



STOCKTON EAST WATER DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

MARCH 31, 2023 AND 2022

STOCKTON EAST WATER DISTRICT

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Independent Auditor's Report

To the Board of Directors
Stockton East Water District

Opinion

We have audited the accompanying financial statements of the business-type activities of Stockton East Water District (the District), as of and for the years ended March 31, 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 in the first paragraph present fairly, in all material respects, the respective financial position of the business-type activities of Stockton East Water District, as of March 31, 2023 and 2022 and the changes in financial position and cash flows 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 and *Government Auditing Standards*, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

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

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Districts'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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, 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 supplemental 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.

MW & Associates, LLP

Fresno, California

November 14, 2023

STOCKTON EAST WATER DISTRICT

Management's Discussion and Analysis

March 31, 2023

The following is a narrative overview and analysis by the management of Stockton East Water District (the District) of the financial activities of the District for the fiscal year ended March 31, 2023. Readers should consider the information presented here in conjunction with the financial statements.

Financial Highlights

- Total assets of the District were \$146,182,551 with capital assets (Utility Plant in Service) at \$87,623,869, net of accumulated depreciation. Current and other assets were \$47,726,947 and \$102,577, respectively.
- Total liabilities were \$51,779,135 consisting of long-term liabilities of \$36,506,927 and current liabilities of \$12,774,919.
- Assets of the District exceeded liabilities at the close of the most recent fiscal year by \$94,403,417 (net position). Of this amount, \$29,487,754 (unrestricted net position) may be used to meet the District's ongoing obligations and \$57,962,937 represents the District's net investment in capital assets.
- The District's net assets increased by \$4,446,927 from \$89,956,490 in FYE 2022 to \$94,403,417 in FYE 2023.
- Total operating revenues for the fiscal year 2022-2023 were \$27,405,192, which is a decrease of 13.9% from the prior year or \$4,409,088. Surface and groundwater sales and assessments decreased significantly due to the comparison to one-time surface water sale to the San Luis & Delta-Mendota Water Authority for \$3,000,000 in the prior year. Base Monthly Payments from the District's Urban Contractors decreased by \$263,224. Rate of equalization charges to other municipal and industrial (M&I) customers decreased by \$1,758,773 as a result of water customers a reduced amount of water usage. In FYE 2021, the District supplied 31,609 AF while FY 2022 the number decreased to 17,926 AF.
- Total operating expenses for the fiscal year 2022-2023 were \$27,405,192. This figure shows an increase of 13.5% or \$3,211,541 from the prior fiscal year figure of \$23,846,871. Several factors contributed to the significant increase of operating expenses which were offset by some decreases in other broad expense categories.

Water treatment costs increased by \$171,703. The increase was offset with fluctuations in other expense categories. For instance, employee and benefit expenses decreased by \$558,068 while chemicals increased by \$443,329, electricity increased by \$489,074 and filter media costs decreased by \$167,787.

Transmission and distribution costs increased by \$873,302 due to increased expenses in canal and distribution system maintenance.

STOCKTON EAST WATER DISTRICT

Management's Discussion and Analysis

March 31, 2023

Sources of supply expenses saw an increase of \$1,539,863. The increase was due to increased water transfers from South San Joaquin Water District (SSJID), Oakdale Irrigation District (OID), and Rock Creek Water District.

Administrative expenses increased by \$783,073 which was largely due to an increase in property liability insurance, increase in retirement, increase in water conservation education efforts, and an increase in general legal expenses.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District is an independent special District formed by the California Legislature and follows enterprise fund reporting. There are three main divisions to the District's operations: 1) the Municipal and Industrial (M&I) Division is primarily funded by base monthly payments from the Urban Contractors and ground water rate equalization charges from other municipal and industrial customers; 2) the Agricultural (Ag) Division derives its revenues from fees and assessments charged to agricultural irrigators within District boundaries; and 3) the Administration Division is non-revenue generating division that provides administrative support to the M&I and Ag divisions.

Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The District's basic financial statements are comprised of three components: 1) Statement of Net Position; 2) Statement of Revenues, Expenses and Changes in Net Position; and 3) Statement of Cash Flows. This report also contains other supplemental information in addition to the basic financial statements themselves.

The *Statement of Net Position* presents the current and long-term portions of assets and liabilities separately and may provide a useful indicator of whether the financial position of the District is improving or deteriorating over time. This statement includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). It also provides the basis for 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 showing profitability and credit worthiness as well as how the District's net position changed during the most recent fiscal year. This statement shows revenues and expenses from operations, non-operating revenues and expenses, and capital contributions, and reconciles the change from one fiscal year to the next. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges.

STOCKTON EAST WATER DISTRICT

Management's Discussion and Analysis

March 31, 2023

The *Statement of Cash Flows* is prepared using the direct method and is concerned solely with input and outlay of cash from operating activities, noncapital financing activities, capital and related financing activities and investing activities. This statement also includes a reconciliation of operating profit (loss) to cash from operating activities. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period.

Notes to the Basic Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

Net Position

As noted earlier, net position may serve as a useful indicator of the District's financial position. As shown in Figure 1, the District's assets exceeded liabilities by \$94,403,417 on March 31, 2023, an increase of \$4,446,927 from the District's net assets at March 31, 2022.

By far the largest portion of the District's net assets reflects its net investment in capital assets (e.g., land, buildings, conveyance facilities, water treatment plant, pipelines and equipment), less related outstanding debt used to acquire those assets. The District uses these assets to provide water services to its customers; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from services to customers or other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Figure 1

Net Position

	3/31/2023	3/21/2022	Variance	%
Current and other assets	\$ 55,791,300	\$ 56,057,828	\$ (266,528)	-0.5%
Property, plant and equipment, net	87,623,869	84,539,430	3,084,439	3.6%
Total assets	143,415,169	140,597,258	2,817,911	2.0%
Current liabilities	12,774,919	9,704,804	3,070,115	31.6%
Long-term liabilities	36,506,927	38,961,849	(2,454,922)	-6.3%
Total liabilities	49,281,846	48,666,652	615,194	1.3%
Net investment in capital assets	57,962,937	51,570,473	6,392,464	12.4%
Restricted	6,952,726	7,447,361	(494,635)	-6.6%
Unrestricted	29,487,754	30,938,654	(1,450,900)	-4.7%
Total net position	\$ 94,403,417	\$ 89,956,490	\$ 4,446,927	4.9%

STOCKTON EAST WATER DISTRICT

Management's Discussion and Analysis

March 31, 2023

A portion of the District's net position (\$6,952,726) represents resources that are subject to external restrictions on how they may be used. These net positions consist of funds dedicated to specific purposes, e.g., urban contractors' directives, capital construction and dry year reserves. The remaining balance of the District's net assets is unrestricted and may be used to meet the District's ongoing obligations and creditors.

Change in Net Position

As shown in Figure 2, the District's operating, non-operating activities and developer fees increased net assets by \$4,446,927 as compared to a \$13,890,027 increase in net assets in the prior year. The District's net position increase is due to the combined changes of the following major components:

- The District's FYE 2023 operating profit of \$346,780 (that portion of the District's operating revenues in excess of its operating expenses) represents a decrease of \$7,620,626 from FYE 2022's operating profit of \$7,967,409.
- Non-operating expenses, net decreased \$545,420 from \$796,755 in FYE 2022 to \$251,335 in FYE 2023.

Operating Revenues. Operating revenues decreased by 13.9% or \$4,409,088. This is mainly due to the aforementioned surface water sale in the previous year and a decline in groundwater rate of equalization assessment revenue and a slight decrease in the Base Monthly Payments (BMP) from the Urban Contractors. The Second Amended Contract between the District and the Urban Contractors calls for the Urban Contractors to make payments to the District in the amounts necessary to cover the District's cost of all municipal and industrial expenses. Said costs include costs related to sources of supply, transmission and distribution, water treatment plant operation and maintenance costs, debt payments on certificates of participation, an installment purchase agreement, state revolving fund loan used for construction of the treatment plant and transmission system, and a share of conveyance and storage facilities, in addition to ground water rate equalization charges paid by other municipal and industrial customers.

