decrease)	(Current Rate)	(1% Increase)
	4.0%	5.0%	6.0%
Net OPEB Liability	\$ 272,836	\$ 393,663	\$ 541,769

Pension Plan Fiduciary Net Positions – Investments Authorized by the Trust’s Investment Policy – The CERBT’s investment policies authorize three separate Portfolio Strategies (“Strategy 1”, “Strategy 2”, and “Strategy 3”). Levels of expected return and risk vary among the Portfolios. The District has opted to invest its assets using Strategy 1.

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

Sunnyslope County Water District

Notes to Basic Financial Statements
June 30, 2023

11. NET POSITION

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

Net investment in capital assets	<u>\$ 22,449,847</u>
Restricted:	
Water capacity fees	12,041,086
Wastewater capacity fees	1,357,256
Debt service reserve	780,051
Pension benefits	899,643
Total restricted	<u>15,078,036</u>
Unrestricted:	
Designated:	
Capital improvement reserve	5,772,624
Vehicle replacement	398,132
Emergency equipment replacement	1,000,000
Office and miscellaneous equipment replacement	420,864
Rate stabilization fund	250,000
Drought contingency reserve	500,000
	<u>8,341,620</u>
Undesignated	2,188,864
Total unrestricted	<u>10,530,484</u>
Total Net Position	<u>\$ 48,058,367</u>

12. RISK MANAGEMENT

The District is exposed to various risks of loss related to limited torts; theft of, damage to, and destruction of assets; errors and omissions and natural disaster for which the District carries commercial insurance. The District is a member of the Association of California Water Agencies-Joint Powers Insurance Authority (ACWA-JPIA) for workers’ compensation coverage. The relationship between the District and the JPIA is such that the JPIA is not component units of the District for financial reporting purposes. The ACWA-JPIA arranges for and provides property and liability insurance for its nearly 370 members. ACWA-JPIA is governed by a board consisting of a representative from each member district. The board controls the operations of ACWA-JPIA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in ACWA-JPIA. Separate financial statements of ACWA-JPIA can be obtained by request to Finance Department, 2100 Professional Drive, Roseville, CA 95661.

Sunnyslope County Water District

Notes to Basic Financial Statements
June 30, 2023

Condensed financial information of ACWA-JPIA as of September 30, 2022 is as follows:

Total Assets	\$ 246,615,214
Deferred Outflows of Resouces	6,108,562
Total Liabilities	(137,126,606)
Deferred Inflows of Resouces	<u>(2,813,249)</u>
Net Position	<u>\$ 112,783,921</u>
Total Revenues	\$ 175,619,417
Total Expenditures	<u>(212,646,028)</u>
Net Decrease	<u>\$ (37,026,611)</u>

The District has the following commercial insurance policies:

Coverage	Deductible	Coverage Limit
General Liability	N/A	Ranging from \$10,000 to \$3,000,000
Commercial Excess Liability	N/A	\$4,000,000
Auto Liability	N/A	Ranging from \$5,000 to \$1,000,000
Public Officials and Management Liability	\$1,000	\$1,000,000 / \$3,000 000
Privacy Liability & Network	\$1,000	Ranging from \$50,000 to \$1,000,000
Property		
Buildings, personal property, and fixed equipment	\$2,500	\$1,000,000 / \$18,522,839
Mobile equipment	\$1,000	Ranging from \$64,000 to \$291,547
Commercial Crime	\$1,000	Ranging from \$5,000 to \$500,000

Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed above, the District has coverage for such claims. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

13. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Hollister Urban Area Water Supply and Treatment Agreement: In August 2013, the District, the City, and SBCWD each approved the Hollister Urban Area Water Supply and Treatment Agreement. The agreement defined the roles and terms of financing for the project which included: the upgrade of Lessalt Water Treatment Plant, and the design and construction of the West Hills Water Treatment Plant including associated pipelines. The SBCWD will finance, build, own, and operate the upgraded Lessalt Water Treatment Plant and the new West Hills Water Treatment Plant.

