

**SANTA YNEZ RIVER WATER
CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
JUNE 30, 2023 AND 2022
FINANCIAL STATEMENTS**



BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1**

Table of Contents

	<u>Page</u>
Independent Auditor's Report.....	1 - 3
Management's Discussion and Analysis	4 - 10
Basic Financial Statements:	
Balance Sheet	11 - 12
Statement of Revenues, Expenses and Changes in Net Position	13
Statement of Cash Flows	14
Notes to Financial Statements	15 - 39
Required Supplementary Information (Unaudited):	
California Public Employees' Retirement System – Schedule of Santa Ynez River Water Conservation District, Improvement District No. 1's Proportionate Share of the Net Pension Liability	40
California Public Employees' Retirement System – Schedule of Contributions	41
Other Postemployment Benefits (OPEB) Plan – Schedule of Changes in the Net OPEB Liability and Related Ratios.....	42
Other Supplementary Information:	
Supplemental Schedule of Revenues and Expenses – Actual and Budget	43



INDEPENDENT AUDITOR'S REPORT

**To the Board of Trustees
Santa Ynez River Water Conservation District,
Improvement District No. 1:**

Opinion

We have audited the financial statements of the Santa Ynez River Water Conservation District, Improvement District No. 1 (the District), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 GAAS 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 GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 4 through 10, the California Public Employees' Retirement System - Schedule of Santa Ynez River Water Conservation District, Improvement District No. 1's Proportionate Share of the Net Pension Liability on page 40, California Public Employees' Retirement System - Schedule of Contributions on page 41, and Other Postemployment Benefits (OPEB) Plan - Schedule of Changes in the Net OPEB Liability and Related Ratios on page 42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplemental Schedule of Revenues and Expenses - Actual and Budget on page 43 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic

financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedule of Revenues and Expenses – Actual and Budget is fairly stated, in all material respects, in relation to the financial statements as a whole.

Bartlett, Pringle + Wolf, LLP

Santa Barbara, California

December 19, 2023

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS**

This section presents management’s analysis of the Santa Ynez River Water Conservation District, Improvement District No.1’s (“District”) financial condition and activities for the fiscal year ending June 30, 2023. This narrative overview and analysis should be read in conjunction with the accompanying financial statements.

Summary of Organization and Business

The District was formed on July 7, 1959 under the Water Conservation District Law of 1931, Division 21, Section 74000 et seq. of the California Water Code (the “Act”), for the purpose of furnishing potable domestic (municipal and industrial) and irrigation water within its boundaries. The District has operated continuously since 1959.

Located in the central portion of Santa Barbara County, the District serves the communities of Santa Ynez, Los Olivos, Ballard, the Santa Ynez Band of Chumash Indians, and the City of Solvang on a limited basis. With a population of approximately 7,022 (excluding the City of Solvang), the District currently provides water directly to approximately 2,616 municipal and industrial customers (including domestic/residential, commercial, institutional, rural residential, on-demand, and fire service) and approximately 97 agricultural customers. The District encompasses an area of approximately 10,850 acres (including approximately 1,300 acres within Solvang).

The District obtains its water supplies from the Cachuma Project via exchange of State Water Project supplies, direct diversions from the Cachuma Project (as needed), direct deliveries from the State Water Project, production from the Santa Ynez Uplands Groundwater Basin, and diversions from the Santa Ynez River alluvium. The District’s major activities include acquisition, construction, operation, and maintenance of works and facilities for the development and use of water resources and water rights including, without limitation, works and facilities to divert, store, pump, treat, deliver, and sell water for reasonable and beneficial uses by the District’s customers.

During fiscal year 2022/2023, the District maintained a staff of sixteen full-time employees and one limited service employee.

The District is governed by a five-member Board of Trustees (the Board), the members of which are elected by the registered voters of the District to staggered four-year terms. Day-to-day management of the District is carried out by the General Manager and Assistant General Manager.

Overview of Financial Statements

The District operates as an enterprise fund. The enterprise fund is accounted for on a flow of economic resources measurement basis. Under this measurement focus, all assets and liabilities associated with the operation of the District are included on the balance sheet. Enterprise fund operating statements present increases (revenues) and decreases (expenses) in total net position.

Enterprise funds utilize the accrual basis of accounting. Under this method, revenues are recognized when earned, regardless of when received, and expenses are recognized at the time the related liabilities are incurred, regardless of when paid.

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Overview of Financial Statements (Continued)

This discussion and analysis provides an introduction and a brief description of the District's financial statements, including the relationship of the statements to each other and the differences in the information they provide.

The District's basic financial statements include four components.

- Balance Sheet
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements

The balance sheet includes all the District's assets, deferred inflows of resources, liabilities, and deferred outflows of resources. The difference between total assets/deferred outflows of resources and total liabilities/deferred inflows of resources is reported as net position. Net position may be displayed in the following categories:

- Net investment in capital assets
- Restricted
- Unrestricted

The balance sheet provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

The statement of revenues, expenses, and changes in net position presents information which shows how the District's net position changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. This statement measures the success of the District's operations over the past year and determines whether the District has recovered its costs through user fees and other charges.

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

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

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

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

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Overview of Financial Statements (Continued)

The District's budget is prepared on an accrual basis and includes the District's water system. Prior to June 1 of each year, District management submits to the Board of Trustees a proposed budget for the fiscal year commencing the following July 1. The Board conducts public meetings to obtain comments from ratepayers. Subsequent to the public meetings, the Board approves the final budget prior to July 1.

Financial Highlights

During the year ended June 30, 2023, the District's net position increased by a total of \$2,672,084 (7.72%), resulting from total operating income of \$1,753,254 and total non-operating income of \$918,830.

Operating revenues decreased by \$1,671,248 (-13.31%) from the prior year, and operating expenses decreased by \$960,340 (-9.52%). Non-operating income decreased by \$38,105 (-3.93%) and non-operating expenses decreased in the current year by \$20,485 (-60.85%).

Balance Sheet

The following table represents a summary of the District's Balance Sheet with corresponding analysis regarding significant variances:

	2023	2022	2021	2023-2022 Variance		2022-2021 Variance	
				Dollars	Percent	Dollars	Percent
<u>Assets:</u>							
Current assets	\$ 31,640,301	\$ 28,743,258	\$ 26,418,444	\$ 2,897,043	10.08%	\$ 2,324,814	8.80%
Noncurrent assets:							
Restricted assets	119,968	345,050	339,755	(225,082)	-65.23%	5,295	1.56%
Capital assets, net	14,875,131	14,628,258	14,427,075	246,873	1.69%	201,183	1.39%
Total Assets	\$ 46,635,400	\$ 43,716,566	\$ 41,185,274	\$ 2,918,834	6.68%	\$ 2,531,292	6.15%
<u>Deferred Outflows of Resources:</u>							
Deferred outflows	\$ 2,062,148	\$ 1,421,434	\$ 1,171,297	\$ 640,714	45.08%	\$ 250,137	21.36%
Total Deferred Outflows of Resources	\$ 2,062,148	\$ 1,421,434	\$ 1,171,297	\$ 640,714	45.08%	\$ 250,137	21.36%
<u>Liabilities:</u>							
Current liabilities	\$ 4,000,639	\$ 3,902,095	\$ 4,710,981	\$ 98,544	2.53%	\$ (808,886)	-17.17%
Long term liabilities	6,129,863	5,121,084	5,927,133	1,008,779	19.70%	(806,049)	-13.60%
Total Liabilities	\$ 10,130,502	\$ 9,023,179	\$ 10,638,114	\$ 1,107,323	12.27%	\$ (1,614,935)	-15.18%
<u>Deferred Inflows of Resources:</u>							
Deferred inflows	\$ 1,301,099	\$ 1,520,958	\$ 525,206	\$ (219,859)	-14.46%	\$ 995,752	189.59%
Total Deferred Inflows of Resources	\$ 1,301,099	\$ 1,520,958	\$ 525,206	\$ (219,859)	-14.46%	\$ 995,752	189.59%
<u>Net Position:</u>							
Net investment in capital assets	\$ 14,875,131	\$ 14,407,820	\$ 13,993,978	\$ 467,311	3.24%	\$ 413,842	2.96%
Restricted	119,968	345,050	339,755	(225,082)	-65.23%	5,295	1.56%
Unrestricted, reserved	16,681,709	14,657,393	10,536,803	2,024,316	13.81%	4,120,590	39.11%
Unrestricted, unreserved	5,589,139	5,183,600	6,322,715	405,539	7.82%	(1,139,115)	-18.02%
Total Net Position	\$ 37,265,947	\$ 34,593,863	\$ 31,193,251	\$ 2,672,084	7.72%	\$ 3,400,612	10.90%

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Analysis of Balance Sheet

Net position may serve as an indicator of a public governmental agency's financial status. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$37,265,947 and \$34,593,863 as of June 30, 2023 and 2022, respectively.

A significant portion of the District's total net position is its net investment in capital assets, in the amount of \$14,875,131 at June 30, 2023 and \$14,407,819 at June 30, 2022. This balance reflects the District's investment in capital assets (which includes land, buildings, infrastructure, and construction in progress) less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide water service to its customers; consequently, these assets are not available for future spending. It should be noted that the funding sources needed to repay any debt must be provided from other financial sources because the capital assets cannot be used to liquidate liabilities.

