

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For Fiscal Year
Ended June 30, 2023



YORBA LINDA WATER DISTRICT
PLACENTIA, CALIFORNIA

Annual Comprehensive Financial Report
For Fiscal Year Ended June 30, 2023

PREPARED BY:

Yorba Linda Water District Finance Department

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YORBA LINDA WATER DISTRICT
PLACENTIA, CALIFORNIA

Annual Comprehensive Financial Report
For Fiscal Year Ended June 30, 2023

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PLACENTIA, CALIFORNIA

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INTRODUCTORY SECTION

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**Yorba Linda
Water District**

**YL
SERVING THE COMMUNITY
SINCE 1909**

October 25, 2023

To the Board of Directors and Customers of Yorba Linda Water District,

Introduction

The Yorba Linda Water District (“District”) is pleased to present its Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2023. This report was prepared pursuant to the guidelines set forth by the Governmental Accounting Standards Board (GASB).

District staff prepared this financial report in conjunction with an unmodified opinion issued by the independent audit firm Lance, Soll & Lunghard, LLP (“LSL”). The independent auditor’s report is located at the front of the financial section of this document. Management’s Discussion and Analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

This report consists of management’s representations concerning the finances of the District. Consequently, management assumes responsibility for the completeness and reliability of the information presented in this report. As further described below and to provide a reasonable basis for making these representations, the District has established a comprehensive internal control framework that is designed both to protect the District’s assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of the District’s financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal control should not outweigh its benefits, the District’s comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements. Management asserts that to the best of its knowledge and belief, this financial report is complete and reliable in all material aspects.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. This was the 13th consecutive year the District has received this recognition. To be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The District believes that its current ACFR continues to meet the Certificate of Achievement Program requirements and will be submitting it to the GFOA to determine its eligibility for receipt of a certificate again this year. The District has been included in GFOA’s recent internet posting and recognized among 317 government entities, on a national level, as a GFOA “Triple Crown Winner.” To receive this recognition, governments would have to have received GFOA’s Certificate of Achievement for Excellence in Financial Reporting, Popular Annual Financial

Reporting Award, and the Distinguished Budget Presentation Award for a single represented fiscal year.

District Structure and Leadership

The Yorba Linda Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The District has provided water and/or sewer services to residents and businesses in of the City of Yorba Linda, and portions of Placentia, Brea, Anaheim, and unincorporated Orange County since 1959, the year it was formed to take over the assets and water service responsibilities of the Yorba Linda Water Company, a mutual water company formed in 1909. The District is governed by a five-member Board of Directors, elected at large from within the District's service area. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The District employs a full-time staff of 81 employees. The District's Board of Directors meets bimonthly. Meetings are publicly noticed and citizens are encouraged to attend virtually or in person.

Mission/Vision Statement and Major Initiatives

The activities of the Board and District staff are driven by its Mission Statement: "Yorba Linda Water District will provide reliable water and sewer services to protect public health and the environment with financial integrity and superior customer service," and its Vision Statement: "Yorba Linda Water District will accomplish its mission to improve the quality of life for those we serve by: embracing proven technology; improving customer satisfaction; providing efficient and responsive operations; ensuring reliable infrastructure." The Mission and Vision Statements dictate the following six core values of the District.

1. **Integrity** – We demonstrate integrity every day by practicing the highest ethical standards and by ensuring that our actions follow our words.
2. **Accountability** – We acknowledge that both the Board and the staff of the District are accountable to the public that we serve, as well as to each other.
3. **Responsibility** – We take full responsibility for our actions. We maintain a commitment of courtesy, assessment and resolution with all customer concerns.
4. **Transparency** – We listen to our customers and communicate openly about our policies, processes, and plans for the future.
5. **Teamwork** – We work together by sharing information and resources to achieve common goals.
6. **Respect** – We ensure every voice, of the District, is treated with dignity and civility; differences are valued and individual abilities and contributions are recognized.

District Services

The District's service area is known for having larger than average residential lots and a network of horse trails. The City of Yorba Linda's median household income is approximately 34% greater than the overall median income for Orange County.

The District's service area borders Chino Hills State Park to the north and east and the Santa Ana River to the south, encompassing the city of Yorba Linda, and portions of Placentia, Brea, Anaheim and unincorporated Orange County. The complex system of pipes, valves, pressure control stations, pump stations, fire suppression hydrants/heli-hydrants, and reservoirs are strategically located throughout the service area to provide reliable, high quality drinking water to customers, provide firefighting resources, and transport wastewater to the Orange County Sanitation District's (OCSAN) treatment plants in Fountain Valley, California.

The District provides water, sewer or a combination of both services to residents and businesses within its service area, which includes approximately 14,475 acres of land, comprising 22.6 square miles. The District serves a population of approximately 84,000 and currently provides water service to approximately 25,500 residential, commercial, and light industrial connections. Residential customers make up approximately 93% of the District's customer base and consume approximately 75% of the water provided annually by the District. The District also provides sewer collection service for approximately 24,600 customer connections.