The SBCWD committed to finance up to \$30 million of the project costs. These funds were committed in two tranches. The first tranche of \$13 million was made available on the effective date of the agreement, September 1, 2013. The second tranche of \$17 million was made available at the time of execution of the start of the construction phase for the West Hills Water Treatment

Sunnyslope County Water District

Notes to Basic Financial Statements June 30, 2023

Plant, May 1, 2015. The agreement calls for the SBCWD to recover its investment in the capital projects from the District and the City over a 20-30-year period through a capital component, including interest, in the finished water rate. The actual project cost exceeded the \$30 million financing in place by \$11.6 million. The additional funding consisted of \$4.2 million in Prop 84 Grant Funds, \$1.7 million cash input from both the City and the District, and the balance of \$4 million financed as a third tranche loan to SBCWD from a financial institution, to be repaid equally by the City and the District. The third tranche loan of \$4 million was borrowed January 1, 2016 at a rate of 3.45% interest and is to be repaid quarterly over a 15-year period. For more information on the debt schedules, see Note 7 – Long Term Debt Payable.

Of the project costs, SBCWD is contributing \$10 million in non-reimbursable funds; \$5 million to the District and \$5 million to the City. The District plans to use the \$5 million to stabilize water rates and allow a gradual increase to meet future revenue needs. The water rate stabilization credit reported in the operating expenses for the year ended June 30, 2023 is \$0, since the total credit of \$5 million was received in prior fiscal years.

Hollister Urban Area Agreement for Operation and Maintenance Services: In August 2013, the District and SBCWD each approved the Hollister Urban Area Agreement for Operation and Maintenance Services. This agreement establishes the District as the contract operator for the Lessalt Water Treatment Plant. This agreement was established for a term of 5 years with options to renew for subsequent terms of 5 years. The District began operating the Lessalt plant in September 2013 under this agreement. The operation of the West Hills Water Treatment Plant was added to the agreement prior to completion of the plant construction in 2017. The Operation and Maintenance Agreement covering the operation of both the Lessalt and West Hills Water Treatment Plants was extended in May 2018 and again on July 26, 2023.

For the year ended June 30, 2023, SBCWD was billed for actual operations and maintenance costs of the Lessalt Water Treatment Plant of \$868,479 and of the West Hills Water Treatment Plant of \$1,375,816, including labor and benefits. One-half of these amounts were charged back to the District for its 50% share of the cost to operate the plants.

Litigation: The District is subject to various legal proceedings and claims that arise in the ordinary course of business. The District would pursue or defend cases vigorously through trial unless facts develop that warrant an attempt to see an out-of-court settlement. As of June 30, 2023, the District had the following pending litigation:

County of San Benito v. SSCWD, Lynn Hilden, Susan Hilden

San Benito Superior Court (CU-20-00068)

Litigation: This matter relates to a series of landslides beginning in May 2018 that occurred in the same general area on Southside Road, a parcel of land adjacent to the District's Ridgemark Wastewater Treatment Facility and ponds. The County of San Benito (County) and Lynn and Susan Hilden (Hildens), the adjacent property owners, filed claims against the District. The County seeks approximately \$1.2 million for costs to remediate the slide area. The Hildens seek recovery of approximately \$200,000 in damages. The District disputes these claims and is represented by special counsel appointed by its insurer. The District has insurance coverage in the amount \$1,000,000, and also holds excess insurance. There is no self-insured retention.

Parties: County of San Benito, Lynn and Susan Hilden, the District

Sunnyslope County Water District

Notes to Basic Financial Statements
 June 30, 2023

Plaintiffs’ Representative: Pamela Graham, Colantuono, Highsmith & Whatley, PC

Hildens Counsel: Paul Rovella, JRG Attorneys at Law

District’s Counsel: Justin Mallory, Bremer, Whyte Brown & O’Meara, LLP; Heidi A. Quinn, Michael Laredo, De Lay & Laredo

Status: The County filed a complaint against the District and the Hildens with the San Benito Superior Court on June 4, 2020. The District and the Hildens have filed Cross-Complaints against the other parties. Currently, the parties have entered non-binding mediation. The most recent session was held November 6, 2023. Resolution of the disagreement has not yet been reached.