Capital assets net of accumulated depreciation increased by \$246,873 as discussed further in the capital assets section of this analysis and Note 4 to the financial statements. This increase, plus the decrease in outstanding capital related debt (Series 2004 A COMB Bonds) of \$220,438 equates to the increase in total net position invested in capital assets of \$467,311 as noted in the table above.

Restricted net position represents assets which are required by external parties to be used for specific purposes, less any liabilities payable from those assets. The District's restricted net position was \$119,968 and \$345,050 at June 30, 2023 and 2022, respectively. See Note 3 for details regarding the specific restrictions.

Unrestricted net position consists of assets and liabilities that do not meet the definition of net investment in capital assets, or restricted net position. The Board of Trustees has designated certain portions of its unrestricted net position for specific uses, which are classified in the balance sheet as unrestricted, reserved. Note 7 provides detailed information regarding the nature of these reserves.

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Statement of Revenues, Expenses and Changes in Net Position

The following table shows a summary of the District’s Statement of Revenues, Expenses, and Changes in Net Position with corresponding analysis regarding significant variances:

	2023	2022	2021	2023-2022 Variance		2022-2021 Variance	
				Dollars	Percent	Dollars	Percent
Operating revenues	\$ 10,882,579	\$ 12,553,827	\$ 12,198,411	\$ (1,671,248)	-13.31%	\$ 355,416	2.91%
Operating expenses	9,129,325	10,089,665	10,118,397	(960,340)	-9.52%	(28,732)	-0.28%
Total Operating Income	1,753,254	2,464,162	2,080,014	(710,908)	-28.85%	384,148	18.47%
Non-operating income	932,007	970,112	1,054,806	(38,105)	-3.93%	(84,694)	-8.03%
Non-operating expense	13,177	33,662	62,614	(20,485)	-60.85%	(28,952)	-46.24%
Total Non-operating Income	918,830	936,450	992,192	(17,620)	-1.88%	(55,742)	-5.62%
Change in net position	2,672,084	3,400,612	3,072,206	(728,528)	-21.42%	328,406	10.69%
Net Position at beginning of year	34,593,863	31,193,251	28,121,045	3,400,612	10.90%	3,072,206	10.92%
Net Position at End of Year	\$ 37,265,947	\$ 34,593,863	\$ 31,193,251	\$ 2,672,084	7.72%	\$ 3,400,612	10.90%

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

As described in the table above, the District reported a total increase in net position of \$2,672,084 for the year ended June 30, 2023, as compared to an increase in net position of \$3,400,612 for the year ended June 30, 2022.

Operating revenues decreased by \$1,671,248 during the fiscal year ended June 30, 2023, driven by decreased water sales of \$708,351 due to an unusually wet year, and a decrease in state water contract revenue of \$893,842 received from the City of Solvang, which is fully offset by corresponding state water contract expense in the operating expenses section. Water rates remained unchanged in the current fiscal year.

Operating expenses decreased by \$960,340 during the fiscal year ended June 30, 2023 due primarily to a decrease in state water contract expense paid on behalf of the City of Solvang of \$893,842, which corresponds to the decrease in state water contract operating revenues as noted above. Unanticipated and special legal fees, and administrative and general expenses also decreased by \$112,604 and 91,459, respectively. An increase in source of supply expenses of \$142,097 partially offset these decreases.

Non-operating revenues decreased by \$38,105 from the prior year due to multiple offsetting factors. Interest income increased by \$514,575 due to LAIF interest rate increases and unrealized losses increased by \$429,473 due to a decrease in the factor used to adjust year end balances to fair market value, resulting in an overall investment income increase of \$85,102. This increase was offset by decreases in special assessment revenue of \$85,776 and capital facilities fees of \$37,431.

Non-operating expenses were minor and decreased in total by \$20,485 from the prior year.

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Capital Assets

The following table represents a summary of the District’s Capital Assets with corresponding analysis regarding significant variances:

	2023	2022	2021	2023-2022 Variance		2022-2021 Variance	
				Dollars	Percent	Dollars	Percent
Land and water rights	\$ 503,317	\$ 503,317	\$ 503,317	\$ -	0.00%	\$ -	0.00%
Utility plant	10,655,511	9,772,263	9,242,650	883,248	9.04%	529,613	5.73%
Wells and major repairs	19,320,078	19,410,209	19,082,410	(90,131)	-0.46%	327,799	1.72%
Office building	274,610	247,842	251,057	26,768	10.80%	(3,215)	-1.28%
Transportation equipment	808,669	761,382	819,538	47,287	6.21%	(58,156)	-7.10%
Office equipment	118,032	91,074	83,283	26,958	29.60%	7,791	9.35%
Other equipment	732,614	709,527	611,041	23,087	3.25%	98,486	16.12%
Total Capital Assets	\$ 32,412,831	\$ 31,495,614	\$ 30,593,296	\$ 917,217	2.91%	\$ 902,318	2.95%
Less accumulated depreciation	(17,830,556)	(17,036,302)	(16,344,820)	(794,254)	4.66%	(691,482)	4.23%
Subtotal	\$ 14,582,275	\$ 14,459,312	\$ 14,248,476	\$ 122,963	0.85%	\$ 210,836	1.48%
Construction in progress	292,856	168,946	178,599	123,910	73.34%	(9,653)	-5.40%
Net Capital Assets	\$ 14,875,131	\$ 14,628,258	\$ 14,427,075	\$ 246,873	1.69%	\$ 201,183	1.39%

Capital Assets Analysis

The District’s net capital assets as of June 30, 2023 and 2022 including construction in progress were \$14,875,131 and \$14,628,258, respectively. Capital asset additions including construction in progress during fiscal year 2022/2023 totaled \$1,179,291 which related primarily to the meter replacement project, Zone 3 Reservoir concrete tank repair, mainline valve insertions, and various other improvement projects, tools, and equipment purchases. This increase was offset by depreciation expenses of \$919,648 and disposals with a net book value of \$12,770. The resulting overall increase in net capital assets was \$246,873, as noted in the table above. See Note 4 for additions and disposals by asset category.

Long Term Debt

The following table represents a summary of the District’s Revenue Bond Outstanding Debt:

	2023	2022	2021	2023-2022 Variance		2022-2021 Variance	
				Dollars	Percent	Dollars	Percent
Revenue Bonds	\$ -	\$ 220,000	\$ 430,000	\$ (220,000)	-100.00%	\$ (210,000)	-48.84%
Premium (Discount) on Bonds	-	438	3,097	(438)	-100.00%	(2,659)	-85.86%
Total Outstanding Bonds	\$ -	\$ 220,438	\$ 433,097	\$ (220,438)	-100.00%	\$ (212,659)	-49.10%

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Long Term Debt Analysis

During the year ended June 30, 2023, the District paid the balance in full related to the issuance of the Series 2004A Cachuma Operations and Maintenance Board (COMB) Bonds which were used to refinance the 1993 Cachuma Project Authority Revenue (CPA) Bonds. The CPA Bonds had been issued to refinance the State of California Department of Water Resources contract #E58028, the 1988 General Obligation Bond, and to finance the construction of the Zone 3 water storage reservoir. Additional information on the District's long-term debt is described in Note 5.

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
BALANCE SHEET
June 30, 2023 and 2022**

ASSETS

	2023	2022
Current Assets:		
Cash and cash equivalents	\$ 25,518,025	\$ 22,489,100
Accounts receivable	895,188	1,102,275
Interest receivable	127,983	29,998
Inventories	181,194	154,859
Prepaid expenses	2,811,769	3,053,317
CCWA deposits	2,106,142	1,913,709
Total current assets	31,640,301	28,743,258
Restricted Assets:		
Cash and cash equivalents	119,968	345,050
Total restricted assets	119,968	345,050
Capital Assets:		
Capital assets	32,412,831	31,495,614
Less: accumulated depreciation	(17,830,556)	(17,036,302)
Construction in progress	292,856	168,946
Net capital assets	14,875,131	14,628,258
Total assets	46,635,400	43,716,566
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows related to pensions	1,275,829	497,478
Deferred outflows related to OPEB	786,319	923,956
Total deferred outflows of resources	2,062,148	1,421,434
Total assets and deferred outflows of resources	\$ 48,697,548	\$ 45,138,000

See accompanying notes

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
BALANCE SHEET
June 30, 2023 and 2022**

LIABILITIES

	<u>2023</u>	<u>2022</u>
Current Liabilities:		
Accounts payable	\$ 223,157	\$ 272,496
Accrued expenses	211,813	193,043
Interest payable	-	4,240
Premium on bonds	-	438
Current portion of revenue bonds payable	-	220,000
Advances payable	3,565,669	3,211,878
Total current liabilities	<u>4,000,639</u>	<u>3,902,095</u>
Long-term Liabilities:		
Net pension liability	2,611,721	1,067,187
Net OPEB liability	3,518,142	4,053,897
Total long-term liabilities	<u>6,129,863</u>	<u>5,121,084</u>
Total liabilities	<u>10,130,502</u>	<u>9,023,179</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	185,782	1,035,445
Deferred inflows related to OPEB	1,115,317	485,513
Total deferred inflows of resources	<u>1,301,099</u>	<u>1,520,958</u>