Operating Expenses. Operating expenses increased 13.5% or \$3,211,539 made up mostly of increases in sources of supply expenses of \$1,539,863, increased water treatment expenses of \$171,703, increased transmission and distribution expenses of \$873,302, and increased general and administrative expenses of \$651,305.

Non-operating Revenues (Expenses). Total net non-operating revenues (expenses) for FYE 2023 decreased \$545,422 from 796,755 in FYE 2022 to \$251,333 in FYE 2023. This decrease is composed of a decrease in grant reimbursements of \$666,316, a decrease in interest expense of \$348,540, an increase in property taxes of \$55,843, and a decrease in GASB 68 pension expense of \$319,634 offset by increase in interest and other income of \$36,145.

Developer Fees. During FYE 2023, the District received \$3,841,811 in developer fees representing capital contributions compared to \$5,125,865 in FYE 2022 for a decrease of \$1,277,054.

STOCKTON EAST WATER DISTRICT

Management's Discussion and Analysis

March 31, 2023

Figure 2

Changes in Net Position

	3/31/2023	3/21/2022	Variance	%
Operating revenues	\$ 27,405,192	\$31,814,280	\$ (4,409,088)	-13.9%
			-	
Operating expenses	27,058,412	23,846,874	3,211,538	13.5%
Operating profit	346,780	7,967,406	(7,620,626)	-95.7%
Nonoperating revenues (expenses)				
Property taxes	613,804	557,961	55,843	10.0%
Interest, LAIF	173,576	102,748	70,828	68.9%
Interest, investments and other	24,376	59,058	(34,682)	-58.7%
Grant Reimbursements	171,486	837,802	(666,316)	-79.5%
Interest expense	(1,009,315)	(1,357,856)	348,541	-25.7%
GASB 68 pension expense	277,408	597,042	(319,634)	-53.5%
Total non-op revenues/(exp)	251,335	796,755	(545,420)	-68.5%
Developer fees	3,848,812	5,125,865	(1,277,053)	-24.9%
Change in net position	\$ 4,446,927	\$13,890,027	\$ (9,443,100)	-68.0%
Net position -- beginning of period	89,956,490	76,066,464		
Net position -- end of period	\$ 94,403,417	\$89,956,490		

Budget Comparisons

The following table compares actual operating revenues and expenses to the 2022-2023 budget:

Figure 3

	Budgeted	Actual	Variance
	<u>2022-2023</u>	<u>2022-2023</u>	
Operating Revenues	\$ 29,212,776	\$ 27,405,192	\$ (1,807,584)
Operating Expenses	28,905,713	22,167,888	(6,737,825)
Net Operating Income	\$ 307,063	\$ 5,237,304	\$ 4,930,241

For FYE 2023, operating revenues were \$1,807,584 lower than budgeted. The difference is mainly due to a decrease in groundwater assessments of \$1,758,773.

STOCKTON EAST WATER DISTRICT

Management's Discussion and Analysis

March 31, 2023

Capital Asset and Debt Administration

Capital Assets Activity

The District's net investment, after depreciation, in capital assets as of March 31, 2023 amounted to \$89,623,869. The District's capital assets include all land, buildings, conveyance facilities, water treatment plant, pipelines and equipment owned by the District. The total increase in the District's investment in capital assets for the current fiscal year was 3.6% or \$3,084,439. This represents capital additions of \$6,734,121 offset by \$3,649,682 of depreciation.

Additional information on the District's capital assets can be found within the audited financial statements.

Long Term Debt Activity

On July 15, 2019 the District refunded previously issued Certificates of Participation with Pacific Western Bank as a taxable debt issuance via a note payable. The refunding did not extend repayment terms but rather lowered the cumulative interest rate being paid over the same period. Refunding is estimated to yield \$3,757,786 in savings. Principal indebtedness of the refunded debt on March 31, 2022 was \$28,520,000. The District completed a rate reset amendment with Pacific Western Bank on November 2021 that is estimated to net additional savings of \$1,137,963 over the life of the debt and which reset the principal owed to 28,710,000. The District paid down principal indebtedness according to the terms of the note during the fiscal year ending March 31, 2022 in the amount of \$3,373,000. Principal indebtedness as of March 31, 2023 is \$20,813,000.

The District entered into a funding agreement with the State of California Department of Public Health during FYE 2013 to assist the District in financing the construction of a 10 million gallon finished water reservoir and repair of the District's existing finished water reservoir. The funding agreement consists of a \$15,000,000 revolving loan, equal to the estimated total cost of construction and repairs. The revolving loan carries no interest and is amortized over a 20-year term. The loan is due to be retired in 2035.

Total outstanding indebtedness as of March 31, 2023 of \$7,163,055 related to the state revolving fund loan is included in the District's financial statements.

On July 15, 2014, the District entered into a \$3,325,000 note payable with the Bank of Stockton to provide financing relative to the purchase of real property adjacent to the District's treatment plant property, consisting of approximately 230 acres. The term of the note was 5 years with an option to renew the note after the initial term. On July 15 2019, the District renewed the note for an additional 5 years. As of March 31, 2023 total principal outstanding indebtedness of \$2,155,292 is included in the District's financial statements.

Note 7 in the Notes to the Financial Statements contains information showing the debt transactions for notes and loans payable for the year, the status of the debt as of March 31, 2023, and schedules of future debt service requirements. In addition, further detailed information regarding debt maturities is contained in the Other Supplemental Information subsection.

STOCKTON EAST WATER DISTRICT

Management's Discussion and Analysis

March 31, 2023

Future Financial Outlook

The California Legislature imposed rate limitations for the District's Agricultural Division when it provided the District with additional powers in 1979. Therefore, by design, the District has limited ability to raise revenues in its Agricultural Division. In 2022 the Legislature approved SB 656, which provides relief from this revenue limitation, and is awaiting the Governor's signature. The Second Amended Contract between the District and its Urban Contractors establishes a base monthly payment by the Urban Contractors that, in addition to ground water rate equalization charges paid by other municipal and industrial customers, covers 100% of the cost of the Municipal Division-Treatment Plant.

The District's water treatment plant is currently rated by the California State Water Resources Control Board – Division of Drinking Water (DDW) to treat 65 million gallons of water per day (mgd). On May 18, 2012, the District entered into an agreement to receive funding through the California Department of Public Health's State Revolving Fund Loan Program in the amount of \$15,000,000 for the construction of an additional 10 million gallon finished water reservoir. The 10 million gallon finished water reservoir was completed in November 2013, and represents a step toward expanding future treatment plant capacity.

In FY 2023, payments from the Urban Contractors have been made correctly in accordance with the Second Amended Contract. In 2017, the District filed a lawsuit against the Urban Contractors in an effort to ensure the terms of the Second Contract are followed. The parties are participating in mediation hearings to attempt to resolve the issue.

The District will continue to focus its efforts in achieving its mission of restoring and protecting the Eastern San Joaquin Groundwater Basin by implementing projects to reach sustainability in accordance with the Eastern San Joaquin Groundwater Basin Groundwater Sustainability Plan submitted to DWR. By encouraging a dual surface and groundwater supply system among the Urban Contractors, land developers, and the District's agricultural customers, the District can address the problems created by the region's critically over-drafted basin, retard saline intrusion, provide seasonal habitat for migratory waterfowl, and ultimately provide a sustainable long-term reliable water supply for its customers.

Joint efforts are ongoing to develop and undertake groundwater recharge/banking projects to achieve a sustainable conjunctively managed surface and groundwater supply for the region. The focus of these projects is the construction of surface water distribution, storage, and recovery systems that store unused surface water and ultimately put it to beneficial use when surface water shortages occur.