14. CHANGE IN ACCOUNTING PRINCIPLE

The District has subscription-based information technology arrangements for accounting and water monitoring software. In accordance with GASB 96, these amounts have been classified as an intangible right-to-use software agreement and a corresponding subscription liability. These amounts and assumptions used to calculate these amounts are further detailed in Notes 4 and 7.

The accounting software and water monitoring software were initially leased in fiscal year 2021 with the implementation of GASB No. 96 SBITA, requiring retroactive application. The prior period adjustment for this subscription-based information technology arrangement requires the following restatement to prior balances at July 1, 2021:

Increase in intangible right-to-use software agreement	\$ 118,211
Increase in accumulated amortization	(33,122)
Increase in subscription liability	<u>(88,276)</u>
Decrease in net position	<u>\$ (3,187)</u>

15. SUBSEQUENT EVENTS

Date of Management Review

Events occurring after June 30, 2023 have been evaluated by Management for possible adjustment to the financial statements or disclosure as of November 21, 2023 which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY
INFORMATION

DRAFT
11/15/23

Sunnyslope County Water District
Required Supplementary Information
 June 30, 2023

Schedule of the District's Proportionate Share of the Plan's (PERF C) Net Pension Liability (Asset) and Related Ratios as of Measurement Date
 Cost Sharing Defined Benefit Pension Plan

Last 10 Years[^]

Measurement Date	Fiscal Year End									
	06/30/23	06/30/22	06/30/21	06/30/20	6/30/19	6/30/18	6/30/17	6/30/16	6/30/15	6/30/14
District's proportion of the net pension liability (asset)	0.009800%	-0.032140%	0.00339%	0.00021%	0.00922%	0.01108%	0.02895%	0.02852%	0.02451%	
District's proportionate share of the net pension liability (asset)	\$ 1,132,465	\$ (1,738,275)	\$ 368,675	\$ 21,460	\$ 888,029	\$ 1,099,308	\$ 2,505,138	\$ 1,957,613	\$ 1,524,958	
District's covered-employee payroll *	\$ 2,308,348	\$ 2,145,242	\$ 2,051,543	\$ 2,104,470	\$ 1,909,079	\$ 1,687,978	\$ 1,488,922	\$ 1,434,655	\$ 1,519,954	
District's proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	49.06%	-81.03%	17.97%	1.02%	46.52%	65.13%	168.25%	136.45%	100.33%	
Plan's fiduciary net position as a percentage of the plan's total pension liability (asset)	76.68%	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%	

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

* For the year ending on the measurement date

Sunnyslope County Water District
Required Supplementary Information
 June 30, 2023

Schedule of the District's Required Employer Contributions
 Pension Plan
 Last 10 Years[^]

	Fiscal Year End									
	6/30/23	6/30/22	6/30/21	06/30/20	6/30/19	6/30/18	6/30/17	6/30/16	6/30/15	
Fiscal year ended	\$ 275,673	\$ 261,175	\$ 241,361	\$ 229,705	\$ 257,869	\$ 209,739	\$ 287,182	\$ 245,300	\$ 233,521	
Actuarially determined contribution	275,673	261,175	241,361	229,705	1,351,009	209,739	1,942,855	245,300	233,521	
Contributions in relation to the actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ (1,093,140)	\$ -	\$ (1,655,673)	\$ -	\$ -	
Contribution deficiency (excess)	\$ 2,279,900	\$ 2,308,348	\$ 2,145,242	\$ 2,051,543	\$ 2,104,470	\$ 1,909,079	\$ 1,687,978	\$ 1,488,922	\$ 1,434,655	
District's covered payroll *	12.09%	11.31%	11.25%	11.20%	64.20%	10.99%	115.10%	16.48%	16.28%	
Contributions as a percentage of covered payroll										