NET POSITION

Net Position:		
Net investment in capital assets	14,875,131	14,407,820
Restricted	119,968	345,050
Unrestricted, reserved	16,681,709	14,657,393
Unrestricted, unreserved	5,589,139	5,183,600
Total net position	<u>37,265,947</u>	<u>34,593,863</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 48,697,548</u>	<u>\$ 45,138,000</u>

See accompanying notes

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
Water sales	\$ 8,600,192	\$ 9,308,543
State water contract revenue	2,141,668	3,035,510
Miscellaneous billings and fees	140,719	209,774
Total operating revenues	<u>10,882,579</u>	<u>12,553,827</u>
Operating Expenses:		
Source of supply	1,581,661	1,439,564
State water contract expense	2,141,668	3,035,510
Pumping expense	646,488	734,032
Water treatment	92,454	93,833
Transmission and distribution	1,076,006	1,031,354
Administrative and general	2,357,485	2,448,944
Special programs and study fees	214,341	250,984
Unanticipated and special legal fees	99,574	212,178
Depreciation expense	919,648	843,266
Total operating expenses	<u>9,129,325</u>	<u>10,089,665</u>
Operating income	<u>1,753,254</u>	<u>2,464,162</u>
Other Income:		
Capital facilities fees	85,089	122,520
Interest income	583,144	68,569
Unrealized loss	(636,704)	(207,231)
Special assessment	900,478	986,254
Total other income	<u>932,007</u>	<u>970,112</u>
Other Expenses:		
Interest expense	407	8,286
Loss on disposal of assets	12,770	25,376
Total other expenses	<u>13,177</u>	<u>33,662</u>
Change in net position	2,672,084	3,400,612
Net Position - beginning of year	<u>34,593,863</u>	<u>31,193,251</u>
Net Position - end of year	<u>\$ 37,265,947</u>	<u>\$ 34,593,863</u>

See accompanying notes

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2023 and 2022**

	2023	2022
Cash Flows from Operating Activities:		
Cash received from customers for services	\$ 11,089,666	\$ 12,475,251
Cash payments to suppliers for goods and services	(5,086,443)	(5,556,106)
Cash payments for payroll taxes and employee benefits	(943,856)	(966,192)
Cash payments to employees for services	(1,685,170)	(1,682,963)
Net cash provided by operating activities	3,374,197	4,269,990
Cash Flows from Noncapital Financing Activities:		
Capital facilities fees	85,089	122,520
Special assessments	900,478	986,254
Net cash provided by noncapital financing activities	985,567	1,108,774
Cash Flows from Capital and Related Financing Activities:		
Principal repayments of long-term debt	(220,000)	(210,000)
Interest payments	(5,085)	(14,882)
Capital assets purchased	(1,179,291)	(1,152,692)
Net cash used by capital and related financing activities	(1,404,376)	(1,377,574)
Cash Flows from Investing Activities:		
Interest income received	485,159	48,667
Fair value adjustment on cash equivalents	(636,704)	(207,231)
Net cash used by investing activities	(151,545)	(158,564)
Net increase in cash and cash equivalents	2,803,843	3,842,626
Cash and cash equivalents, beginning of year	22,834,150	18,991,524
Cash and cash equivalents, end of year	\$ 25,637,993	\$ 22,834,150

Cash and cash equivalents are reported in the balance sheet as follows:

	2023	2022
Cash and cash equivalents	\$ 25,518,025	\$ 22,489,100
Restricted cash and cash equivalents	119,968	345,050
	\$ 25,637,993	\$ 22,834,150

See accompanying notes

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

A) Reporting Entity

The Santa Ynez River Water Conservation District, Improvement District No. 1 (the District) was organized on July 7, 1959 under the Water Conservation Law of 1931, part of the California Water Code. The District has operated continuously since 1959 and is located in the central portion of Santa Barbara County and includes the communities of Santa Ynez, Los Olivos, Ballard and the City of Solvang. The District accounts for construction, maintenance and operations of facilities which are for the purpose of producing and furnishing potable domestic and irrigation water within its boundaries.

The Santa Ynez River Water Conservation District (Parent District) was organized in 1939. It is a separate and distinct district from the Santa Ynez River Water Conservation District, Improvement District No. 1. The Parent District has a separate purpose for existence, a separate board of directors, and separate accounting records. Its assets and liabilities, as well as its activities, are therefore not included in these financial statements.

B) Accounting Basis

The District reports its activities as an enterprise fund, which is used to account for operations where the intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses are recognized on the accrual basis, as such, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. An enterprise fund is accounted for on the "flow of economic resources" measurement focus. This means that all assets and liabilities, whether current or long term, are included on the balance sheet.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and the producing and delivering of goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for water sales. Operating expenses of the District include the cost of sales and services, as well as administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The District is responsible for funding all of its expenses, regardless of the operation or non-operating classification.

The financial statements of the District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

C) Budgetary Procedures

The District prepares an annual budget which includes estimates of its principal sources of revenue to be received during the fiscal year, as well as estimated expenditures and reserves needed for operation of District facilities.

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

D) Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity period, at purchase, of three months or less to be cash equivalents.

E) Basis for Recording Accounts Receivable

The District grants credit to its customers, substantially all of whom are residents and businesses within the unincorporated areas of the County in the District's service area boundaries, in the towns of Santa Ynez, Los Olivos, and Ballard. The City of Solvang is a customer of the District. Accounts receivable are considered to be fully collectible.

F) Capital Assets

Capital assets purchased by the District are recorded at cost. Contributed assets (water line extensions, water wells and modifications constructed by the District and reimbursed by the customer or developer) are recorded at estimated fair market value on the date donated. Capital assets, excluding land, are depreciated using the straight line method over their estimated useful lives, which range from 5 to 99 years.

G) Inventories

The District's inventories are recorded at the lower of cost on the first-in, first-out basis, or market.

H) Prepaid Expenses

Prepaid expenses consist primarily of prepayments made to the Central Coast Water Authority (CCWA) as described in Note 13. Annually, a controlled quantity of water is purchased by the District and, if not used in the current year, is stored in the Lake Cachuma facility for use the following year. In addition, an amount of unused water carried over from prior years, if available, is also stored in the facility. This stored water at Lake Cachuma is subject to loss through evaporation, natural disasters, dam ruptures, and dam spillage due to excess rainfall. The losses are not covered by insurance. The District has its own facilities (various reservoirs) for storing delivered Lake Cachuma water and State Water Project water.

I) Compensated Absences

The District's personnel policies provide for accumulation of vacation and sick leave. Liabilities for vacation and sick leave are recorded when benefits are earned. Cash payment of unused vacation and sick leave is available to those qualified employees when retired. Individuals terminating employment prior to retirement receive cash payment of any unused accrued vacation. Accrued compensated absences are included in accrued expenses on the balance sheet.

J) Advances Payable

Advances payable represents the prepayment by the City of Solvang to the District for its share of the Central Coast Water Authority costs for the coming fiscal year and its proportionate share of rate coverage reserve funds.

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

K) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense as described in Note 9, 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. For this purpose, benefit payments are recognized when currently due and payable in accordance with benefit terms.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

L) Pension Plan

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense as described in Note 8, information about the fiduciary net position of the 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. 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.

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

M) Net Position

Net position represents the difference between assets/deferred inflows and liabilities/deferred outflows and is classified into three components as follows:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds.

Restricted – This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

M) Net Position (Continued)

Unrestricted – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.” Unrestricted, reserved net position represents unrestricted assets which are segregated by the Board of Trustees for specific future uses.

When an expense is incurred for purposes for which both unrestricted and restricted resources are available for use, it is the District's policy to apply restricted assets first, then unrestricted resources.

N) Use of Estimates

Management uses estimates and assumptions in preparing financial statements. 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.

Significant estimates used in preparing these financial statements include useful lives of capitalized assets, the net pension liability, and the liability for other postemployment benefits. It is at least reasonably possible that the significant estimates used will change within the next year.

O) Recent Governmental Accounting Standards Board (GASB) Statements

On July 1, 2022, the District adopted GASB Accounting Standards Statement 96, *Subscription-Based Information Technology Arrangements*, which provides guidance on the accounting and reporting for subscription-based information technology arrangements (SBITAs) for governments by defining a SBITA, establishing the criteria for recognizing right-to-use subscription assets, and corresponding subscription liabilities, and outlining required note disclosures regarding SBITAs. There was not a material impact to net position, revenues, or expenses as a result of applying GASB 96 for the year ended June 30, 2023, and there have not been significant changes to the District’s business processes, systems, or internal controls as a result of implementing the standard.

P) Future Governmental Accounting Standards Board (GASB) Statements

The Governmental Accounting Standards Board Statements listed below will be implemented in future financial statements. These statements will be evaluated by the District to determine if they will have a material impact to the financial statements once effective.