As a Special District, the Board, as part of the annual budget development process, approves rates and charges to ensure the cost of service and debt service obligations are met and to allow for the effective planning of future capital improvements. To that end, on June 8, 2021, the Board of Directors approved a new 5-year rate structure in accordance with California's Proposition 218 with an effective date of July 1, 2021 that included the following:

- A "commodity" rate, comprised of the actual cost of the water (including energy and other costs directly tied to the commodity), that mostly floats freely from the District's fixed costs, and insulates the District's finances from fluctuation.
- A "fixed meter charge" that is collected monthly on the customer bill and ensures a consistent revenue stream that is mostly unaffected by changes in demand or government mandates.
- A "capital finance charge" that covers a portion of the District's annual debt service obligations, including principal and interest for long-term intergenerational capital projects. This charge is based on the size of the service meter connection and appears on the annual property tax bill for taxable parcels within the District's service area or is invoiced manually for those meter connections that do not have their own affiliated, distinct parcel number.
- A "sewer maintenance charge" collected by way of a monthly fixed charge for residential customers and a combined fixed and volumetric charge for commercial customers.

In fiscal year 2022-23, with an effective date of July 1, 2022, the commodity rate was adjusted to \$2.90/unit, which included a \$0.02 Pass-Through. The monthly meter charges were set as follows: 5/8" and 3/4" meters at \$30.14, 1" meters at \$47.02, 1 1/2" meters at \$89.17, 2" meters at \$139.45, 3" meters at \$299.96, 4" meters at \$536.03 and 6" meters at \$1,353.89. At an average of 18 units

of water per month (approximately 13,500 gallons), a typical 1" metered YLWD residential customer's monthly water billing was about \$99.22. The sewer maintenance fee was adjusted to \$10.41 per month for traditional single-family residential customers, \$10.02 per month per dwelling unit for multi-family residential customers and \$10.41 per month plus a \$0.40 per unit volumetric charge, based on water consumption above 7 units for commercial customers. The annual Capital Finance Charge, which is predominantly collected on the annual property tax bill of the property owner was set as follows per the size of meter connection: 5/8" and 3/4" meters at \$74.28, 1" meters at \$123.84, 1 1/2" meters at \$247.44, 2" meters at \$395.64, 3" meters at \$865.20, 4" meters at \$1,557.00 and 6" meters at \$3,954.24.

The District's water supplies come from two sources: local groundwater and imported water. For FY23, approximately 86% came from groundwater basins managed by Orange County Water District (OCWD). OCWD sets a maximum percentage of water that can be pumped from the ground, the Basin Production Percentage (BPP). The remaining 14% was purchased through the Municipal Water District of Orange County (MWDOC). MWDOC, in turn, purchases water from the Metropolitan Water District of Southern California (Metropolitan) who receives its water supply through the Metropolitan-owned Colorado River Aqueduct and the State of California-owned State Water Project (Northern California source). The cost of imported water to the retail agencies, such as the District, is approximately double the cost of pumping groundwater from local groundwater basins. Imported water is treated at Metropolitan's Robert B. Diemer Treatment Plant, located on Valley View and Diemer Road in Yorba Linda. The District's current system capacity can store approximately 57 million gallons of water in its reservoirs and produce approximately 49 million gallons of potable water per day through its wells and imported water connections.

Economic Condition and Outlook

The District's administrative offices are located in the City of Placentia in Orange County. The local economy within the District's service area remains fiscally strong continues to improve. Wages and housing prices remain strong and unemployment remains low.

In July 2022, District Board of Directors authorized the issuance of Revenue Bonds, Series 2022A in the amount of \$32,310,000. This issuance funded approximately \$20 million in new water capital projects, the pay-down of \$5.7 million balance due on a revolving line of credit, and advance refund \$5.6 million outstanding balance on the Refunding Revenue Bonds, Series 2012A. The advance refunding of the Refunding Revenue Bonds, Series 2012 will save District rate payers approximately \$348,000 in aggregate and on a net present value basis. The benefit of using bonds to fund large capital projects allows the repayment period of the debt to equal the useful life of the project (infrastructure projects benefit current and future rate payers). Using cash to fund long-term capital infrastructure is impractical as it requires increasing rates well in advance of expenditures and investing cash to maintain pace with inflation.

Among the growing portfolio of mandates with which the District must comply are treatment requirements for emerging types of contaminants that, due to advances in technology, can now be detected in minute quantities (i.e. parts per trillion). That being said and with the District's PFAS Treatment Plant becoming fully operational in April 2022, the District was able to return to its traditional operating plan, for water supply purchases in particular, the entire year for Fiscal Year 2022-23. The District's traditional operating plan calls for approximately 77% groundwater and 23% import water to meet the demand on the water system. While the treatment plant was being constructed, the District did not have access to water from groundwater basin managed by

Orange County Water District due to its Per-and-Polyfluoraoalkyl Substances (PFAS) contaminant levels exceeding State response and notification levels. As a result, the District had to import 100% of its water supply from Metropolitan Water District of Southern California, nearly doubling the District's water supply costs. Hence, by returning to the traditional operating plan and an unanticipated wet and cool winter season in FY 2022-23, District variable water costs decreased by approximately \$5.6 million from last fiscal year. This change in water supply will have a significant positive effect on the District's current and future fiscal health.