[^] Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.
 * For the fiscal year ending on the date shown

Actuarially Determined Contribution Assumptions (From the CalPERS reports (Appendix A))

Valuation Date	June 30, 2020
Actuarial cost method	Entry age normal cost method
Amortization method	Varies by date established and source. May be level dollar or level percent of pay and may include indirect rate
Remaining Amortization Periods	Differs by employer rate plan but not more than 28 years
Asset valuation method	Market value of assets
Inflation	2.500%
Salary increases	Varies by category, entry age, and service
Discount Rate *	7.00% (net of investment and administrative expenses)
Mortality	Derived using CalPERS' Membership Data for all Funds. The post-retirement mortality rates include 15 years of projected on-going mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries

*Please note, the discount rate used for Actuarially Determined Contributions is different from the one used for Total Pension Liability.

Sunnyslope County Water District
Required Supplementary Information
June 30, 2023

Schedule of Changes in the District's Net OPEB Liability (Asset)
and Related Ratios
Last 10 Years[^]

Measurement Date	Fiscal Year End					
	06/30/23	06/30/22	06/30/21	06/30/20	06/30/19	06/30/18
	06/30/22	06/30/21	06/30/20	06/30/19	06/30/18	06/30/17
Changes in total OPEB liability						
Service cost	\$ 40,869	\$ 13,674	\$ 13,276	\$ 12,588	\$ 12,221	\$ 11,865
Interest	59,081	34,951	33,452	33,406	31,865	29,860
Actual benefits payments	(64,587)	(13,555)	(33,791)	(22,047)	(18,719)	(3,042)
Actual and expected experience difference	-	371,832	-	(20,154)	-	-
Changes in benefits terms	-	-	-	-	-	-
Changes in assumption	47,205	-	-	2,794	-	-
Net changes in total OPEB liability	82,568	406,902	12,937	6,587	25,367	38,683
Total OPEB liability - beginning	951,381	544,479	531,542	524,955	499,588	460,905
Total OPEB liability - ending	\$ 1,033,949	\$ 951,381	\$ 544,479	\$ 531,542	\$ 524,955	\$ 499,588
Changes in plan fiduciary net position						
Employer contributions	\$ 54,435	\$ 13,555	\$ 33,791	\$ 47,047	\$ 29,380	\$ 13,803
Employee contributions	-	-	-	-	-	-
Net investment income	(99,820)	161,896	20,107	33,879	36,810	43,390
Benefit payments	(64,587)	(13,555)	(33,791)	(22,047)	(18,719)	(3,042)
Administrative expenses	(190)	(223)	(278)	(112)	(243)	(211)
Net changes in plan fiduciary net position	(110,162)	161,673	19,829	58,767	47,228	53,940
Plan fiduciary net position - beginning	750,448	588,775	568,946	510,179	462,951	409,011
Plan fiduciary net position - ending	\$ 640,286	\$ 750,448	\$ 588,775	\$ 568,946	\$ 510,179	\$ 462,951
Net OPEB liability (Asset)						
Total OPEB liability	\$ 1,033,949	\$ 951,381	\$ 544,479	\$ 531,542	\$ 524,955	\$ 499,588
Plan fiduciary net position	640,286	750,448	588,775	568,946	510,179	462,951
Net OPEB liability (asset)	393,663	200,933	(44,296)	(37,404)	14,776	36,637
Net OPEB liability (asset) funded percentage	61.9%	78.9%	108.1%	107.0%	97.2%	92.7%
Covered payroll *	\$ 2,281,876	\$ 1,975,708	\$ 2,494,879	\$ 2,104,470	\$ 1,909,079	\$ 1,687,978
Net OPEB liability (asset) as a percent of covered payroll	17.25%	10.17%	-1.78%	-1.78%	0.77%	2.17%

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

* For the year ending on the measurement date.

Sunnyslope County Water District

Required Supplementary Information
June 30, 2023

Schedule of the District's OPEB Contributions

This schedule is not required. No actuarially determined contribution (ADC) has been calculated, since the District does not base contributions on the ADC.