Statement No. 100 <i>"Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62"</i>	The requirements of this statement are effective for periods beginning after June 15, 2023. (FY 23/24)
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Statement No. 101 <i>"Compensated Absences"</i>	The requirements of this statement are effective for periods beginning after December 15, 2023. (FY 24/25)
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**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 2 – Cash and Investments

Cash and investments are comprised of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash in banks and on hand	\$ 10,180,290	\$ 6,792,551
Cash with fiscal agents	-	225,085
Local Agency Investment Fund	<u>15,457,703</u>	<u>15,816,514</u>
Total cash and investments	<u>\$ 25,637,993</u>	<u>\$ 22,834,150</u>

Investments Authorized by the District's Investment Policy

The District's investment policy authorizes the District to invest only in the Local Agency Investment Fund (LAIF), and FDIC insured accounts. This policy does not apply to funds held by the bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the District's investment policy.

Investment in Local Agency Investment Fund (LAIF)

LAIF is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based on the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on the amortized cost basis. LAIF invests some of its portfolio in derivatives. Detailed information on derivative investments held by this pool is not readily available. Investments in LAIF are not rated by a national rating agency.

Interest Rate Risk

The District did not have any investments with fair values that are considered to be highly sensitive to changes in interest rates.

Custodial Credit Risk

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

All cash deposits are entirely insured or collateralized. The California Government Code requires California banks and savings and loans associations to secure the District's deposits by pledging government securities, which equal at least 110% of the District's deposits. California law also permits financial institutions to secure the District's deposits by the pledging of first trust deed mortgage notes in excess of 150% of the District's deposits. The District may waive collateral requirements for deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC).

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 2 – Cash and Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District’s investment in the Local Agency Investment Fund is not rated.

Note 3 – Restricted Cash and Investments

The Santa Ynez Band of Chumash Indians (Band) made an original deposit with the District of \$4,400 to be used as security against septic system repairs on the Indian Reservation to be paid by the Band. The balance at fiscal year ended June 30, 2023 includes the original deposit and the interest earned on the cash balance.

On June 30 each year, the District transferred funds to Bank of New York for the required principal and interest payment due on the Series 2004A Cachuma Operations and Maintenance Bonds. These funds were drawn from the Bank of New York account on August 1 of each fiscal year. The bonds were fully repaid in the fiscal year ending June 30, 2023.

Restricted main extension fees represent amounts received from customers which must be used for the construction of mains. Restricted development fees are charges paid by water service applicants which must be used for new, expanded or modified water service, to secure new water sources, recapture existing water resources, and develop necessary water supply recovery measures due to the drought and additional State Regulation impacts.

The District’s restricted cash and investments as of June 30 are as follows:

	<u>2023</u>	<u>2022</u>
Santa Ynez Indian Reservation	\$ 10,756	\$ 10,753
Series 2004A COMB bonds debt service	-	225,085
Main extension fees	20,550	20,550
Development fees	<u>88,662</u>	<u>88,662</u>
Total restricted cash and cash equivalents	<u>\$ 119,968</u>	<u>\$ 345,050</u>

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 4 – Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2023.

	Balance June 30, 2022	Additions	Disposals	Transfers	Balance June 30, 2023
Utility plant	\$ 9,772,263	\$ -		\$ 883,248	\$ 10,655,511
Wells and major repairs	19,410,209	-	(124,986)	34,855	19,320,078
Office building	247,842	26,768	-	-	274,610
Transportation equipment	761,382	47,287	-	-	808,669
Office equipment	91,074	40,136	(13,178)	-	118,032
Other equipment	709,527	23,087	-	-	732,614
Total depreciable assets	<u>30,992,297</u>	<u>137,278</u>	<u>(138,164)</u>	<u>918,103</u>	<u>31,909,514</u>
Land and land rights	<u>503,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>503,317</u>
Total capital assets	<u>31,495,614</u>	<u>137,278</u>	<u>(138,164)</u>	<u>918,103</u>	<u>32,412,831</u>
Accumulated depreciation	<u>(17,036,302)</u>	<u>(919,648)</u>	<u>125,394</u>	<u>-</u>	<u>(17,830,556)</u>
Construction in progress	<u>168,946</u>	<u>1,042,013</u>	<u>-</u>	<u>(918,103)</u>	<u>292,856</u>
Net capital assets	<u>\$ 14,628,258</u>	<u>\$ 259,643</u>	<u>\$ (12,770)</u>	<u>\$ -</u>	<u>\$ 14,875,131</u>

The following is a summary of changes in capital assets for the year ended June 30, 2022.

	Balance June 30, 2021	Additions	Disposals	Transfers	Balance June 30, 2022
Utility plant	\$ 9,242,650	\$ -	\$ (106,517)	\$ 636,130	\$ 9,772,263
Wells and major repairs	19,082,410	82,003	-	245,796	19,410,209
Office building	251,057	-	(16,088)	12,873	247,842
Transportation equipment	819,538	-	(58,156)	-	761,382
Office equipment	83,283	17,521	(9,730)	-	91,074
Other equipment	611,041	101,241	(2,755)	-	709,527
Total depreciable assets	<u>30,089,979</u>	<u>200,765</u>	<u>(193,246)</u>	<u>894,799</u>	<u>30,992,297</u>
Land and land rights	<u>503,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>503,317</u>
Total capital assets	<u>30,593,296</u>	<u>200,765</u>	<u>(193,246)</u>	<u>894,799</u>	<u>31,495,614</u>
Accumulated depreciation	<u>(16,344,820)</u>	<u>(843,266)</u>	<u>151,784</u>	<u>-</u>	<u>(17,036,302)</u>
Construction in progress	<u>178,599</u>	<u>885,146</u>	<u>-</u>	<u>(894,799)</u>	<u>168,946</u>
Net capital assets	<u>\$ 14,427,075</u>	<u>\$ 242,645</u>	<u>\$ (41,462)</u>	<u>\$ -</u>	<u>\$ 14,628,258</u>

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 5 – Revenue Bonds Payable

Cachuma Project Authority Revenue Bonds

In October 1993, some of the Cachuma Project Authority (CPA) participants, in conjunction with the CPA, issued \$9,950,000 of Cachuma Project Authority Revenue Bonds. The District’s share of the bond proceeds, \$6,185,000, was used to refinance the State of California Department of Water Resources contract #E58028 and the 1988 General Obligation Bonds. \$3,500,000 was also set aside to finance construction of a water reservoir. The loan was due over a period of 30 years in semi-annual payments due January 1 and July 1, beginning July 1, 1994. The interest rate on the bonds varied from 2.75% to 5.25%.

On August 19, 2004 the outstanding 1993 CPA Bonds were refinanced with the Series 2004A Cachuma Operations and Maintenance Board (COMB) Bonds, of which the District’s portion was \$3,960,000. The loan was to be repaid through fiscal year 2022/2023 at an interest rate ranging from 3.0% to 4.65%. The refinancing resulted in an economic gain of \$189,626. Interest was payable semi-annually on February 1 and August 1 of each year, commencing on February 1, 2005. Principal payments were payable annually on August 1 of each year, commencing on August 1, 2006.

All water system revenues and ad valorem assessment taxes of the District were irrevocably pledged to the payment of the revenue bonds. The District’s obligations pursuant to the Joint Participation Agreements No.1 and No.2, as amended for the COMB Revenue Refunding Bonds (Member Agency Projects) Series 2004A required the District to fix, prescribe, and collect rates and charges which were at least sufficient to yield Net Revenues (as defined in the District’s bond documents) equal to one hundred twenty five percent (125%) of the District’s annual debt service. The bonds were repaid in full during the fiscal year ending June 30, 2023.

The following is a summary of activity related to the COMB bonds for the years ending June 30, 2023 and 2022:

	Balance June 30, 2022	Additions/ Issuances	Deductions/ Repayments	Balance June 30, 2023
COMB revenue bonds	\$ 220,000	\$ -	\$ (220,000)	\$ -
Premium on bonds	438	-	(438)	-
	<u>\$ 220,438</u>	<u>\$ -</u>	<u>\$ (220,438)</u>	<u>\$ -</u>

	Balance June 30, 2021	Additions/ Issuances	Deductions/ Repayments	Balance June 30, 2022
COMB revenue bonds	\$ 430,000	\$ -	\$ (210,000)	\$ 220,000
Premium on bonds	3,097	-	(2,659)	438
	<u>\$ 433,097</u>	<u>\$ -</u>	<u>\$ (212,659)</u>	<u>\$ 220,438</u>

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 6 – Supplemental Schedule of the Statement of Cash Flows

The following is a reconciliation of operating income to net cash provided by operating activities:

	2023	2022
Cash Flows from Operating Activities:		
Operating income	\$ 1,753,254	\$ 2,464,162
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	919,648	843,266
(Increase) decrease in:		
Accounts receivable	207,087	(78,576)
Inventories	(26,335)	(22,340)
Prepaid expenses and deposits	49,115	1,633,335
Deferred outflows of resources - pension	(778,351)	(1,087)
Deferred outflows of resources - OPEB	137,637	(249,050)
Increase (decrease) in:		
Accounts payable	(49,339)	80,116
Accrued expenses	18,770	12,408
Net pension liability	1,544,534	(1,071,278)
Net OPEB obligation	(535,755)	485,229
Advances payable	353,791	(821,947)
Deferred inflows of resources - pension	(849,663)	952,588
Deferred inflows of resources - OPEB	629,804	43,164
Net cash provided by operating activities	\$ 3,374,197	\$ 4,269,990

Note 7 – Reserves

The District has reserved a portion of its assets for future construction projects and projected repair and replacement costs. The following is a schedule of the reserves as of June 30, 2023 and 2022.