Requests for Information

The financial report is designed to provide the reader with a general overview of the District's finances. Questions concerning any of the information provided herein or requests for additional information should be addressed to the Finance Director, Stockton East Water District, P.O. Box 5157, Stockton, California 95205.

Stockton East Water District

Statement of Net Position

March 31,

Assets	2023	2022
Current assets		
Cash and cash equivalents	\$ 9,251,136	\$ 10,468,493
Water assessments receivable	588,695	852,324
Investments	34,606,061	34,435,468
Interest and other receivables	2,742,960	979,859
Current maturities of contract receivable	54,680	54,680
Prepaid expenses and supplies	483,415	419,644
Total current assets	47,726,947	47,210,468
Restricted assets		
Cash and cash equivalents	604,871	604,871
Investments	6,886,492	6,857,832
Developer fees receivable	470,413	1,225,939
Total restricted assets	7,961,776	8,688,642
Property, plant and equipment, net of depreciation	87,623,869	84,539,430
Other assets		
Contract receivable and other assets	102,577	158,718
Total assets	143,415,169	140,597,258
Deferred outflows of resources	2,767,383	1,481,298
Total assets and deferred outflows of resources	\$ 146,182,551	\$ 142,078,556
Liabilities and net position		
Current liabilities		
Accounts payable and accrued liabilities	\$ 5,535,444	\$ 3,177,517
Compensated absences payable	584,558	662,050
Customer prepaid water tolls	2,426,140	1,768,108
Current portion of long-term debt	4,228,776	4,097,128
Total current liabilities	12,774,919	9,704,804
Long-term debt, less current portion		
State revolving fund	6,590,010	7,163,055
Other loans payable	19,312,561	22,934,714
Post employment benefits	4,428,658	5,725,841
Net pension liability	6,175,698	3,138,239
Total liabilities	49,281,846	48,666,653
Deferred inflows of resources	2,497,289	3,455,414
Total liabilities and deferred inflows of resources	51,779,135	52,122,067
Net position		
Invested in capital assets	57,962,937	51,570,473
Restricted for urban contractors	4,644,732	5,414,768
Restricted for capital projects	1,953,160	1,693,657
Restricted for dry year reserves	354,835	338,937
Unrestricted	29,487,753	30,938,655
Total net position	94,403,417	89,956,490
Total liabilities and net position	\$ 146,182,551	\$ 142,078,556

See accompanying notes to the financial statements

Stockton East Water District

Statement of Revenues, Expenses and Changes in Net Position

For the Years Ended March 31,

Operating revenues	<u>2023</u>	<u>2022</u>
Surface water sales and ground assessments	\$ 2,128,254	\$ 5,136,871
Municipal and industrial water	24,177,104	26,199,102
Source of supply charges	378,110	478,307
Distribution charges	721,724	-
Total operating revenues	<u>27,405,192</u>	<u>31,814,280</u>
Operating expenses		
Source of supply	5,166,196	3,626,333
Transmission and distribution	3,474,698	2,601,396
Water treatment	9,983,117	9,943,183
General and administrative	4,784,719	4,001,646
Depreciation and amortization	3,649,682	3,674,313
Total operating expenses	<u>27,058,412</u>	<u>23,846,871</u>
Operating profit	346,780	7,967,409
Nonoperating revenues (expenses)		
Property taxes	613,804	557,961
Interest and investment income	197,952	161,806
Grant and other revenues	171,486	837,802
Interest expense	(1,009,315)	(1,357,856)
Developer fees	3,848,812	5,125,865
Total nonoperating revenues	<u>3,822,739</u>	<u>5,325,578</u>
Net pension expense	277,408	597,042
Increase in net position	<u>4,446,927</u>	<u>13,890,026</u>
Total net position, beginning of year	<u>89,956,490</u>	<u>76,066,464</u>
Total net position, end of year	<u><u>\$ 94,403,417</u></u>	<u><u>\$ 89,956,490</u></u>

See accompanying notes to the financial statements

Stockton East Water District

Statement of Cash Flows

For the Year Ended March 31,

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Cash received from customers	\$ 26,563,752	\$ 31,817,248
Cash payments for goods and services	(14,029,504)	(18,124,005)
Cash payments to employees	(5,648,319)	(8,525,851)
Net cash provided by operating activities	<u>6,885,929</u>	<u>5,167,392</u>
Cash flows from non-capital and related financing activities		
Property taxes	613,804	557,961
Grant revenues	171,486	837,802
Net cash provided by non-capital and related financing activities	<u>785,290</u>	<u>1,395,763</u>
Cash flows from capital and related financing activities		
Interest paid	(1,009,315)	(1,357,856)
Developer fees received	3,848,812	5,125,865
Proceeds from long-term contract receivable	37,350	37,350
Change in other loans payable	(4,672,981)	(1,549,971)
Purchases of capital assets, net	(6,734,121)	(4,074,808)
Net cash used in cap and related financing activities	<u>(8,530,255)</u>	<u>(1,819,420)</u>
Cash flows from investing activities		
Net change in restricted assets	(726,866)	(382,971)
Net change investments	170,593	(35,156)
Interest income	197,952	161,803
Net cash used in investing activities	<u>(358,321)</u>	<u>(256,324)</u>
Net (de)/increase in cash and cash equivalents	(1,217,357)	4,487,411
Cash and cash equivalents, beginning of period	11,073,364	6,585,953
Cash and cash equivalents, end of period	<u>\$ 9,856,007</u>	<u>\$ 11,073,364</u>

See accompanying notes to the financial statements

Stockton East Water District

Statement of Cash Flows

For the Year Ended March 31,

	<u>2023</u>	<u>2022</u>
Reconciliation of operating income to net cash provided by operating activities		
Income from operations	\$ 346,780	\$ 7,967,409
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation and amortization	3,649,682	3,646,869
Other non-cash adjustments	(737,199)	(2,997,862)
Changes in operating assets and liabilities		
Water assessments and other receivables	(1,499,472)	35,557
Prepaid expenses and supplies	(63,771)	178,439
Accounts payable	2,869,003	(104,089)
Accrued payroll and related liabilities	1,662,874	(3,526,343)
Customer prepaid water tolls	658,032	(32,588)
Net cash provided by operating activities	<u>\$ 6,885,929</u>	<u>\$ 5,167,392</u>

See accompanying notes to the financial statements

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies

This summary of significant accounting policies of Stockton East Water District (the District) is presented to assist in understanding the District's financial statements.

Description of reporting entity

The District was organized on June 7, 1948 under the provisions of the California Water Conservation District Act of 1931.

The District's principal functions are:

- a. Develop and operate groundwater recharge and banking facilities to restore and protect the underground water supply,
- b. Contract for and regulate the flow of water from the New Hogan Dam on the Calaveras River to provide maximum benefit to the underground water supply,
- c. Contract for a supply of water from New Melones Dam on the Stanislaus River and regulate the diversion flow at Goodwin Dam through the New Melones Conveyance System for use within the Stockton East Water District and the Central San Joaquin Water Conservation District,
- d. Distribution of an agricultural surface water supply to more than 26,000 acres by use of check dams in natural channels,
- e. Operation of a drinking water treatment plant to supplement the supply of potable water to the metropolitan Stockton area, and
- f. Develop additional water supply contracts to provide future supplemental sources for the ultimate water needs of the area.

The governing board of the District consists of seven directors elected by the registered voters to represent specific areas within the District.

District management considered all potential component units for inclusion in the reporting entity by applying the criteria set forth in accounting principles generally accepted in the United States of America. The District concluded that there are no potential component units which should be included in the reporting entity.

Basis of accounting

The financial statements have been prepared on the economic resources measurement focus and the accrual basis of accounting. As allowed by Governmental Accounting Standards Board (GASB) Statement No. 56, *Codification of Accounting and Financial Reporting Guidance* the District's proprietary funds follow all GASB pronouncements and accounting standards set by the Financial Accounting Standards Board (FASB) and included in the Accounting Standards Codification (ASC), except those that conflict with a GASB pronouncement.