From late December 2022 through early April 2023, California endured at least 12 atmospheric river storms. These atmospheric rivers brought drought relief that resulted in a reduction of the portions of the state affected by drought from 98% in December 2022 to 36% in March 2023. Despite this wet season, California's water supply continues to be a concern due to environmental and regulatory restrictions that threaten the State's ability to provide storage, preserve water supply, and maintain a conveyance system through the Sacramento-San Joaquin Delta, all of which lead to increasing supply costs. While Southern California, through Metropolitan, has invested heavily in local storage to shield against drought events, the areas of California outside of the Metropolitan service area have failed to make similar investments in storage that could have some impact on local water supply at some point in the future.

Future Years

Early in the coming fiscal year, an update of the District's Water Master Plan will be completed. This updated master plan, in addition to the District's Asset Management, will be used to update a detailed 5-year Capital Improvement Program. Priority projects will include capacity and reliability upgrades throughout the water and sewer systems, as well as energy/power redundancy projects. Due to wildfires and Southern California Edison's Public Safety Power Shutoffs, the District continues to strategically install additional natural gas backup generators at critical facilities.

Rules, regulations and mandates concerning water use efficiency are ever-evolving in California. As such, the District will continue to update its plans/policies/ procedures to address new developments in this arena. The District will be in the third year of its 2021 5-Year Water and Sewer Rate Study (Study) where the District's commodity rate floats mostly separately from the fixed rate that mostly covers the District's fixed costs. As such, no significant financial impact to the District's financial strength is anticipated due to lower customer demand.

The adopted budget for FY24 is predicated upon the assumption that customer water demand will increase from that of FY23 in anticipation that the fiscal year's weather pattern will not experience as much rain though it is expected that District customers will be in consideration of permanent landscaping changes, water use efficiency awareness, and a growing culture of drought sensitivity. In addition, the uncertainty as to the potential future economic impacts as a result from the arising variants of COVID-19, together with, new, existing and future State mandates were all considered in preparation of the FY24 budget.

Long-term Financial Planning and Policies

The District perpetually maintains a five-year Financial Forecast to identify and focus on current and projected economic conditions. The purpose of the forecast is to identify the District's ability over the next five years to continue current services, maintain existing assets and fund new initiatives or acquire new capital assets.

The Board of Directors also annually reviews and adopts a five-year forecast of Capital Improvement Projects. These investments reflect the Board of Directors' commitment to maintain and improve the District's critical infrastructure and facilities in order to seamlessly provide its customers with safe, reliable, and cost-effective water and sewer service.

The District's Debt Management Policy has a significant impact on the District's water rates set by the Board of Directors on an annual basis. The Policy directs that the District's annual rates and charges shall be set to maintain an annual debt coverage ratio of at least 225%, and to retain a minimum of AA rating or better from bond rating agencies. These policies are measured by the District's reportable net position for each fiscal year end.

In furtherance of the District's desire to prefund Net Pension and Other Post Employment Benefit (OPEB) obligations to the extent possible or reasonable, the District established a Public Agencies Post-Employment Trust made available by PARS. The District employs its Pension Rate Stabilization Program (PRSP) and Other Post-Employment Benefits (OPEB) Funding Policy that addresses the methodology and process for funding current and future contractual obligations to provide pension and retiree medical benefits as set forth in the District's personnel rules and regulations. The policy also establishes procedures that are formulated in compliance with the requirements of Section 115 of the Internal Revenue Code for a prudent and systematic investment in support of the District's goals. As part of the budgeting process, the Board of Directors reviews these policies annually and determines the level of funding into these programs to reduce the District's unfunded legacy obligations. The District has a goal of funding at least 90% of the unfunded pension obligation by FY27 and the OPEB obligations by FY24.

As discussed elsewhere herein, the District's new water and sewer rate structure provides a number of other advantages to incrementally improving the District's financial strength. One of the goals established through the recently approved rate study is to build a reserve account over time with a balance equal to the costs of one year's water purchases from Metropolitan. Should the District be faced with another mandate that results in the cessation of groundwater pumping, this reserve fund will offset the increased cost of purchases from Metropolitan without affecting the District's operating budget.

Water and Sewer Rates

As previously discussed, the Board of Directors approved a 5-year rate structure with an effective starting date of July 1, 2021. This rate structure was approved in compliance with Proposition 218 that requires a lengthy public notice and public hearing process. Of the 29,149 parcels within the District service area that were eligible to protest, only 413 (1.4%) protests were received by the public hearing date of June 8, 2021, far short of the 14,575 protests required to overturn the rate adjustment.

The new rate structure fundamentally changes and fortifies the District's financial outlook into the future. Much needed stability and resilience against fluctuations in demand have been achieved and the District now has a predictable and sustainable path forward.

Technological Advancements

The District continues to use advancements in technology to improve all aspects of its operations and customer interface on a regular and ongoing basis. Among the many improvements are the implementation of a cloud-based security software platform, updating of wireless infrastructure

with a cloud-based wireless solution, reconfiguration of the Network with VLANs, enhancing the connection speed between hosts and storage to alleviate bottlenecks of traffic through the main switch, and virtualizing the fileserver. Improved telecommunications among offsite facilities and ongoing upgrades to computer hardware round out the District's commitment to keeping its technology current.