	2023	2022
Repair and replacement	\$ 6,054,018	\$ 4,353,712
Debt reserve	291,241	1,667,537
Plant expansion	7,336,450	5,636,144
SWP Fund Reserve	3,000,000	3,000,000
Total reserves	\$ 16,681,709	\$ 14,657,393

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 8 – Defined Benefit Pension Plan

Plan Description – All qualified employees are eligible to participate in the District’s Miscellaneous Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and local government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Eligible employees hired after January 1, 2013 that are considered new members as defined by the Public Employees’ Pension Reform Act (PEPRA) participate in the PEPRA Miscellaneous Plan.

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, as discussed above. Members with five years of total service are eligible to retire at age 50 or 52 if in the PEPRA Miscellaneous Plan with statutorily reduced benefits. An optional benefit regarding sick leave was adopted. Any unused sick leave accumulated at the time of retirement will be converted to credited service at a rate of 0.004 years of service for each day of sick leave. All members are eligible for non-duty disability benefits after 10 years of service. The system also provides for the Optional Settlement 2W Death Benefit, as well as the 1959 Survivor Benefit. The cost of living adjustments for all plans are applied as specified by the Public Employees’ Retirement Law.

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law 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. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. 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.

For employees hired prior to January 1, 2013 and for all classic members as defined by PEPRA, the District pays the employee’s contribution in addition to the employer’s contribution. These contributions made on behalf of employees are included in operating expenses on the statement of revenues, expenses, and changes in net position, but are not included in pension expense as disclosed below. For employees hired after January 1, 2013 who are considered new members as defined by PEPRA, the District does not pay any portion of the employee’s required contribution.

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 8 – Defined Benefit Pension Plan (Continued)

The Plan’s provisions and benefits in effect at June 30, 2023 and 2022, are summarized as follows:

	Miscellaneous Plan	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - Minimum	52 - Minimum
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution		
2023	7.00%	7.25%
2022	7.00%	7.25%
Required employer contribution		
2023	11.06%	7.76%
2022	11.06%	7.73%

CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above, and as a dollar amount for contributions toward the unfunded liability. The District’s required contribution for the unfunded liability was \$182,775 and \$156,000 for the fiscal years ended June 30, 2023 and 2022, respectively.

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

As of June 30, 2023 the District reported a liability of \$2,611,721 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability for the Plan 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 their long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined

The District’s proportionate share of the net pension liability as of June 30, 2022 and 2021 (measurement dates) was as follows:

<u>Measurement date June 30, 2022</u>		<u>Measurement date June 30, 2021</u>	
Proportion – June 30, 2021	0.05620%	Proportion – June 30, 2020	0.05070%
Proportion – June 30, 2022	0.05582%	Proportion – June 30, 2021	0.05620%
Increase (Decrease)	<u>-0.00038%</u>	Increase (Decrease)	<u>0.00550%</u>

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 8 – Defined Benefit Pension Plan (Continued)

For the fiscal years ended June 30, 2023 and 2022, the District recognized pension expense of \$244,089 and \$178,755, respectively. At June 30, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2023		June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 327,569	\$ -	\$ 298,532	\$ -
Differences between expected and actual experience	52,448	(35,128)	119,674	-
Changes in assumptions	267,625	-	-	-
Changes in employer's proportion	149,789	-	79,272	-
Difference between employer's contributions and employer's proportionate share of contributions	-	(150,654)	-	(103,846)
Net differences between projected and actual earnings on plan investments	478,398	-	-	(931,599)
Total	<u>\$ 1,275,829</u>	<u>\$ (185,782)</u>	<u>\$ 497,478</u>	<u>\$ (1,035,445)</u>

Employer contributions of \$327,569 reported as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	
2024	\$ 192,849
2025	176,394
2026	100,631
2027	292,604
2028	-
	<u>\$ 762,478</u>

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 8 – Defined Benefit Pension Plan (Continued)

Unfunded liabilities are amortized in accordance with CalPERS amortization policy, which was modified effective for the June 30, 2019 actuarial valuation. The new policy applies prospectively only; amortization bases established prior to the June 30, 2019 valuation will continue to be amortized according to the prior policy. For more details, please refer to the June 30, 2020 Actuarial Valuation for CalPERS Miscellaneous Risk Pool which can be found on the CalPERS website.

Actuarial Assumptions – The total pension liabilities in the June 30, 2021 and 2020 actuarial valuations (June 30, 2022 and 2021 measurement dates) were determined using the following actuarial assumptions:

	Miscellaneous Plan
Actuarial Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	
Measurement Date - 2022	6.90%
Measurement Date - 2021	7.15%
Inflation	
Measurement Date - 2022	2.30%
Measurement Date - 2021	2.50%
Salary Increases	Varies by entry age and service
Investment Rate of Return (1)	
Measurement Date - 2022	6.90%
Measurement Date - 2021	7.15%
Mortality	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.3% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

(1) Net of pension plan investment expenses, including inflation

The mortality table used was developed based on CalPERS-specific data. The rates for measurement date June 30, 2022 incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website. The rates for measurement date June 30, 2021 included 15 years of mortality improvements using Society of Actuaries Scale 90% MP 2016. For more details, please refer to the December 2017 experience study report that can be found on the CalPERS website.

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 8 – Defined Benefit Pension Plan (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 6.90% and 7.15% for the measurement periods ending June 30, 2022 and 2021, respectively. 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 a statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

In determining the long-term expected rate of return for measurement date of June 30, 2022, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

In determining the long-term expected rate of return for the measurement date of June 30, 2021, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound 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 equivalent to the single equivalent rate calculated below and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class	Measurement Date June 30, 2022		Asset Class	Measurement Date June 30, 2021		
	Net Strategic Allocation	Real Return Years 1 - 10(a)		Net Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global equity - cap-weighted	30.00%	4.45%	Global Equity	50.00%	4.80%	5.98%
Global equity non-cap-weighted	12.00%	3.84%	Global Fixed Income	28.00%	1.00%	2.62%
Private Equity	13.00%	7.28%	Inflation Sensitive	0.00%	0.77%	1.81%
Treasury	5.00%	0.27%	Private Equity	8.00%	6.30%	7.23%
Mortgage-backed Securities	5.00%	0.50%	Real Estate	13.00%	3.75%	4.93%
Investment Grade Corporates	10.00%	1.56%	Liquidity	1.00%	0.00%	-0.92%
High Yield	5.00%	2.27%				
Emerging Market Debt	5.00%	2.48%				
Private Debt	5.00%	3.57%				
Real Estates	15.00%	3.21%				
Leverage	-5.00%	-0.59%				

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

(a) An expected inflation of 2.30% used for this period.
Figures are based on the 2021-22 Asset Liability Management study.

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 8 – Defined Benefit Pension Plan (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents The District’s proportionate share of the net pension liability calculated using the discount rate of 6.90% and 7.15%, respectively, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Fiscal Year	
	2023	2022
1% Decrease	5.90%	6.15%
Net Pension Liability	\$ 4,093,900	\$ 2,405,719
Current Discount Rate	6.90%	7.15%
Net Pension Liability	\$ 2,611,721	\$ 1,067,187
1% Increase	7.90%	8.15%
Net Pension Liability	\$ 1,392,255	\$ (39,358)

Pension Plan Fiduciary Net Position – Detailed information about the Plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Note 9 – Other Postemployment Benefits (OPEB)

The District’s plan is a single-employer defined benefit OPEB plan which provides retiree medical and prescription drug coverage to eligible retirees and their dependents. Employees who attain age 55 and 10 years of service and retire from active employment are eligible to receive pro-rated benefits from the Plan. Medical coverage is offered under a fully-insured PPO plan option and a fully-insured HMO plan option, through the Association of California Water Agencies Health Plan, consistent with the coverage provided under the CalPERS Health Program.

Employees Covered

At the June 30, 2021 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB plan.

Participating active employees	16
Inactive employees or beneficiaries currently receiving benefits	9
Total	25

Funding Policy

The District funds the plan on a pay-as-you-go basis. The District contributes up to the amount of the monthly premium for ACWA Advantage coverage for employee and family, plus administrative fees and Contingency Reserve Fund assessments. The specific contribution percentage is based on District years of credited service.

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 9 – Other Postemployment Benefits (OPEB) (Continued)

Net OPEB Liability

The District’s net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2022, based on the following actuarial methods and assumptions:

	OPEB Plan
Actuarial Cost Method	Entry-Age Normal, Level Percent of Pay
Actuarial Assumptions:	
Discount Rate	
Measurement Date - 2022	3.54%
Measurement Date - 2021	2.16%
Payroll Growth (1)	
Measurement Date - 2022	2.75%
Measurement Date - 2021	2.75%
Mortality	2017 CalPERS Mortality for Miscellaneous and Schools Employees; 2017 CalPERS Retiree Mortality for All Employees
Turnover	2017 CalPERS Turnover for Miscellaneous Employees
Retirement	2017 CalPERS 2.0%@55 Rates for Miscellaneous Employees; 2017 CalPERS 2.0% @60 Rates for Miscellaneous Employees
Healthcare Trend Rate	
Measurement Date - 2022	4.00%
Measurement Date - 2021	4.00%

(1) Benefits are not dependent upon salary. Rate is used in applying the level percentage of projected payroll amortization method.