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of accounting

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The District's operating revenues include all revenues derived from the District's principal functions. Operating expenses include all costs related to the District's principal functions, general and administrative expenses, depreciation on capital assets and amortization on certificates of participation and installment purchase agreement issuance costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, except for developer fees which are reported separately and represent capital contributions charged by the District relative to water service area annexation.

The District combines the accounts of all divisions. Interdivision transactions are eliminated in combination.

Fund accounting

The District utilizes proprietary funds to account for its activities, which are similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration.

Budgetary accounting

The District utilizes formal budgetary procedures as required by District contracts, but is not required to adopt such procedures by law. The District adopts a budget annually which is approved by the Board of Directors.

Cash and cash equivalents

For purposes of the statement of cash flows, the District considers cash on hand, amounts due on demand from financial institutions within three months to be cash and cash equivalents.

Investments

Investments with an original maturity of three months or less when purchased are reported at cost, which approximates fair value. Investments that mature beyond six months when purchased are reported at fair value. Fair value is determined by examining quoted market prices. The change in fair value is included in nonoperating revenues and expenses in the statement of revenues, expenses and changes in net assets.

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Water assessments receivable

Water assessments receivable includes all amounts invoiced and not received by the District for surface water sales and groundwater assessments and municipal and industrial water. District management considers all accounts receivable from water users and others to be fully collectible. Accordingly, an allowance for doubtful accounts has not been recorded in these financial statements.

Prepaid chemicals and supplies

The District's prepaid supplies, which includes chemicals, fuel and laboratory supplies is stated at the lower of cost or market using the first-in, first-out (FIFO) method of valuation.

Restricted assets

Restricted assets recorded in the financial statements consist of cash and cash equivalents, investments, interest receivable and developer fees receivable restricted for the following:

- Repayment of certificates of participation
- Urban Contractors' (City of Stockton, California Water Service Company, Lincoln Village Maintenance District and Colonial Heights Maintenance District) directives
- New Melones Conveyance System construction and improvements originating from certificates of participation issuances
- Treatment plant repairs and replacement
- Dry year reserves

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Capital assets

All capital assets are valued at historical cost. The District's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation has been provided on capital assets and is charged as an expense against operations each year. The total amount of depreciation taken over the years is reported on the balance sheet as a reduction in the book value of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the useful lives listed below to capital assets.

Water contracts and rights	40 years
Wells and equipment	5 – 20 years
Groundwater recharge projects and pipelines	10 – 50 years
New Melones Conveyance System	5 – 50 years
Ponding dams	15 – 50 years
Bridges and crossings	5 – 33 years
Treatment plant	10 – 50 years
Treatment plant equipment	5 – 30 years
Automotive equipment	5 – 15 years
Administration building	10 – 25 years
Furniture and office equipment	5 – 10 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Amortization of cost of issuance and refunding costs

Issuance costs related to certificates of participation and installment purchase agreements are capitalized and amortized using the effective interest method over the life of the respective certificates of participation and installment purchase agreement. Refunding costs related to the issuance of certificates of participation used to advance refund other certificates of participation are capitalized and amortized using the effective interest method over the remaining life of the old debt (had it not been refunded) or the life of the new debt, whichever is shorter. All is recorded in accordance with GASB 65.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year financial statement presentation. Net positions was unaffected.

Deferred outflows/inflows of resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and inflows of resources. This separate financial statement element, deferred outflows and inflows of resources, represents a consumption and acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/expenditure) until then. The District reported \$2,767,383 and \$1,481,298 and \$2,497,289 and \$3,455,414 of deferred outflow and inflows, respectively, as of March 31, 2023 and 2022.

Due from other divisions

Expenses incurred by each division are occasionally paid by another division, upon authorization by the Board of Directors pursuant to its authorizing legislation.

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Net position

Equity in the financial statements is classified as net position and displayed in three components as follows:

- a. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- c. Unrestricted net position – Consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

Net position restrictions

Net position restricted for Urban Contractors' directives, New Melones Conveyance System construction and improvements, treatment plant repairs and replacements and dry year reserves, are recorded in the financial statements as restricted net position.

Surface water sales and ground water assessments

Surface and ground water revenues result from assessments by the District and are based upon acres irrigated or actual usage for agricultural or municipal and industrial purposes.

Municipal and industrial water

Municipal and industrial water revenues are primarily derived from fees charged under the Second Amended Contract. In addition, ground water rate equalization charges levied on ground water users within the municipal and industrial water service area are also included in municipal and industrial water revenue.

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Property taxes

Property taxes levied January 1, 2022 were payable in two installments on December 10, 2022 and April 10, 2023. Property taxes levied January 1, 2021 were payable in two installments on December 10, 2021 and April 10, 2022. The County of San Joaquin bills and collects property taxes on behalf of the District.

The District is allocated a portion of property taxes collected by San Joaquin County. Property taxes receivable represents a portion of the July 1 to June 30 property taxes earned but uncollected at March 31.

Grant revenues

Income from grant agreements is recognized over the periods in which performance under the respective grant agreement relates. Determination of the classification of grant revenues as operating or nonoperating is based on the capital or operating nature of the related expenditures.

Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recent accounting pronouncements-

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, issued April 2018, improves the information that is disclosed in notes related to debt. Statement No. 88 simplifies which liabilities government should include when disclosing information related to debt. It requires that additional information related to debt be disclosed. This statement is effective for fiscal years beginning after June 15, 2022. Management is currently evaluating the impact of the provisions of GASB 88 on the financial statements

GASB Statement No. 94, *P3s and Availability Payment Arrangements* The new statement is effective for reporting periods beginning after June 15, 2022. Management is currently evaluating the impact of the provisions of GASB 88 on the financial statements

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

GASB 68 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan.

The District recognized additional liabilities for outstanding defined pension benefit obligations as of March 31, 2023.

Note 2 – Cash and Cash Equivalents

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District's bank deposits are not held in public deposit accounts and are, therefore, not collateralized in accordance with the California Government Code.

Cash held by the San Joaquin County Treasury is pooled with other County deposits for investment purposes by the County Treasurer in accordance with the investment policy of the County Treasurer. The Pool has established a treasury oversight committee to monitor and review the management of public funds maintained in the Pool. Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed investment income. Investment income is prorated to individual funds based on their average daily cash balances. The value of the District shares in the Pool, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the District's position in the Pool. The District's investment in the Pool is unrated, stated at amortized cost which approximates fair value, available upon demand and considered cash equivalents. The District is not required to and does not maintain a formal investment policy.

Note 3 – Investments

The District is a voluntary participant in the following external investment pool: 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 investments in these pools are reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the pools for their entire portfolio (in relation to the amortized cost of that portfolio).

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 4 – Restricted Assets

The following is a summary of restricted assets along with the purpose of each restriction as of March 31,

	<u>2023</u>	<u>2022</u>
Urban Contractors' directives	\$ 4,644,732	\$ 5,414,768
New Melones Conveyance System construction and impro	728,422	818,024
Treatment plant repairs and replacement	1,224,738	1,121,702
Dry year reserves	354,835	338,937
	<u>\$ 6,952,727</u>	<u>\$ 7,693,431</u>

Note 5 – Capital Assets

Capital asset activity for the year ended March 31, 2023 is as follows:.