DRAFT
11/15/23



Sunnyslope Water District

3570 Airline Highway Hollister, CA 95023 ♦ (831) 637-4670 ♦ Fax (831)637-1377

Board of Directors

Jerry Buzzetta
James Parker
Mike Alcorn
Dee Brown
Edward Mauro

General Manager

Drew. A. Lander
Superintendent
Jose Rodriguez
Legal Counsel
Dave Laredo

November 13, 2023

McGilloway, Ray, Brown & Kaufman
379 West Market Street
Salinas, California 93901

This representation letter is provided in connection with your audits of the financial statements of Sunnyslope County Water District (The District), which comprise the respective financial position as of June 30, 2023, and the respective revenues, expenses and changes in financial position and, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 21, 2023, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 21, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 10) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the District and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.

- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 17) We have disclosed to you the names of the District's related parties and all the related party relationships and transactions, including any side agreements.

Government-Specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 21) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 22) The District has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 24) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 25) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 26) As part of your audit, you assisted with the preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
- 27) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 28) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

- 29) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 30) Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.
- 31) Provisions for uncollectible receivables have been properly identified and recorded.
- 32) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 33) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 34) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 35) Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.
- 36) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 37) We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 38) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 39) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Drew Lander
General Manager

Barry Kelly
Finance and Human Resource Manager

Staff Report

Agenda Item: I-2

DATE: November 13, 2021 (November 21, 2021 Meeting)

TO: Board of Directors

FROM: General Manager, Drew Lander

SUBJECT: Approve And Authorize The Board President To Sign Resolution 597, Adopting A Salary Scale Adjustment Of All Management Classifications Along With Incentive Pay Increases For Management Staff Who Acquire CWEA Certifications. (Not A Project As Defined By Article 20, Section 15378 Of The State CEQA Guidelines)

RECOMMENDATION:

Approve and authorize the Board President to sign Resolution 597, adopting a 5% salary scale adjustment of all Management classifications along with incentive pay increases for Management staff who acquire CWEA Certifications as explained in the accompanying staff report, not to exceed 9% of employees current salary step.

BACKGROUND:

July 2021 was the last Board discussion of Management salary adjustments. At that time only the Water/Wastewater Superintendent and the Crew Chief classifications were adjusted commensurate with additional responsibilities accepted by the managers filling those positions. On November 9th the Employee & Personnel Committee met to

Unlike the line staff who benefit from the collective bargaining unit negotiations, all managers are directed to discuss with the General Manager their individual situations and advocate for those benefits that most interest them. In the past 4 years managers have not seen any cost-of-living adjustments (COLA) beyond the normal employment step increases that are available, within each classification, with the completion of a positive annual review.

As I have reported to the Board in prior reports, the general direction for the district is to acquire operations of the City of Hollister treatment plant and then restructure management salary scales to match the increases in responsibilities that will be assumed by each manager. Since this

plan has not come to fruition in the time frame anticipated, the General Manager finds that a salary adjustment is important for management staff at this time. One of the primary factors for the need to adjust Management salaries at this time is the Bureau of Labor Statistics data detailing a CPI of 3.7% ending in October 2023 with the prior year CPI index of 7.3%. With the Union staff annual COLA increases helping to keep line staff adjusted for the inflationary period that the region is facing, it is important to adjust management salaries when appropriate.

At this time a 5% salary adjustment for all Management classifications is recommended.