Assumption Changes

The discount rate was increased from 2.16% to 3.54% for the measurement period ending June 30, 2022. The discount rate was decreased from 2.2% to 2.16% for the measurement period ending June 30, 2021.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54% for the measurement period ending June 30, 2022, based on the Bond Buyer 20 Bond Index. The discount rate used to measure the total OPEB liability was 2.16 % for the measurement period ending June 30, 2021, based on the S&P municipal Bond 20-Year High Grade Rate Index.

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 9 – Other Postemployment Benefits (OPEB) (Continued)

Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2022 <i>(Measurement Date June 30, 2021)</i>	\$ 4,053,897	\$ -	\$ 4,053,897
Changes Recognized for the Measurement Period:			
Service cost	278,160	-	278,160
Interest on Total OPEB Liability	89,539	-	89,539
Contributions - Employer	-	95,795	(95,795)
Benefit Payments	(95,795)	(95,795)	-
Expected versus actual experience	526	-	526
Assumption changes	(808,185)	-	(808,185)
Net Changes	<u>(535,755)</u>	<u>-</u>	<u>(535,755)</u>
Balance at June 30, 2023 <i>(Measurement Date June 30, 2022)</i>	<u>\$ 3,518,142</u>	<u>\$ -</u>	<u>\$ 3,518,142</u>

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for fiscal years ended June 30, 2023 and 2022:

	<u>Fiscal Year</u>	
	<u>2023</u>	<u>2022</u>
1% Decrease	2.54%	1.16%
Net OPEB Liability	\$ 4,088,760	\$ 4,734,263
Current Discount Rate	3.54%	2.16%
Net OPEB Liability	\$ 3,518,142	\$ 4,053,897
1% Increase	4.54%	3.16%
Net OPEB Liability	\$ 3,108,247	\$ 3,505,911

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 9 – Other Postemployment Benefits (OPEB) (Continued)

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for fiscal years ended June 30, 2023 and 2022:

	Fiscal Year	
	2023	2022
Trend 1% Lower	2.54%	3.00%
Net OPEB Liability	\$ 2,960,780	\$ 3,402,952
Health Care Cost Trend	3.54%	4.00%
Net OPEB Liability	\$ 3,518,142	\$ 4,053,897
Trend 1% Higher	4.54%	5.00%
Net OPEB Liability	\$ 4,189,922	\$ 4,891,601

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains 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.

The recognition period differs depending on the source of the gain or loss. The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five year period. The remaining gains and losses are amortized over the expected average remaining service life, which was 7.3 years at measurement date June 30, 2022.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal years ended June 30, 2023 and 2022, the District recognized OPEB expense of \$313,223 and \$375,138, respectively. At June 30, 2023 and 2022, the District reported deferred outflows of resources related to OPEB from the following sources.

	June 30, 2023		June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 81,537	\$ -	\$ 95,795	\$ -
Differences between expected and actual experience	15,680	(132,632)	17,403	(157,872)
Changes in assumptions	689,102	(982,685)	810,758	(327,641)
Total	\$ 786,319	\$ (1,115,317)	\$ 923,956	\$ (485,513)

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 9 – Other Postemployment Benefits (OPEB) (Continued)

Employer contributions of \$81,537 reported as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year Ended June 30		
2024	\$	(54,475)
2025		(54,475)
2026		(54,475)
2027		(54,475)
2028		(53,152)
Thereafter		(139,483)
	<u>\$</u>	<u>(410,535)</u>

Note 10 – Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits participating employees to defer a portion of their salary until future years. The District does not contribute to this plan and all contributions are made voluntarily by the employee. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All assets of the plan were placed in trust for the exclusive benefit of participants and their beneficiaries. The requirements of the IRC Section prescribes that the District no longer owns the amounts deferred by employees, including the related income on those amounts. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the District's financial statements.

Note 11 – Cachuma Project Authority/Cachuma Operations and Maintenance Board

The original master contract for the Cachuma Project was entered into by the United States Bureau of Reclamation (USBR) and the Santa Barbara County Water Agency on September 12, 1949. Prior to expiration of the original contract, the District and other Cachuma Project Member Units formed the Cachuma Project Authority (CPA) in 1993 to represent their interests in negotiating the Cachuma Project Renewal Master Contract, the Cachuma Project Member Unit Contracts, and related environmental review processes. The Cachuma Project Renewal Master Contract (Contract No. I75r-1802R) was renewed on April 14, 1996 for a term to expire on September 30, 2020. On September 28, 2020, an Amendment to the Renewal Master Contract was entered to extend its term through September 30, 2023 (Contract No. I75r-1802RA). On September 29, 2023, a Second Amendment to the Renewal Master Contract was entered to extend its term through September 30, 2026 (Contract No. I75r-1802RB).

Effective September 30, 1996, the CPA merged into the Cachuma Operations and Maintenance Board (COMB), which continues to be responsible for operation and maintenance of the "Transferred Project Works" and certain administrative responsibilities and reporting to USBR on behalf of the Cachuma Project Member Units. All assets and liabilities of the CPA were transferred to COMB.

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 11 – Cachuma Project Authority/Cachuma Operations and Maintenance Board (Continued)

On May 26, 2016, at a Special Meeting of the District’s Board of Trustees, the Board unanimously voted to formally separate from COMB and withdraw from the “1996 Amended and Restated Agreement for the Establishment of a Board of Control to Operate and Maintain the Cachuma Project – Cachuma Operation and Maintenance Board.”

Effective August 23, 2018, the District and the remaining agencies of COMB signed the Cachuma Operation and Maintenance Board Joint Powers Authority Separation Agreement (Separation Agreement) finalizing the withdrawal and severance of the District from COMB effective as of May 27, 2016. The Separation Agreement sets forth certain continuing obligations of the District, some of which conclude upon the expiration of the Renewal Master Contract or other triggering events. Effective July 30, 2020 the District and COMB entered into the First Amendment to the Separation Agreement to streamline implementation of the Separation Agreement. Except as expressly required by the Separation Agreement and the First Amendment to the Separation Agreement, the District shall have no obligation or responsibility for any liabilities, financial obligations, or other activities of COMB.

Note 12 – Risk Management

The District participates in the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), a public entity risk pool of California water agencies, for general and auto liability, public officials’ liability, property damage, and fidelity insurance. ACWA/JPIA provides insurance through the pool up to a certain level, beyond which group-purchased commercial excess insurance is obtained.

The District pays an annual premium to ACWA/JPIA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the ACWA/JPIA. ACWA/JPIA may be terminated at any time by written consent of three-fourths of voting members at which time the members may be required to pay their share of any additional amount of premium in accordance with the loss allocation formulas for final disposition of all claims and losses covered by the joint powers agreement. To obtain complete financial information contact ACWA/JPIA at P.O. Box 619082 Roseville, CA 95661.

At June 30, 2023 the District participates in the ACWA/JPIA pooled programs for liability, and property programs as follows:

<u>Coverage</u>	<u>Deductible</u>	<u>Coverage Limit</u>
General, Auto and Public Officials liability	None	\$5,000,000 - \$55,000,000
Cyber liability	None	\$5,000,000
Property	\$500 - \$100,000	\$2,500,000 - \$500,000,000
Crime	\$1,000	\$1,000,000
Workers' Compensation	None	Statutory

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 13 – Joint Ventures

Central Coast Water Authority

In 1991, the District's electorate approved participation in the State Water Project (SWP). As a result, the District joined in the formation of the Central Coast Water Authority (CCWA) in September 1991. The purpose of the CCWA is to provide for the financing, construction, operation, and maintenance of certain local (non-state owned) facilities required to deliver water from the SWP to certain water purveyors and users in Santa Barbara County. In September 1997, the project began delivering state water to the District.

The District has entered into a Water Supply Agreement with the City of Solvang for 75% of the District's 2,000 acre-foot State Water Project entitlement. The agreement calls for the City to reimburse the District for its allocated share (72.75%) of all costs associated with the SWP. The difference between the 75% allocation of water and the 72.75% allocated share of costs is due to the fact that costs attributed only to the District increased its revenue bond allocation percentage, causing its overall cost percentage to be 72.75%.

Each project participant, including the District has entered into a Water Supply Agreement to provide for the development, financing, construction, operation and maintenance of the CCWA Project. The purpose of the Water Supply Agreement is to assist in carrying out the purposes of CCWA with respect to the CCWA Project by:

- 1) requiring CCWA to sell, and the project participants to buy, a specified amount of water from CCWA ("take or pay"); and
- 2) assigning the Santa Barbara project participant's entitlement rights in the State Water project to CCWA.

Although the District does have an ongoing financial interest pursuant to the Water Supply Agreement between the District and CCWA, the District does not have an equity interest as defined by GASB.