	<u>March 31, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfer</u>	<u>March 31, 2023</u>
Non-depreciable capital assets					
Land and land rights	\$ 7,610,338	\$ -	\$ -	\$ -	\$ 7,610,338
Construction in progress	4,205,492	4,742,858	-	-	8,948,350
Total nondepreciable capital assets	<u>11,815,830</u>	<u>4,742,858</u>	<u>-</u>	<u>-</u>	<u>16,558,688</u>
Depreciable capital assets					
Water contracts and rights	3,142,139	-	-	-	3,142,139
Wells and equipment	1,709,839	-	-	-	1,709,839
Groundwater recharge projects	2,297,775	-	-	-	2,297,775
Pipeline	17,869,310	-	-	-	17,869,310
New Melones Conveyance	77,257,508	-	-	-	77,257,508
Ponding dams	712,576	-	-	-	712,576
Bridges and crossings	671,018	375,405	-	-	1,046,423
Treatment plant	46,603,992	-	-	-	46,603,992
Conveyance/Plant Equipment	3,030,316	793,043	-	-	3,823,359
Automotive equipment	1,393,278	122,627	-	-	1,515,905
Administration building	282,831	-	-	-	282,831
Furniture and office equipment	246,646	700,188	-	-	946,834
Total depreciable assets	<u>155,217,228</u>	<u>1,991,263</u>	<u>-</u>	<u>-</u>	<u>157,208,491</u>
Less accumulated depreciation	<u>(82,493,629)</u>	<u>(3,649,682)</u>	<u>-</u>	<u>-</u>	<u>(86,143,311)</u>
Total depreciable assets, net	<u>72,723,600</u>	<u>(1,658,419)</u>	<u>-</u>	<u>-</u>	<u>71,065,181</u>
Total capital assets, net	<u>\$ 84,539,430</u>	<u>\$ 3,084,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,623,869</u>

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 5 – Capital Assets (continued)

Capital asset activity for the year ended March 31, 2022 is as follows:

	Balance March 31, 2021	Additions	Disposals	Transfers	Balance March 31, 2022
Nondepreciable capital assets					
Land and land rights	7,610,338	-			7,610,338
Construction in progress	2,128,483	2,858,098		(781,089)	4,205,492
Total nondepreciable capital assets	7,985,868	2,858,098	-	(781,089)	11,815,830
Depreciable capital assets					
Water contracts and rights	3,142,139				3,142,139
Wells and equipment	1,709,839				1,709,839
Groundwater recharge projects	2,297,775				2,297,775
Pipeline	17,869,310	-			17,869,310
New Melones Conveyance	77,257,508				77,257,508
Ponding dams	712,576			-	712,576
Bridges and crossings	200,624	352,922		117,472	671,018
Treatment plant	46,095,184	508,808			46,603,992
Treatment plant equipment	2,011,720	354,979		663,617	3,030,316
Automotive equipment	1,393,278	-	-		1,393,278
Administration building	282,831	-			282,831
Furniture and office equipment	246,646	-			246,646
Total depreciable capital assets	153,219,430	1,216,709	-	781,089	155,217,229
Less accumulated depreciation	(78,846,760)	(3,646,869)	-	-	(82,493,629)
Total depreciable capital assets, net	74,372,670	(2,430,160)	-	781,089	72,723,600
Total capital assets, net	\$ 84,111,491	\$ 427,938	\$ -	\$ -	\$ 84,539,430

Capital asset activity for the year ended March 31, 2023 is as follows:

Stockton East Water District is in process of designing a new fish ladder at Bellota Weir, reconstructing the Bellota Weir itself, screening the Bellota intake, and constructing a fish exclusion at the Old Calaveras River headgate structure. As of March 31, 2023, the District has expended \$3,047,605 towards the design, which is included in the March 31, 2023 construction in progress account. The District estimates costs to complete the design will be \$3,452,225, which will be funded out of the Treatment Plant budget and grants for this purpose. Design is expected to be completed in FY 2023-2024.

The District is in the process of replacing its current gas chlorine disinfection system with a Sodium Hypochlorite (liquid) disinfection system which necessitates the construction of a facility to house the chemical with the corresponding instrumentation. The changeover will allow for greater supply chain resiliency as there are more vendors which sell Sodium Hypochlorite than gaseous chlorine. As of March 31, 2023, the District has expended

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 5 – Capital Assets (Continued)

\$4,257,661 towards the design, which is included in the March 31, 2023 construction in process account. The District estimates costs to complete the design and construction to be about \$6,170,000 which will be funded out of the Treatment Plant budget. Design and construction is expected to be completed in FY 2023-2024.

The District began work on the Goodwin Tunnel outlet meter project which will provide conditions for accurate flow measurement and mitigate the effects of the overgrown aquatic life. The second phase consists of constructing a concrete flume in the canal with further shotcrete canal lining as an option. As of March 31, 2023, the District has expended \$370,711 towards the construction, which is included in the March 31, 2023 construction in process account. The District estimates costs to complete the design and construction to be about \$2,968,000. The project is expected to be completed in FY 2023-2024.

Note 6 – Long-Term Contract Receivable

Under terms of the “District Contract” dated August 25, 1970, between Stockton East Water District and Calaveras County Water District, the payment of all obligations under the “New Hogan Contract” is the responsibility of Stockton East Water District. The District Contract provides for payment by Calaveras County Water District to Stockton East Water District for 43.5% of the construction costs of New Hogan Dam exclusive of recreation features. The original amount receivable was determined by reference to the final construction cost of \$15,362,636. The contract also provides for payment to Stockton East Water District for Calaveras County Water District’s share of expense for operation, maintenance, replacement, contract administration and water-master expense. Total remaining balance at March 31, 2023 and 2022, (including current portion) was \$147,900 and \$204,398, respectively.

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 7 – Long-Term Debt

In 2019, the District entered in three notes payable with Pacific Western Bank to provide financing for the retirement and repayment of all Certificates of Participation and Installment Agreement as noted in Note 7. The interest rates range from 4.31% to 4.90%, ten year amortization period. Future principal payments for the five succeeding years of March 31, 2023 are as follows: \$3,501,000 in 2024; \$3,632,000 in 2025, \$3,229,000 in 2026, \$3,352,000 in 2027 and \$3,486,000 in 2028.

The District entered into a funding agreement with the State of California Department of Public Health. The purpose of the funding agreement is to assist the District in financing the construction of a 10 million gallon finished water reservoir and repair of the District's existing finished water reservoir. The funding agreement consists of a \$15,000,000 revolving loan, equal to the total estimated construction cost and repairs. The revolving loan carries no interest, and, upon completion of construction and repairs, is amortized over a 20-year term and payable in semi-annual payments each January 1 and July 1, beginning July 1, 2020. The District will fund the repayment of the revolving loan with municipal and industrial water revenues. The balance of the state revolving fund loan was \$7,163,055 and \$7,735,729 as of March 31, 2023 and 2022, respectively. Future principal payments for the five succeeding years of March 31, 2023 are as follows: \$573,044 in 2024; \$573,044 in 2025; \$573,044 in 2026, \$573,044 in 2027, and \$573,044 in 2028.

In 2014, the District entered into a \$3,325,000 note payable with the Bank of Stockton to provide financing relative to the purchase of real property adjacent to the District's treatment plant property, consisting of approximately 230 acres. The note is payable in 19 quarterly installments of \$59,966, with interest at 3.95%, collateralized by a deed of trust on real property, with all remaining principal and accrued interest due July 15, 2024. The District will fund the repayment of the Bank of Stockton note payable with municipal and industrial water revenues. Future principal payments for the succeeding years from March 31, 2023 are as follows: \$154,731 in 2024, \$2,000,561 in 2025.