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The Board of Directors adopts an operating and capital budget on an annual basis with a mid-year review. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget and reporting processes applied to the District are consistent with the accrual basis of accounting and financial statement presentation.

Cash and Investment Management

The District's Investment Policy is reaffirmed annually by the Board of Directors. The policy sets forth, in order of priority, the District's objectives when investing, reinvesting, purchasing, acquiring, selling and managing public funds as follows:

1. **Safety:** Safety of principal is the foremost objective of the investment program. Investments made by the District are undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required to prevent any potential loss on any individual security or depository from exceeding the income generated from the remainder of the portfolio.
2. **Liquidity:** The investment portfolio is to remain sufficiently liquid to enable the District to meet all operating requirements that might be reasonably anticipated.
3. **Yield:** The investment portfolio is designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Audit and Financial Reporting

State law and bond covenants require the District to obtain an annual audit of its financial statements by an independent Certified Public Accountant. The accounting firm of Lance, Soll & Lunghard, LLP has conducted the audit of the District's financial statements. Their unmodified (clean) Independent Auditor's Report appears in the Financial Section.

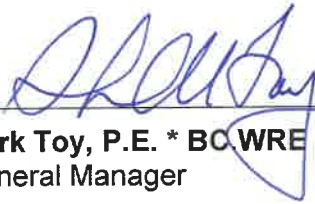
Other References

More information is contained in the Management's Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the report.

Acknowledgements

Preparation of this report was accomplished with the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the District. We would also like to thank the members of the Board of Directors for their continued support in planning and implementation of the Yorba Linda Water District's fiscal policies.