During the last Union negotiations, a proposal to correlate compensation with the California Water Environment Association's (CWEA) Technical Certification Program was not successful. However, the district Water/Wastewater Superintendent, Crew Chief and Associate Engineer all participated in the quality training and examination system that has been developed for the advancement of water professionals. The certifications relevant to the district are:

- **Advanced Water Treatment Operator**
- **Collection System Maintenance**
- **Electrical & Instrumentation Technologist**
- **Mechanical Technologist**

Each of these certification paths includes a minimum of 4 levels or grades. Professional development and a proctored exam are required to obtain each grade of certification. Passing each exam qualifies the recipient in the understanding of increasing professionalism in their specified field of knowledge and a certificate is issued. Management staff has requested a tiered compensation for achieving certification through CWEA. It is proposed that for each grade 1 certification there is no compensation as that level demonstrates minimum qualifications. However, a grade 2 certification through grade 4 would result in the following percentage increase on the current salary step for the manager achieving the grade:

- A cleared certification for a grade level 2 would be equal to 1% pay increase.
- A cleared certification for a grade level 3 would be equal to 2% pay increase.
- A cleared certification for a grade level 4 would be equal to 3% pay increase.

There would be a limit of 9% for CWEA certification pay. This would require grade 4 certification in all three categories. Each manager would need to get approval from the General Manager prior to taking exams and annual training is required to maintain each grade.

This compensation structure is proposed to provide additional incentive to management for demonstrating competence in the listed professional certification programs.

FINANCIAL IMPACT:

The fiscal impact of the proposed changes as currently filled by staff will have an estimated annual increase in the management salary base, including applicable taxes, of approximately \$45,000. The impact to the budget for this year will be less than \$22,000 as not all incentive pay can be achieved this year and half of the fiscal year has transpired.

The CalPERS impacts of these Management salary adjustments are lessened by all managers participating in CalPERS PEPRA.

ENVIRONMENTAL IMPACT:

The proposed action is not a project as defined by Article 20, Section 15378 of the State CEQA Guidelines and therefore CEQA is not applicable.

RESOLUTION NO. 597

**RESOLUTION OF THE
BOARD OF DIRECTORS OF
SUNNYSLOPE COUNTY WATER DISTRICT**

**ADJUSTMENT TO MANAGEMENT SALARY SCALES
AND
ADOPTING CWEA CERTIFICATION INCENTIVE PAY FOR
MANAGERS**

WHEREAS, Sunnyslope County Water District has not adjusted Management Classification salary scales collectively for 4 years; and

WHEREAS, inflationary pressures warrant salary scale adjustment to Management Classifications at this time; and

WHEREAS, the Board of Directors has received the General Manager's recommendation to adjust all Management Classifications by 5%; and

WHEREAS, the Board of Directors has received the General Manager's recommendation to additionally create incentive pay scales to compensate Managers who seek training and certification through the CWEA Technical Certification Program;

WHEREAS, the Board recognizes the current management contributions to the District.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Sunnyslope County Water District hereby resolves as follows:

- 1) All Management Classification salary scales shall be adjusted 5% commencing in the full pay period following December 1, 2023;
- 2) The District shall provide incentive pay for managers who achieve CWEA certifications in the following technical fields:
 - **Advanced Water Treatment Operator**
 - **Collection System Maintenance**
 - **Electrical & Instrumentation Technologist**
 - **Mechanical Technologist**

And for each grade 1 certification achieved there is no compensation;

And for each grade 2 certification through grade 4 would result in the following percentage increase on the current salary step for the manager achieving the grade:

- A certificate for grade level 2 would be equal to 1% pay increase.
- A certificate for a grade level 3 would be equal to 2% pay increase.
- A certificate for a grade level 4 would be equal to 3% pay increase.

There would be a limit of 9% for CWEA certification pay for any individual manager.

This incentive pay will be available commencing in the first full pay period following December 1, 2023.

PASSED AND ADOPTED by the Board of Directors of the Sunnyslope County Water District this 21th day of November, 2023 by the following vote:

AYES: *Directors:*

NAYS:

ABSTAIN:

ABSENT:

Signed: _____
Dee Brown, President

(Seal)

ATTEST:
By _____
Drew A. Lander, Secretary

CERTIFICATION
RESOLUTION NO. 597

I do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a Regular meeting of the Board of Directors of the Sunnyslope County Water District held on November 21, 2023.

Dated: November 21, 2022

Drew A. Lander
Secretary of Sunnyslope County Water District