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 8 – Net Position

Reconciliations of net investment in capital assets and restricted net position classifications in the financial statements as of March 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Net investment in capital assets		
Developer fees receivable	\$ 470,413	\$ 1,225,939
Capital assets, net of accumulated depreciation	87,623,870	84,539,430
Current liabilities (payable from restricted assets)	(4,228,775)	(4,097,128)
Long-term debt	(25,902,571)	(30,097,769)
Total net investment in capital assets	<u>\$ 57,962,937</u>	<u>\$ 51,570,472</u>
 Restricted for urban contractors		
Cash and cash equivalents – restricted	10,000	10,000
Investments and interest receivable, restricted	4,634,732	5,404,768
Total net position restricted for urban contractors	<u>\$ 4,644,732</u>	<u>\$ 5,414,768</u>
 Restricted for capital projects		
Cash and cash equivalents – restricted	584,871	584,871
Investments and interest receivable, restricted	1,368,289	1,108,785
Total net position restricted for capital projects	<u>\$ 1,953,160</u>	<u>\$ 1,693,656</u>
 Restricted for dry year reserves		
Cash and investments – restricted	355,835	338,937
Total net position restricted for dry year reserves	<u>\$ 355,835</u>	<u>\$ 323,444</u>

Note 9 – Compensated Absences

As of March 31, 2023 and 2022, the District’s accrued liabilities for accumulated unused vacation and sick leave were \$584,558 and \$662,052, respectively. Employees accrue vacation and sick leave benefits based on length of service and current compensation. Accumulated vacation days are subject to a maximum accrual of 240 hours. Accumulated unused sick leave is 25% vested upon five years of continued service and 50% vested upon ten years of continued service. Employees are paid for their accumulated unused vacation and sick leave upon separation of service.

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 10 – Developer Fees

Developer fees are collected to repay debt associated with the New Melones Conveyance System, which is currently expected to be thru 2029. Fees collected are recorded in the statement of revenues, expenses and changes in net assets. A schedule of the changes in total developer fees collected during the years ended March 31, 2023 and 2022 is as follows:

	<u>City of Stockton</u>	<u>San Joaquin County</u>	<u>Total</u>
Total developer fees collected as of March 31, 2021	\$ <u>75,964,970</u>	\$ <u>5,508,259</u>	\$ <u>81,473,229</u>
Developer fees collected during the year ended March 31, 2022	<u>4,163,235</u>	<u>962,630</u>	<u>5,125,865</u>
Total developer fees collected as of March 31, 2022	\$ <u>80,128,205</u>	\$ <u>6,470,889</u>	\$ <u>86,599,094</u>
Developer fees collected during the year ended March 31, 2023	<u>3,552,832</u>	<u>295,980</u>	<u>3,848,811</u>
Total developer fees collected as of March 31, 2023	\$ <u>83,681,037</u>	\$ <u>6,766,869</u>	\$ <u>90,447,905</u>

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 11 – Defined Benefit Pension Plan

Plan description

The District's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an cost-sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS. CalPERS issues a separate comprehensive annual financial report. CalPERS maintains all plan documents on a June 30 fiscal year basis. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

California Public Employees Pension Reform Act of 2012

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2022 (PEPRA) into law. PEPRA took effect January 1, 2013.

Key components of the legislation are as follows:

- Establishes PEPRA, which will apply to all public employers and public pension plans on and after January 1, 2013 (Except specific exemptions);
- Establishes new retirement tiers/benefits for new public employees;
- Requires that new employees pay at least 50% of the total annual normal cost and that current employees approach the same goal through collective bargaining;
- Increases retirement age for all new public employees.

Separate tiers based on employee classification (Miscellaneous 2% at 55 and PEPRA Miscellaneous 2% at 62) are maintained and reported by CalPERS on behalf of the District. Both tiers are under the scope of GASB 68.

Funding policy

Active plan members who are part of the Miscellaneous 2% at 55 tier are required to contribute 7% of their annual covered salary which the District pays as a component of the employees' benefit package. Active plan members who are part of the PEPRA Miscellaneous 2% at 62 tier are required to contribute 50% of the total normal cost. District contributions on behalf of active plan members who are part of the PEPRA Miscellaneous 2% at 55 tier will continue until March 31, 2026, at which time the current memorandum of understanding with employees expires.

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 11 – Defined Benefit Pension Plan (continued)

The Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions*, became effective for 2014 fiscal years. The statement established accounting and financial reporting standards for the recognition and disclosure requirements for employers with a liability to a defined benefit pension plan. GASB 68 requires that the District's liability be measured as the portion of the present value of projected benefit payments to be provided to current and inactive employees that is attributed to the employee's past periods of service, less the amount of the plan's net position. The statement also requires employers to present information about the changes in net pension liability. The District is also required to present a ten year schedule containing the net pension liability and certain related ratios, and information about statutorily or contractually required contributions and related ratios. Until a full ten year trend is compiled, the District will present information for only those years for which information is available.

The following is information the District is required to disclose under GASB 68.

Pension liabilities: At March 31, 2023, the District reported a liability of \$6,175,698 for its proportionate share of the net pension liability. The District's proportion of the net pension liability was based on the District's share of contributions in the plan relative to the total contributions of all participating employers. At June 30, 2022, the District's proportion was .00007 percent. The District's liability as of March 31, 2023 was measured as of June 30, 2022, for the measurement period of June 30, 2020 to June 30, 2022.

Employees covered by benefit terms: There are currently 38 active participants in the plan, and 38 participants receiving benefits, also one is no longer employed by the District but is vested.

Contributions: The recommended contribution for the 2023 plan year is \$759,850 (assuming contributions will be deposited throughout the plan year). The overall contributions to the plan as a percentage of covered-employee payroll was 17.3%.

Actuarial assumptions: Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earning of the individual between entry age and assumed exit age. The total pension liability in the June 30, 2022 measurement date actuarial valuation was determined using the following assumptions, applied to all periods in the measurement: 1) Inflation of 2.30%; 2) Payroll growth of 7.11%; 3) 6.90% investment rate of return.

Mortality rates were based on the CalPERS experience Study for a eighteen year period reported in December 2017.

Sensitivity of the net pension liability to changes in the discount rate: It is estimated that a 1% increase in the discount rate would decrease the net pension liability by approximately \$2.98 million dollars and a 1% decrease in the discount rate would increase the net pension liability by approximately \$3.64 million dollars.

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 11– Defined Benefit Pension Plan (continued)

Discount rate: The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan’s 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Deferred Outflows and Inflows of Resources: The following table presents deferred outflows and inflows of resources related to pensions as of March 31, 2023:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	632,829	-
Differences between Expected and Actual Experience	124,020	83,063
Differences between Projected and Actual Investment Earnings	1,131,224	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	209,870
Change in Employer's Proportion	13,278	962,665
Pension Contributions Made Subsequent to Measurement Date	739,558	-
	<u>2,640,909</u>	<u>1,255,598</u>

Deferred outflows and inflows of resources will be amortized in pension expense in future years as required.

Note 12 – Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent District employees, permits them to defer a portion of their compensation until future years, and is strictly voluntary on behalf of the employees, and is not mandated by the District. The deferred compensation is available to employees upon termination, retirement, death or unforeseeable emergency.

Note 13 – Subsequent events

The District has evaluated all events and transactions that occurred after March 31, 2023, and through the date the financial statements were available to be issued.

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 14 – Other Post-Employment Benefits

The District provides post-employment health benefits, in accordance with a negotiated memorandum of understanding with employees and adoption by the Board of Directors, for retired employees who meet the eligibility requirements and elect the option. Benefits are recognized as claims are paid. The District implemented GASB 75. The required disclosures from the new standard are as follows:

Plan description

Plan administration. The District administers the Other Post-Employment Benefit (OPEB) Plan, a single employer defined benefit plan.

Benefits provided. The District provides post-employment health benefits, in accordance with a negotiated memorandum of understanding with employees and adoption by the Board of Directors, for retired employees who meet the eligibility requirements and elect the option.

In order to be eligible to retire with District-paid health benefits, an employee must have been hired before April 1, 2015, completed five years of service with the District, and have retired under CalPERS. For retirements occurring before the effective date of the MOU dated August 19, 2008, the District will pay full medical premiums for the lifetime of the retiree. For retirements occurring after the effective date of the MOU, the following two additional provisions apply:

1. Retirees over age 65 must enroll in Medicare to preserve their eligibility for lifetime District-paid benefits; and
2. The District will contribute a percentage of a covered spouse's medical premium based on years of service of the retiree as follows: 0% for less than 20 years of service, 50% for at least 20 years but less than 30 years of service, and 100% for 30 or more years of service.