Respectfully submitted,



Mark Toy, P.E. * BC WRE
General Manager

*Licensed in Arizona and Virginia



Delia D. Lugo
Finance Manager

**Yorba Linda Water District
Board of Directors and Executive Staff**



Brett R. Barbre, President Trudi DesRoches, Vice-President



Phil Hawkins, Director

J. Wayne Miller, Director

Tom Lindsey, Director



Mark Toy, General Manager

Douglass Davert, Asst. General
Manager



Rosanne Weston
Engineering Manager



John DeCriscio
Operations Manager



Gina Knight
HR/Risk Manager



Delia Lugo
Finance Manager



Yorba Linda Water District

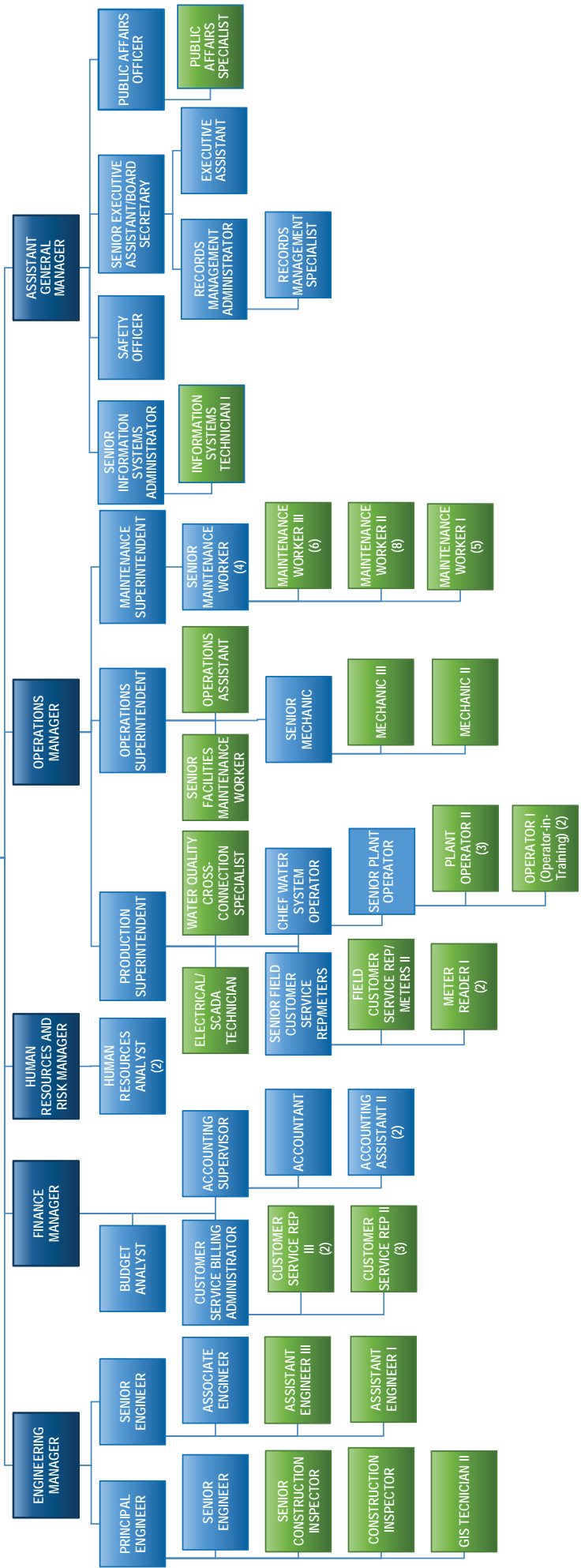
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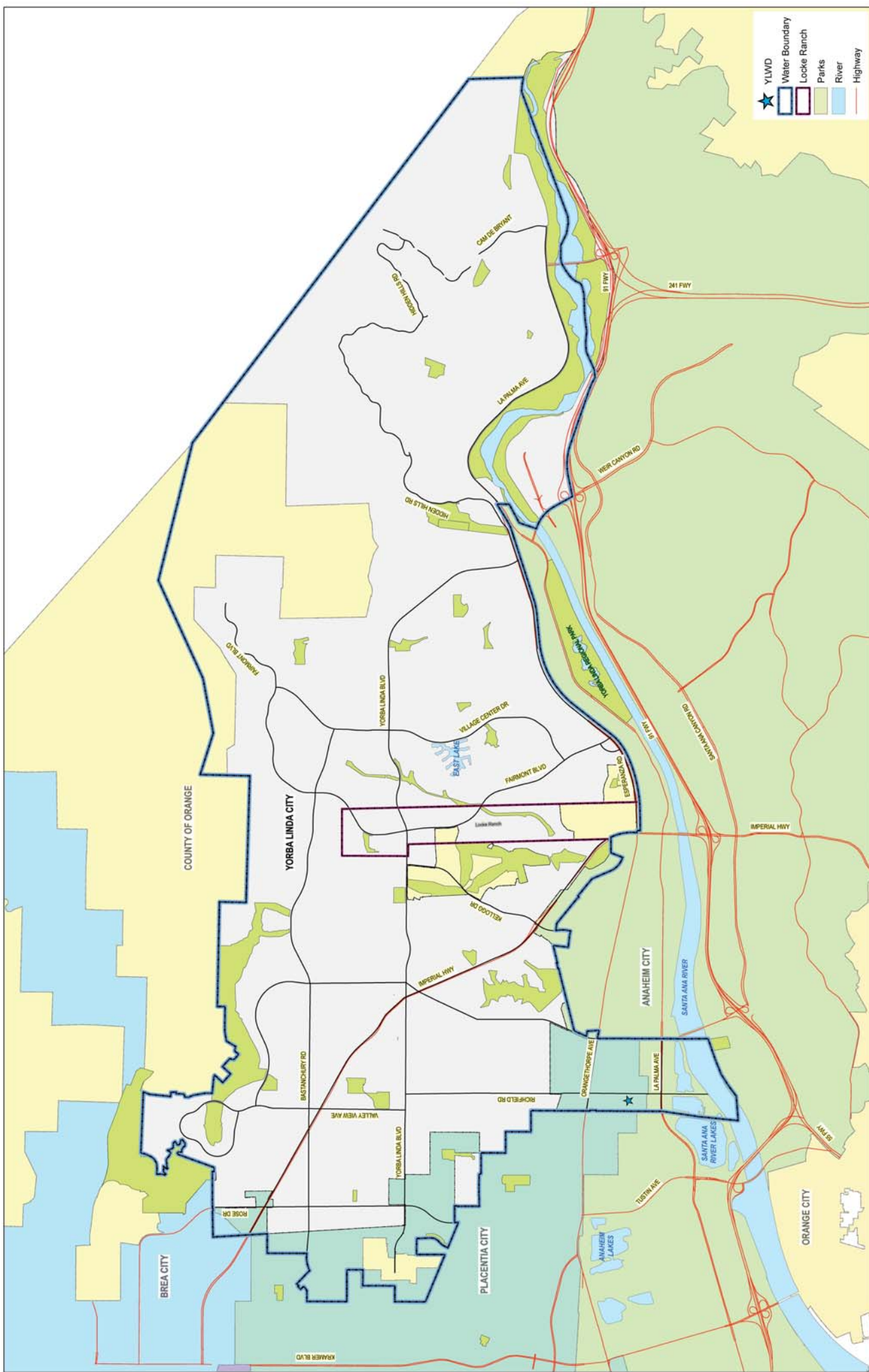


PUBLIC/RATEPAYERS

BOARD OF DIRECTORS

GENERAL MANAGER





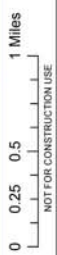
YLWD

- ★ Water Boundary
- Water
- Locke Ranch
- Parks
- River
- Highway



SERVICE AREA

DISCLAIMER:
 This map represent a visual aid intended to assist Public Utility Department personnel in the field. It is not a guarantee of actual field conditions nor a substitute for record drawings and field verification.



Nov 2018

YORBA LINDA WATER DISTRICT





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Yorba Linda Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Yorba Linda Water District
Placentia, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Yorba Linda Water District (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Standards for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2023, the District adopted new accounting guidance, GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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



To the Board of Directors
Yorba Linda Water District
Placentia, California

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 opinions. 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, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards for California Special Districts will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards for California Special Districts, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required pension and other postemployment benefits schedules as listed on the table of contents, 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.