The District and each project participant is required to pay to CCWA an amount equal to its share of the total cost of "fixed project costs" and certain other costs in the proportion established in the Water Supply Agreement. This includes the project participant's share of payments to the State Department of Water Resources (DWR) under the State Water Supply Contract (including capital, operation, maintenance, power and replacement costs of the DWR facilities) debt service on CCWA bonds and all CCWA operating and administrative costs.

Each project participant is required to make payments under its Water Supply Agreement solely from the revenues of its water system. Each project participant has agreed in its Water Supply Agreement to fix, prescribe and collect rates and charges for its water system which will be at least sufficient to yield each fiscal year net revenues equal to 125% of the sum of (1) the payments required pursuant to the Water Supply Agreement, and (2) debt service on any existing participant obligation for which revenues are also pledged.

CCWA is composed of eight members, all of which are public agencies. CCWA was organized and exists under a joint exercise of power agreement among the various participating public agencies. The Board of Directors is made up of one representative from each participating entity. Votes on the Board are approximately apportioned between the entities based upon each entity's allocation of State water entitlement. The District's weighted voting allocation based upon number of acre-feet of water is 7.64%. Operating and capital expenses are allocated among the members based upon various formulas recognizing the benefits of the various project components to each member.

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 13 – Joint Ventures (Continued)

Central Coast Water Authority (Continued)

In August 2006, CCWA issued the Series 2006A Refunding Revenue Bonds for \$123,190,000 with an average interest rate of 4.24% to refund \$142,985,000 of outstanding 1996 Revenue Bonds with an average interest rate of 5.47%. The 1996 Revenue Bonds were issued to advance refund the 1992 Revenue Bonds. The 1992 Revenue Bonds were issued by the Authority for the benefit of its participants to finance a portion of the costs of developing a pipeline and water treatment plant, to reimburse certain project participants for costs incurred in connection with the State Water Project, and to finance certain other liabilities.

On June 18, 2016 the Authority issued Series 2016A refunding revenue bonds for \$45,470,000, which refunded the outstanding \$59,645,000 Series 2006A revenue bonds on October 1, 2016. The 2016A refunding revenue bonds were issued to realize the benefits of lower interest rates, which were issued at a true interest cost of 1.355% compared to the 4.24% true interest costs of the 2006A bonds. The bond refunding transaction was completed at the close of escrow on July 21, 2016 and the bonds were repaid in full on October 21, 2022.

Based on the Water Supply Agreement with the City of Solvang described above, below are the projected required costs of the State Water Project for the District and City of Solvang. Because the District is the “Project Participant” in CCWA, it is obligated to make all fixed and variable charge payments to CCWA and then is reimbursed by the City of Solvang for the City’s share of the annual funding in accordance with the Agreement.

District's Share:

	<u>Fixed Costs</u>	<u>Variable Costs</u>	<u>Other Credits</u>	<u>Total</u>
2024	\$ 866,395	\$ 312,288	\$ (285,172)	\$ 893,511
2025	982,874	210,207	-	1,193,081
2026	998,247	91,829	-	1,090,076
2027	1,048,179	96,420	-	1,144,599
2028 - 2035	10,986,312	-	-	10,986,312
Total	<u>\$ 14,882,007</u>	<u>\$ 710,744</u>	<u>\$ (285,172)</u>	<u>\$ 15,307,579</u>

City of Solvang's Share:

	<u>Fixed Costs</u>	<u>Variable Costs</u>	<u>Other Credits</u>	<u>Total</u>
2024	\$ 2,065,947	\$ 102,417	\$ (23,132)	\$ 2,145,232
2025	2,069,921	207,709	-	2,277,630
2026	2,064,370	270,567	-	2,334,937
2027	2,139,990	284,097	-	2,424,087
2028 - 2035	18,315,959	-	-	18,315,959
Total	<u>\$ 26,656,187</u>	<u>\$ 864,790</u>	<u>\$ (23,132)</u>	<u>\$ 27,497,845</u>

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 13 – Joint Ventures (Continued)

Central Coast Water Authority (Continued)

The above fixed and variable costs include both DWR and CCWA charges. Variable costs are dependent on actual water deliveries taken or to be taken. The “fixed costs,” “variable costs,” numbers were obtained from CCWA’s five-year projected cost schedules.

Additional information and complete financial statements for the CCWA are available for public inspection at 255 Industrial Way, Buellton, CA, between the hours of 8 a.m. and 5 p.m., Monday through Friday.

Santa Ynez River Valley Groundwater Basin, Eastern Management Area Groundwater Sustainability Agency

The District is a participant with the City of Solvang (Solvang), the Santa Ynez River Water Conservation District (SYRWCD), and the Santa Barbara County Water Agency (SBCWA) under a 2017 Memorandum of Agreement (MOA) to oversee implementation of the Sustainable Groundwater Management Act (SGMA) within the Eastern Management Area (EMA) of the Santa Ynez River Valley Groundwater Basin. Pursuant to the MOA, the District, Solvang, SYRWCD, and SBCWA form the Groundwater Sustainability Agency (GSA) for the EMA. The EMA GSA is governed by a committee comprised of one representative and one alternative from each agency. SGMA required the EMA GSA to prepare and adopt a Groundwater Sustainability Plan (GSP) for the EMA by January 2022, which was accomplished on time.

All proposed actions or resolutions of the EMA GSA must be passed by a simple majority and significant actions, such as adoption of the GSP, require at least 70 percent vote and concurrence of each agency’s governing body. During fiscal year 2022/2023, the District paid \$6,000 as its share costs incurred by the EMA GSA. The District also provides project management and other administrative support for the EMA GSA. Financial statements for the EMA GSA can be obtained from its administrative office at 3669 Sagunto Street, Suite 101, Santa Ynez, CA 93460.

Note 14 – Commitments

Water Entitlement Exchange

In 1993, the District entered into the Santa Ynez River/State Water Exchange Agreement with the South Coast Cachuma Member Units (Carpinteria Valley Water District, Goleta Water District, Montecito Water District, and the City of Santa Barbara), the La Cumbre Mutual Water Company, and the Central Coast Water Authority (CCWA) to exchange the District’s share of Cachuma Project water entitlement for an equal amount of the South Coast agencies’ State Water Project entitlement.

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 14 – Commitments (Continued)

Bradbury Dam

On July 1, 2002, COMB and USBR entered into the Contract for Repayment of Funds Expended for Federally Performed Safety of Dams Act Modification Program (SOD Contract) for seismic modifications to Bradbury Dam. Under the SOD Contract, COMB reimburses the United States on behalf of the Cachuma Member Units for a portion of Safety of Dams Act funds the United States expended to preserve the structural integrity of Bradbury Dam and related Cachuma Project facilities. The SOD Contract calls for a repayment of the cost over a 50-year period.

COMB assesses the District annually for amounts equal to the District's share of the obligation due to the United States. The District has a commitment equal to 10.31% of total contract repayment. Currently, the District's annual payment is \$26,976.

Note 15 – Contingent Liabilities

SWRCB Hearings

The District, along with other local water agencies and several state and federal regulatory entities, are signatories to a 2001 Memorandum of Understanding (MOU) for Cooperation in Research and Fish Maintenance – Santa Ynez River concerning fishery resources in the Lower Santa Ynez River below Bradbury Dam. These agencies are also involved in ongoing analyses ordered by the State Water Resources Control Board (SWRCB) in connection with the Cachuma Project permits held by USBR on behalf of the Cachuma Member Units. In September 2019, the SWRCB issued a final Water Rights Order for operation of the Cachuma Project to ensure protection of public trust resources and downstream water rights below Bradbury Dam (WRO 2019-0148). Pursuant to WRO 2019-0148, USBR is required to prepare and undertake various reports and studies regarding potential impacts to fishery resources in the Lower Santa Ynez River. Complying with these requirements will result in higher Cachuma Project water costs to the District in the form of higher water rates from USBR and/or voluntary expenses incurred annually by the District and other agencies in providing support to USBR in its compliance activities.

In addition to the SWRCB proceedings, the District is involved with various local, state, and federal agencies as part of the federal Endangered Species Act (ESA), Section 7 reconsultation process for operation and maintenance of the Cachuma Project for the protection of Southern California steelhead in the Lower Santa Ynez River. For purposes of the ESA, the Cachuma Project is currently governed by the 2000 Biological Opinion issued by the National Marine Fisheries Service (NMFS). Pursuant to the ongoing Section 7 reconsultation process, NMFS is expected to issue a new Biological Opinion in 2024, which will impact the manner in which USBR is required to operate the Cachuma Project. The new Biological Opinion will impose specific water release requirements from Bradbury Dam, which may result in additional impacts to Cachuma Project water supplies, including the amount of water the District receives under its contractual entitlement. The new Biological Opinion will also impose certain monitoring, reporting, study, and other requirements on USBR. Complying with these requirements will result in higher Cachuma Project water costs to the District in the form of higher water rates from USBR and/or voluntary expenses incurred annually by the District and other agencies in providing support to USBR in its compliance activities.

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS**

Note 15 – Contingent Liabilities (Continued)

New Legislation - Hexavalent Chromium-6

The State of California enacted a new standard for Hexavalent Chromium (Cr6) effective July 1, 2014 which required all water systems to comply with a lowered maximum contaminant level (MCL) of 10 parts per billion (ppb) of Cr6 in drinking water. Public water systems were required to achieve compliance with this new standard at the earliest feasible date prior to January 1, 2020.