Benefits are recognized as claims are paid.

Plan membership. At March 31, 2023, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	19
Active plan members	14

Contributions. The District pays 100% of the cost of the OPEB plan. The District funds the plan on a pay-as-you-go basis.

Net OPEB Liability

The District's Net OPEB Liability was measured as of March 31, 2023 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of April 1, 2022. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial assumptions. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 14 – Other Post-Employment Benefits (continued)

Salary increases	3.00 percent
Inflation rate	2.50 percent
Healthcare cost trend rate	4.00-6.20 percent for 2023-2069

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

Actuarial assumptions used in the April 1, 2022 valuation were based on a review of plan experience during the period April 1, 2021 to March 31, 2022.

Discount rate. GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan’s fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan’s projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District’s Total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date		Municipal Bond 20-Year High Grade Rate Index	Discount Rate
March 31, 2022	March 31, 2022		2.83%	2.83%
March 31, 2023	March 31, 2023		3.78%	3.78%

The components of the net OPEB liability were as follows:

Total OPEB liability	\$4,428,658
Plan fiduciary net position	0
Net OPEB liability	\$4,428,658

Measurement date	March 31, 2023
Reporting date	March 31, 2023

Covered payroll	\$1,606,444
Net OPEB liability (asset) as a percentage of covered payroll	275.68%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 14 – Other Post-Employment Benefits (continued)

Schedule of Changes in Net OPEB Liability (April 1, 2022 to March 31, 2023)

Total OPEB Liability	
Service Cost	\$ 71,821
Interest	139,684
Changes of benefit terms	0
Difference between expected and actual experience	(1,203,944)
Changes of assumptions	(101,213)
Benefit payments ¹	(203,531)
Net change in total OPEB liability	(1,297,183)
Total OPEB liability – April 1, 2022 (a)	\$ 5,725,841
Total OPEB liability – March 31, 2023 (b)	\$ 4,428,658
Plan fiduciary net position	
Contributions – employer ¹	203,531
Net investment income	0
Benefit payments ¹	(203,531)
Trustee fees	0
Administrative expense	0
Net change in plan fiduciary net position	0
Plan fiduciary net position – April 1, 2022 (c)	\$0
Plan fiduciary net position – March 31, 2023 (d)	\$0
Net OPEB liability – April 1, 2022 (c) – (a)	\$ 5,725,841
Net OPEB liability – March 31, 2023 (d) – (b)	4,428,658

¹ Amount includes implicit subsidy associated with benefits paid.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.78%)	Discount Rate (3.78%)	1% Increase (4.78%)
Net OPEB liability (asset)	5,004,593	4,428,658	3,952,46

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Trend Rate	1% Increase
Net OPEB liability (asset)	3,893,514	4,428,658	5,083,505

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 14 – Other Post-Employment Benefits (continued)

Net OPEB Expense

The District’s Net OPEB expense for March 31, 2023 was \$226,526.

Net OPEB Liability - beginning (a)	\$ 5,725,841
Net OPEB Liability – ending (b)	\$ 4,428,658
Change in Net OPEB Liability [(b)-(a)]	(1,297,183)
Change in Deferred Outflows	218,591
Change in Deferred Inflows	852,066
Employer Contributions	203,531
Net OPEB Expense – April 1, 2022 to March 31, 2023	\$ (22,995)

Service Cost	71,821
Interest Cost	139,684
Recognition of Deferred Outflows and Inflows	
Differences between expected and actual experience	(314,582)
Changes of assumptions	80,085
Differences between projected and actual investments	0
Total	(234,500)
Net OPEB Expense – April 1, 2022 to March 31, 2023	\$(22,995)

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

At March 31, 2023, the District’s deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	0	(889,362)
Changes in assumptions or other inputs	37,296	(218,591)
OPEB Liability/Credit	1,093,652	(22,995)
Total	\$ 1,130,948	\$1,130,948

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

Fiscal Year ending March 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	115,614	(453,091)
2025	10,863	(438,435)
2026	0	(318,331)

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 15 – Joint Venture (Joint Powers Agreement)

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to insure for risks of loss, the District participates in a joint venture under a joint powers agreement with the Association of California Water Agencies Joint Powers Insurance Authority (JPIA). The relationship between the District and the JPIA is such that the JPIA is not a component unit of the District for financial reporting purposes.

The JPIA arranges for and provides self-insured programs for liability, property, workers' compensation and underground storage tank pollution liability coverages for member districts. Each district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPIA. The District's share of surpluses and deficits cannot be determined, although District management does not expect such amounts, if any, to be material in relation to the financial statements.

The latest audited financial information for the JPIA is for the fiscal year ending September 30, 2022 and the condensed financial information of the JPIA is as follows:

Total assets and deferred outflows	\$ 252,723,776
Total liabilities and deferred inflows	<u>(139,939,855)</u>
Net position	<u>\$ 112,783,923</u>

The entity did not have long-term debt outstanding at September 30, 2022. The District's share of the year-end assets, liabilities or fund equity has not been calculated by the JPIA.

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 16 – Commitments and Contingencies

Second Amended Contract

The District is a party to the Second Amended Contract with City of Stockton, California Water Service Company, San Joaquin County, Lincoln Village Maintenance District, and Colonial Heights Maintenance District (Urban Contractors) in which the District agreed to make available to the Urban Contractors a minimum of 20,000 acre-feet of treated water. The contract calls for the Urban Contractors to make payments to the District in the amounts necessary to reimburse the District for all municipal and industrial source of supply and transmission and distribution expenses, operation and maintenance costs of the treatment plant, principal and interest payments on certificates of participation used for the construction of the treatment plant and for the municipal and industrial share of conveyance and storage facilities and other items as specified under the Second Amended Contract. The Contract remains in effect until April 1, 2035.

New Melones Contract

The District constructed the New Melones Conveyance System (the “System”) which transports water from the New Melones Reservoir to the District’s water treatment plant, as well as providing water for irrigation. This water provides a surface water supply in addition to the District’s existing surface supply from the New Hogan Reservoir and wells pumping ground water. The System consists of the purchase of an undivided one-third interest in Goodwin Dam, a diversion structure at Goodwin Dam, the Goodwin Tunnel, and the Upper Farmington Canal Improvements to Shirley, Hoods and Rock Creeks for conveyance, the Lower Farmington canal, Peters Pipeline and improvements to the existing District water treatment plant. The System contains both single-use facilities, to be used exclusively by the District, and facilities that may be used to provide New Melones water to the Central San Joaquin Water Conservation District.

New Hogan Dam Contract

Under terms of a contract known as the “New Hogan Contract” dated August 25, 1970, between the United States of America, Stockton East Water District and Calaveras County Water District, the two districts contracted to receive the full yield of the New Hogan Project in exchange for repaying the United States of America a portion of the construction costs of New Hogan Dam, excluding recreation features. This repayment obligation was paid in 2011.

The District now continues to pay for a portion of the annual operation, maintenance, replacement and contract administration costs. This payment is determined every five years based on estimated costs as determined by the U.S. Army Corps of Engineers and adjusted for the differences between the actual costs and estimated costs of the prior five years.

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2023 and 2022

Note 16 – Commitments and Contingencies (Continued)

New Melones Conveyance System

The District constructed the New Melones Conveyance System (the “System”) which transports water from the New Melones Reservoir to the District’s water treatment plant, as well as providing water for irrigation. This water provides a surface water supply in addition to the District’s existing surface supply from the New Hogan Reservoir and wells pumping ground water. The System consists of the purchase of an undivided one-third interest in Goodwin Dam, a diversion structure at Goodwin Dam, the Goodwin Tunnel, and the Upper Farmington Canal Improvements to Shirley, Hoods and Rock Creeks for conveyance, the Lower Farmington canal, Peters Pipeline and improvements to the existing District water treatment plant. The System contains both single-use facilities, to be used exclusively by the District, and facilities that may be used to provide New Melones water to the Central San Joaquin Water Conservation District.