To the Board of Directors
Yorba Linda Water District
Placentia, California

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 combining schedules, the schedules of operating expenses by cost center and nature of expenses for water and sewer, and the schedules of capital assets (supplementary information) as of and for the year ended June 30, 2023 are presented for purposes of additional analysis and are 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 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 supplementary information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section of the Annual Comprehensive Financial Report but does not include the basic financial statements and our auditor's report thereon. Our opinions on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lance, Solt & Loughard, LLP

Brea, California
October 24, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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YORBA LINDA WATER DISTRICT

Managements' Discussion and Analysis

For the Year Ended June 30, 2023

The Yorba Linda Water District ("District") financial statements are prepared in conformity with Generally Accepted Accounting Principles ("GAAP") and include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. Readers should evaluate the financial statements with the accompanying Notes to Financial Statements. The Notes to Financial Statements are an integral part of the financial statements and provide useful explanations and detailed information on the presented financial statements. The Management's Discussion and Analysis ("MD&A") precedes the financial statements, and its purpose is to provide an overall analysis of the District's financial position and results of operations for the fiscal year ended June 30, 2023.

Financial Highlights

FY 2023

- The District's net position increased by \$26.6 million or a 16.3% increase in net position.
- During the year, the District's revenues were \$46.2 million, an increase of 1.5%.
- During the year, the District's expenses were \$45.6 million, a decrease of 3.2%.
- The District had net increase to capital assets of \$25 million.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The District's statements consist of two funds; the Water Fund and the Sewer Fund. The District's records are maintained on an enterprise basis, as it is the intent of the Board of Directors that the costs of providing water and sewer to the customer of the District are financed primarily through user charges.

The *Statement of Net Position* states the financial position of the District at June 30, 2023. This statement includes five components: District assets plus deferred outflow of resources, less liabilities and deferred inflows of resources, with the remaining difference between those items being reported as the net position. It provides the basis for computing a 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* accounts for the annual results of operations. This statement shows the current year's revenues, expenses, capital contributions, and also calculates the overall change in net position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement may be used to evaluate profitability/sustainability/lucrativeness and credit worthiness. These two statements are shown using the accrual basis of accounting. This means revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of cash receipts or payments.

YORBA LINDA WATER DISTRICT

Managements' Discussion and Analysis

For the Year Ended June 30, 2023

The final required financial statement is the *Statement of Cash Flows*, which provides information about changes in cash and cash equivalents during the reported fiscal year. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

The following condensed schedules contain summary financial information extracted from the basic financial statements and are meant to assist readers in evaluating the District's overall financial position and results of operations. These two statements report the District's net position and changes in them. One can think of the District's net position as a way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. However, one will need to take into consideration other factors such as changes in economic conditions, conservation mandates, population growth, weather patterns, zoning, response to unanticipated events, and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 23 through 53.

Statement of Net Position

Statement of Net Position for the year ended June 30, 2023 is as follows:

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Assets:			
Current Assets	\$ 54,332,782	\$ 48,775,883	\$ 5,556,899
Restricted Assets	20,110,170	2,163,510	17,946,660
Capital Assets, net			
Not Depreciable	8,988,523	8,240,603	747,920
Depreciable, net of Accumulated Depreciation	201,434,552	177,151,637	24,282,915
Total Assets	<u>284,866,027</u>	<u>236,331,633</u>	<u>48,534,394</u>
Deferred Outflows of Resources:	<u>6,549,571</u>	<u>3,255,023</u>	<u>3,294,548</u>
Liabilities:			
Liabilities Payable from Unrestricted Current Assets	12,679,804	18,110,265	(5,430,461)
Non-current Liabilities	87,566,220	52,398,776	35,167,444
Total Liabilities	<u>100,246,024</u>	<u>70,509,041</u>	<u>29,736,983</u>
Deferred Inflows of Resources:	<u>1,798,560</u>	<u>6,294,475</u>	<u>(4,495,915)</u>
Net Position:			
Net Investment in Capital Assets	165,329,003	145,238,227	20,090,776
Restricted	1,873,557	2,269,372	(395,815)
Unrestricted	22,168,454	15,275,541	6,892,913
Total Net Position	<u>\$ 189,371,014</u>	<u>\$ 162,783,140</u>	<u>\$ 26,587,874</u>

YORBA LINDA WATER DISTRICT

Managements' Discussion and Analysis

For the Year Ended June 30, 2023

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, Assets and Deferred Outflows of Resources of the District exceeded Liabilities and Deferred Inflows of Resources by \$189.4 million as of June 30, 2023. Total Assets increased by \$48.5 million mainly due to the addition of the newly constructed PFAS Water Treatment Plant in Depreciable Capital Assets and the addition of the unspent bond proceeds pertaining to the Revenue Bonds, Series 2022A debt issuance in Restricted Assets. Total Liability increased by \$29.7 million mainly due to the issuance of the Revenue Bonds, Series 2022A and an increase in the District's Pension Unfunded Accrued Liability obligation due to a change in the discount rate to 6.9% from 7.15% and lower rate of return on investments as compared to those of the prior year.