In order to comply with the new State standard and meet current and future water demands, the District conducted pilot studies to determine the best available water treatment technology for its water system, prepared preliminary engineering design for blending facilities, performed feasibility and cost analysis for each option, and developed a well modification project as part of a District-specific Cr6 remediation program. The primary solution involved investing in a new centralized water treatment facility with the capability of treating Cr6 produced from the District's affected groundwater wells. The costs associated with new treatment and blending facilities varied, and were estimated at that time to be as much as \$12.5 million.

On May 5, 2017, a California Superior Court ruled that, in establishing the new Cr6 standard, the State failed to adequately assess the economic feasibility of complying with the new MCL, and the 10 ppb MCL was invalidated. The Court order required the State to reevaluate its new Cr6 MCL following an adequate economic feasibility analysis. In the meantime, the State's MCL of 50 ppb for total chromium remains in place. While the District has temporarily postponed its work in developing a new centralized treatment system for Cr6, the District continues to monitor the progress of the State in establishing a new MCL. On June 16, 2023, the State Water Resources Control Board (State Board) issued a notice of public hearing for a proposed Cr6 MCL of 10 ppb, and the State Board is expected to issue a final Cr6 MCL of 10 ppb in 2024. When the new MCL is established, the District will resume work to ensure compliance with the new regulation.

Note 16 – Legal Contingencies

In the ordinary course of conducting business, various legal proceedings may be pending, however, in the opinion of the District's management, the ultimate disposition of these matters will have no significant impact on the financial position of the District.

Note 17 – Reclassifications

Certain reclassifications have been made to prior year amounts, in order to conform with current year presentation.

Note 18 – Subsequent Events

Subsequent events have been evaluated through December 19, 2023, the date the financial statements were available to be issued.

Required Supplementary Information

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT, IMPROVEMENT DISTRICT NO. 1
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2023
LAST 10 YEARS*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.02261%	0.01973%	0.01965%	0.01933%	0.01898%	0.01922%	0.01908%	0.01874%	0.02055%
Proportionate share of the net pension liability	\$ 2,611,721	\$ 1,067,187	\$ 2,138,465	\$ 1,981,106	\$ 1,828,856	\$ 1,905,629	\$ 1,651,018	\$ 1,285,968	\$ 1,278,902
Covered payroll	\$ 1,620,263	\$ 1,571,534	\$ 1,533,069	\$ 1,608,531	\$ 1,501,838	\$ 1,349,875	\$ 1,299,691	\$ 1,190,037	\$ 1,098,615
Proportionate Share of the net pension liability as percentage of covered payroll	161.19%	67.91%	139.49%	123.16%	121.77%	141.17%	127.03%	108.06%	116.41%
Plan fiduciary net position as a percentage of the total pension liability	75.98%	89.47%	78.07%	78.07%	77.89%	75.85%	76.34%	80.35%	79.73%
Measurement date	06/30/22	06/30/21	06/30/20	06/30/19	06/30/18	06/30/17	06/30/16	06/30/15	06/30/14
Valuation date	06/30/21	06/30/20	06/30/19	06/30/18	06/30/17	06/30/16	06/30/15	06/30/14	06/30/13

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2021 valuation date.

* Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed for up to 10 years as information becomes available.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT, IMPROVEMENT DISTRICT NO. 1
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2023
LAST 10 YEARS*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 327,569	\$ 298,532	\$ 271,204	\$ 239,699	\$ 271,802	\$ 244,533	\$ 218,450	\$ 201,660	\$ 165,075
Contributions in relation to the actuarially determined contribution	\$ 327,569	\$ 298,532	\$ 271,204	\$ 239,699	\$ 271,802	\$ 244,533	\$ 218,450	\$ 201,660	\$ 165,075
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,611,299	\$ 1,620,263	\$ 1,571,534	\$ 1,533,069	\$ 1,608,531	\$ 1,501,838	\$ 1,349,875	\$ 1,299,691	\$ 1,190,037
Contributions as a percentage of covered payroll	20.33%	18.42%	17.26%	15.64%	16.90%	16.28%	16.18%	15.52%	13.87%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2022-2023 were derived from the June 30, 2020 funding valuation report.

* Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed for up to 10 years as information becomes available.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT, IMPROVEMENT DISTRICT NO. 1
OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2023
LAST 10 YEARS*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:						
Service cost	\$ 278,160	\$ 254,721	\$ 181,296	\$ 155,826	\$ 151,287	\$ 199,377
Interest on the total OPEB liability	89,539	81,313	99,577	93,707	85,855	69,249
Expected versus actual experience	526	(110,833)	(18,166)	(67,721)	26,104	(5,271)
Assumption changes	(808,185)	383,429	592,289	(50,028)	30,994	(478,525)
Benefit payments	(95,795)	(123,401)	(99,659)	(72,323)	(72,323)	(67,941)
Net change in total OPEB liability	(535,755)	485,229	755,337	59,461	221,917	(283,111)
Total OPEB liability - beginning	4,053,897	3,568,668	2,813,331	2,753,870	2,531,953	2,815,064
Total OPEB liability - ending (a)	<u>\$ 3,518,142</u>	<u>\$ 4,053,897</u>	<u>\$ 3,568,668</u>	<u>\$ 2,813,331</u>	<u>\$ 2,753,870</u>	<u>\$ 2,531,953</u>
Fiduciary Net Position						
Employer contributions	\$ 95,795	\$ 123,401	\$ 99,659	\$ 72,323	\$ 72,323	\$ 67,941
Benefit payments	(95,795)	(123,401)	(99,659)	(72,323)	(72,323)	(67,941)
Net change in fiduciary net position	-	-	-	-	-	-
Total fiduciary net position- beginning	-	-	-	-	-	-
Total fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - ending (a) - (b)	\$ 3,518,142	\$ 4,053,897	\$ 3,568,668	\$ 2,813,331	\$ 2,753,870	\$ 2,531,953
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered - employee payroll	\$ 1,719,151	\$ 1,666,259	\$ 1,729,605	\$ 1,672,296	\$ 1,556,210	\$ 1,388,793
Net OPEB liability as a percentage of covered-employee payroll	204.64%	243.29%	206.33%	168.23%	176.96%	182.31%
Measurement date	06/30/22	06/30/21	06/30/20	06/30/19	06/30/18	07/01/17
Valuation date	06/30/21	06/30/21	06/30/19	06/30/19	07/01/17	07/01/17

Notes to Schedule:

* Historical information is required only for measurement periods for which GASB 75 is applicable.
Future year's information will be displayed up to 10 years as information becomes available.

Other Supplementary Information

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES - ACTUAL AND BUDGET
For the Year Ended June 30, 2023
With Comparative Actual Amounts at June 30, 2022**

	<u>2023 Actual</u>	<u>2023 Budget</u>	<u>2023 Over/(Under)</u>	<u>2022 Actual</u>
Operating Revenues:				
Water sales	\$ 8,600,192	\$ 8,901,713	\$ (301,521)	\$ 9,308,543
State water contract revenue	2,141,668	2,240,562	(98,894)	3,035,510
Miscellaneous billings and fees	140,719	153,000	(12,281)	209,774
Total operating revenues	<u>10,882,579</u>	<u>11,295,275</u>	<u>(412,696)</u>	<u>12,553,827</u>
Operating Expenses:				
Source of supply	1,581,661	1,574,023	7,638	1,439,564
State water contract expense	2,141,668	2,240,562	(98,894)	3,035,510
Pumping expense	646,488	721,500	(75,012)	734,032
Water treatment	92,454	111,732	(19,278)	93,833
Transmission and distribution	1,076,006	1,082,032	(6,026)	1,031,354
Administrative and general	2,357,485	2,880,990	(523,505)	2,448,944
Special programs and study fees	214,341	517,500	(303,159)	250,984
Unanticipated and special legal fees	99,574	266,000	(166,426)	212,178
Depreciation expense	919,648	-	919,648	843,266
Total operating expenses	<u>9,129,325</u>	<u>9,394,339</u>	<u>(265,014)</u>	<u>10,089,665</u>
Operating income	<u>1,753,254</u>	<u>1,900,936</u>	<u>(147,682)</u>	<u>2,464,162</u>
Other Income:				
Capital facilities fees	85,089	70,000	15,089	122,520
Interest income	583,144	55,000	528,144	68,569
Unrealized loss	(636,704)	-	(636,704)	(207,231)
Special assessment	900,478	875,000	25,478	986,254
Total other income	<u>932,007</u>	<u>1,000,000</u>	<u>(67,993)</u>	<u>970,112</u>
Other Expenses:				
Interest expense	407	5,088	(4,681)	8,286
Loss on disposal of assets	12,770	-	12,770	25,376
Total other expenses	<u>13,177</u>	<u>5,088</u>	<u>8,089</u>	<u>33,662</u>
Change in net position	<u>\$ 2,672,084</u>	<u>\$ 2,895,848</u>	<u>\$ (223,764)</u>	<u>\$ 3,400,612</u>