Merger with Central San Joaquin Water Conservation District

The District is currently pursuing consolidation with its neighbor district to the south, the Central San Joaquin Water Conservation District. The districts came to terms on a merger agreement, and have filed a joint application with the San Joaquin Local Agency Formation Commission (LAFCO). LAFCO is now preparing a Municipal Services Review, which is the first step in moving towards consolidation. No formal timeline is available with regards to approval by LAFCO or completion of the consolidation, and District management does not expect material changes to the financial statements or operations as a result of the potential merger.

Note 17 – Governing Board

As of March 31, 2023, the seven members of the District’s Board of Directors were as follows:

<u>Director</u>	<u>Division</u>	<u>Term expires</u>
Richard Atkins	1	December 2024
Andrew Watkins	2	December 2026
Alvin Cortopassi	3	December 2024
Melvin Panizza	4	December 2024
Paul Sanguinetti	5	December 2026
Loralee McGaughey	6	December 2026
Thomas McGurk	7	December 2026

COMBINING FINANCIAL STATEMENTS

Stockton East Water District

Combining Statement of Net Position

March 31, 2023

	Admin	Agricultural	Municipal Division		Consolidated Total	2022 Consolidated Total
			Groundwater	Treatment Plant		
Assets						
Current assets						
Cash and cash equivalents	3,462,067	1,089,347	46,491	4,653,232	9,251,136	10,468,493
Water assessments receivable	-	586,055	2,641	(0)	588,695	852,324
Interest receivable	-	-	-	-	-	21,604
Investments	14,882,001	2,497,869	1,975,624	15,250,567	34,606,061	34,435,468
Other receivables	492,188	59,862	(3,916)	2,194,825	2,742,960	958,255
Due to other divisions	(3,599,000)	22,393	212,128	3,364,479	-	-
Contract receivable, current	54,680	-	-	-	54,680	54,680
Inventory	33,256	-	-	128,242	161,498	130,625
Prepaid expenses	263,594	-	-	58,323	321,917	289,017
Restricted assets						
Cash and cash equivalents	6,330	5,000	5,000	588,541	604,871	604,871
Investments	722,092	213,474	86,774	5,864,152	6,886,492	6,857,832
Developer fees receivable	-	-	-	470,413	470,413	1,225,939
Total current and restricted assets	16,317,208	4,474,000	2,324,741	32,572,773	55,688,722	55,899,109
Property, plant and equipment, net	42,825,306	487,930	6,083,143	38,227,491	87,623,869	84,539,430
Other assets						
Water assessments receivable	-	-	-	-	-	-
Long term contract receivable	\$102,577	-	-	-	102,577	158,718
Total assets	59,245,090	4,961,930	8,407,884	70,800,263	143,415,169	140,597,258
Deferred outflows	2,670,754	30,117	-	66,512	2,767,383	1,481,298
Total assets and deferred outflows	<u>\$ 61,915,845</u>	<u>\$ 4,992,047</u>	<u>\$ 8,407,884</u>	<u>\$ 70,866,775</u>	<u>\$ 146,182,551</u>	<u>\$ 142,078,557</u>
Liabilities and net position						
Current liabilities						
Accounts payable and accrued liabilities	2,739,850	17,421	368,647	2,409,526	5,535,444	3,177,517
Compensated absences payable	227,132	-	-	357,426	584,558	662,051
Customer prepaid water tolls	-	-	-	2,426,140	2,426,140	1,768,108
Current portion of long-term debt	2,996,000	-	154,731	1,078,044	4,228,776	4,097,128
Total current liabilities	5,962,982	17,421	523,378	6,271,137	12,774,918	9,704,804
Long-term debt, less current portion						
State revolving fund loan	-	-	-	6,590,010	6,590,010	7,163,055
Other loan payable	16,790,000	-	2,000,561	522,000	19,312,561	22,934,714
Accrued post-employment benefits	1,697,709	564,158	-	2,166,791	4,428,658	5,725,841
Net pension liability	6,175,698	-	-	-	6,175,698	3,138,239
Total liabilities	30,626,389	581,579	2,523,939	15,549,938	49,281,845	48,666,652
Deferred inflows	1,764,197	75,361	-	657,731	2,497,289	3,455,414
Net position						
Invested in capital assets	23,039,306	487,930	3,927,851	30,507,850	57,962,937	51,570,473
Restricted for urban contractors	-	-	-	4,644,732	4,644,732	5,414,768
Restricted for capital projects	728,422	-	-	1,224,738	1,953,160	1,693,657
Restricted for dry year reserves	-	259,735	95,100	-	354,835	338,937
Unrestricted	5,757,531	3,587,442	1,860,994	18,281,786	29,487,753	30,938,655
Total net position	29,525,259	4,335,107	5,883,945	54,659,106	94,403,417	89,956,490
Total liabilities and net position	<u>\$ 61,915,845</u>	<u>\$ 4,992,047</u>	<u>\$ 8,407,884</u>	<u>\$ 70,866,775</u>	<u>\$ 146,182,551</u>	<u>\$ 142,078,557</u>

Stockton East Water District

Combining Statement of Revenues, Expenses and Changes in Net Position

March 31, 2023

	Admin	Agricultural	Municipal Division		Eliminations	Consolidated Total	2022 Consolidated Total
			Groundwater	Treatment Plant			
Operating revenues							
Surface water sales and assessments	-	1,849,144	30,470	248,640	-	2,128,254	5,136,871
Municipal and industrial water				24,177,104	-	24,177,104	26,199,101
Source of supply charges	378,110					378,110	478,307
Transmission and distribution charges	721,724				-	721,724	0
Total operating revenues	1,099,834	1,849,144	30,470	24,425,744	-	27,405,192	31,814,280
Operating expenses							
Source of supply	1,110,366	891,527	363,292	2,801,011		5,166,196	3,626,333
Transmission and distribution charges	2,741,444	139,232	250,527	343,496	-	3,474,698	2,601,396
Water treatment			260,519	9,722,599		9,983,117	9,943,183
General and admin	4,819,493	(34,773)			-	4,784,720	4,001,646
Depreciation	1,999,115	30,519	46,462	1,573,586	-	3,649,682	3,646,869
Amortization	-					-	27,444
Total operating expenses	10,670,416	1,026,505	920,800	14,440,692	-	27,058,413	23,846,870
Operating profit (loss)	(9,570,582)	822,639	(890,329)	9,985,052	-	346,780	7,967,409
Nonoperating revenues (expenses)							
Property taxes	613,804	-	-	-		613,804	557,961
Interest income	65,844	11,297	8,583	87,852		173,576	102,748
Interest, investments and other	2,767	-	20,000	1,608		24,375	59,058
Grant and other revenues	131,358	-	-	40,127		171,486	837,802
Interest expense	(833,208)	-	(122,360)	(53,747)		(1,009,316)	(1,357,856)
Developer fees	-			3,848,811		3,848,811	5,125,865
Net profit prior to other items	(9,590,017)	833,936	(984,107)	13,909,704	-	4,169,516	13,292,988
Net change in pension expense	277,408					277,408	597,042
Interdivision transfers- debt service	-	-		-	-	-	-
Interdivision transfers- other	\$11,081,033	426,289	1,397,030	(12,904,352)	-	-	-
Change in net position	1,768,425	1,260,224	412,923	1,005,352	-	4,446,926	13,890,030
Net position, beginning of year	27,756,834	3,074,883	5,471,022	53,653,754	-	89,956,490	76,066,464
Net position, end of year	\$ 29,525,258	\$ 4,335,107	\$ 5,883,945	\$ 54,659,106	\$ -	\$ 94,403,417	\$ 89,956,490