By far the largest portion of the District's Net Position (87.3% as of June 30, 2023) reflects the District's Investment in Capital Assets (net of accumulated depreciation) less any related debt (net investment in capital assets) used to acquire those assets that remain outstanding. For the year ended June 30, 2023, Net Investment in Capital Assets increased by \$20 million mainly due to the addition of PFAS Water Treatment Plant. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

YORBA LINDA WATER DISTRICT

Managements' Discussion and Analysis

For the Year Ended June 30, 2023

Statement of Revenues, Expenses and Changes in Net Position

Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2023 is as follows:

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues:			
Operating Revenues:			
Water Sales	\$ 36,880,380	\$ 38,495,864	\$ (1,615,484)
Sewer Revenue	3,453,202	3,204,396	248,806
Other Operating Revenue	1,273,958	1,275,632	(1,674)
Total Operating Revenues	<u>41,607,540</u>	<u>42,975,892</u>	<u>(1,368,352)</u>
Non-operating Revenues:			
Investment Income	1,279,458	179,375	1,100,083
Property Taxes	2,323,369	2,157,211	166,158
Other Nonoperating Income	973,139	209,976	763,163
Total Nonoperating Revenue	<u>4,575,966</u>	<u>2,546,562</u>	<u>2,029,404</u>
Total Revenues	<u>46,183,506</u>	<u>45,522,454</u>	<u>661,052</u>
Expenses:			
Operating Expenses:			
Variable Costs	15,308,429	20,603,385	(5,294,956)
Personnel Services	10,348,225	11,016,220	(667,995)
Supplies and Services	8,100,671	6,297,722	1,802,949
Depreciation	9,094,787	7,935,696	1,159,091
Total Operating Expenses	<u>42,852,112</u>	<u>45,853,023</u>	<u>(3,000,911)</u>
Nonoperating Expenses:			
Interest Expense	2,408,426	1,249,313	1,159,113
Other Nonoperating Expense	358,045	21,141	336,904
Total Nonoperating Expenses	<u>2,766,471</u>	<u>1,270,454</u>	<u>1,496,017</u>
Total Expenses	<u>45,618,583</u>	<u>47,123,477</u>	<u>(1,504,894)</u>
Net Income(Loss) before Capital Contributions and Special Items	564,923	(1,601,023)	2,165,946
Capital Contributions	26,022,951	289,612	25,733,339
Change in Net Position	26,587,874	(1,311,411)	27,899,285
Net Position, Beginning of Year	162,783,140	164,094,551	(1,311,411)
Net Position, End of Year	<u>\$ 189,371,014</u>	<u>\$ 162,783,140</u>	<u>\$ 26,587,874</u>

YORBA LINDA WATER DISTRICT

Managements' Discussion and Analysis

For the Year Ended June 30, 2023

The Statement of Revenues, Expenses and Changes of Net Position shows how the District's net position changed between the referenced fiscal years. In the case of the District, its net position increased by approximately \$26.6 million for the fiscal year ended June 30, 2023.

A closer examination of the sources of changes in net position reveals that:

In 2023, the District's Total Revenues increased by \$0.7 million, primarily due to an increase in Nonoperating Revenue offset by a decrease in Water Sales resulting from significantly lower demand than anticipated due to very wet and cool winter and spring seasons. The increase in Nonoperating Revenue is mainly due to the investments producing higher yields in current year compared to those of last year. Total Expenses decreased by \$1.5 million primarily due to a decrease in Variable Water Costs of \$5.3 million predominantly due to a decrease in water demand and the cost savings that resulted from usage of groundwater, instead of imported water, to meet the demand from the water system (attributed to the completion of PFAS Treatment Center), an increase in supplies and services costs of \$1.8 million, an increase in depreciation of \$1.2 million, and an increase in the annual debt service obligations of \$1.2 million for the issuance of the Revenue Bonds, Series 2022A.

Capital Assets

Changes in Capital Asset amounts for the year ended June 30, 2023 were as follows:

	<u>Balance 2022</u>	<u>Adjustments/ Additions/ Transfer</u>	<u>Deletions</u>	<u>Balance 2023</u>
Capital Assets:				
Capital Assets, Not Being depreciated	\$ 8,240,603	\$ 755,861	\$ (7,941)	\$ 8,988,523
Capital Assets, Being depreciated	306,855,954	33,482,945	(612,624)	339,726,275
Less Accumulated Depreciation	<u>(129,704,317)</u>	<u>(9,094,787)</u>	<u>507,381</u>	<u>(138,291,723)</u>
 Total Capital Assets, Net	 <u>\$ 185,392,240</u>	 <u>\$ 25,144,019</u>	 <u>\$ (113,184)</u>	 <u>\$ 210,423,075</u>

At the end of fiscal year 2023, the District's investment in Capital Assets amounted to \$210.4 million (Net of Accumulated Depreciation). This investment in Capital Assets includes land, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment, vehicles and construction-in-process, etc. Major capital asset projects in fiscal year 2023 included PFAS Treatment Center, Waterline relocation, Addition of Water Mains, Rehabilitation of Sewer Pipes, and security improvements.

Additional information regarding capital assets is included in Note 4 of the Notes to the Basic Financial Statements.

YORBA LINDA WATER DISTRICT

Managements' Discussion and Analysis

For the Year Ended June 30, 2023

Long-Term Liabilities

Changes in Long-Term Liability amounts for the year ended June 30, 2023 were as follows:

	<u>Beginning Balance</u>	<u>Defeased</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
2012A Refunding Revenue Bond	\$ 5,630,000	\$ (5,630,000)	\$ -	\$ -	\$ -
2017A Revenue Bonds	24,860,000	-	-	(990,000)	23,870,000
2022A Refunding Revenue Bond	-	-	32,310,000	-	32,310,000
Subtotal	<u>30,490,000</u>	<u>(5,630,000)</u>	<u>32,310,000</u>	<u>(990,000)</u>	<u>56,180,000</u>
Add (Less):					
2012A Premium	528,703	(528,703)	-	-	-
2017A Premium	3,384,448	-	-	(208,274)	3,176,174
2022A Premium	-	-	3,308,775	(100,543)	3,208,232
Total Revenue Bonds	<u>34,403,151</u>	<u>(6,158,703)</u>	<u>35,618,775</u>	<u>(1,298,817)</u>	<u>62,564,406</u>
Revolving Line of Credit	5,743,751	-	-	(5,743,751)	-
Compensated Balances	<u>1,879,164</u>	<u>-</u>	<u>1,096,368</u>	<u>(1,152,872)</u>	<u>1,822,660</u>
Total Long-Term Debt	<u>\$ 42,026,066</u>	<u>\$ (6,158,703)</u>	<u>\$ 36,715,143</u>	<u>\$ (8,195,440)</u>	<u>\$ 64,387,066</u>

In fiscal year 2023, the District issued \$32,310,000 in Revenue Bonds, Series 2022A to finance the acquisition and construction of certain improvements to the District's water system and to advance refund its Refunding Revenue Bonds, Series 2012, which resulted in long-term debt increasing by \$22.4 million.

Additional information regarding long-term liabilities can be found in note 6 in Notes to Basic Financial Statements.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Finance Department at 1717 E. Miraloma Avenue, Placentia, California 92807 (714) 701-3040.

BASIC FINANCIAL STATEMENTS

YORBA LINDA WATER DISTRICT
Statement of Net Position
June 30, 2023

CURRENT ASSETS

Unrestricted Assets:

Cash and cash equivalents	\$ 47,758,977
Accounts Receivable - Water and Sewer Services	5,227,230
Accounts Receivable - Property Taxes	68,817
Accrued Interest Receivable	247,571
Prepaid Expenses and Deposits	306,619
Inventory	499,393
Lease Receivable	79,782
Total Unrestricted Assets	<u>54,188,389</u>

Restricted Assets:

Investments - Pension Trust	889,808
Investments - OPEB Trust	327,776
Investments - Deposits	550,111
Cash with fiscal agent	18,342,475
Total Restricted Assets	<u>20,110,170</u>

Total Current Assets	<u>74,298,559</u>
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NONCURRENT ASSETS

Lease Receivable	144,393
Capital Assets:	
Not Depreciable Capital Assets	8,988,523
Capital Assets, net of Depreciation/Amortization	201,434,552
Total Noncurrent Assets	<u>210,567,468</u>

Total Assets	<u>284,866,027</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Amounts from Pension Plans	5,666,539
Deferred Amounts from OPEB	883,032
Total Deferred Outflows of Resources	<u>6,549,571</u>

CURRENT LIABILITIES

Payable from Unrestricted Current Assets:

Accounts Payable	4,482,991
Accrued Expenses	3,831,888
Accrued Interest Payable	663,782
Unearned revenues	18,941
Compensated Absences Payable-Current Portion	455,665
Customer and Construction Deposits	1,604,440
Leases Payable	6,744
Subscriptions-based technology arrangements (SBITA) Payable	90,353
Certificates of Participation - Current Portion	1,525,000
Total Payable from Unrestricted Current Assets	<u>12,679,804</u>

Total Current Liabilities	<u>12,679,804</u>
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LONG-TERM LIABILITIES (Less Current Portion)

Unearned Annexation Revenue	11,132,750
Compensated Absences	1,366,995
Leases Payable	228,411
Subscriptions-based technology arrangements (SBITA) Payable	92,870
Certificates of Participation	61,039,406
Net Pension Liability	12,476,752
Net OPEB Liability	1,229,036

Total Long-Term Liabilities (Less Current Portion)	<u>87,566,220</u>
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Total Liabilities	<u>100,246,024</u>
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YORBA LINDA WATER DISTRICT

Statement of Net Position

June 30, 2023

DEFERRED INFLOWS OF RESOURCES

Deferred Amounts from Pension Plans	763,725
Deferred Amounts from OPEB	339,223
Deferred Charge on Refunding	453,763
Deferred Amounts from Leases	<u>241,849</u>
Total Deferred Inflows of Resources	<u>1,798,560</u>

NET POSITION

Net investment in Capital Assets	165,329,003
Restricted:	
Water Conservation	105,862
Pension Benefits	889,808
Other Postemployment Benefits	327,776
Depository Cash	550,111
Unrestricted	<u>22,168,454</u>
Total Net Position	<u>\$ 189,371,014</u>

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YORBA LINDA WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2023

OPERATING REVENUES

Water Sales	\$ 36,880,380
Sewer Revenues	3,453,202
Other Operating Revenues	1,273,958
Total operating revenues	<u>41,607,540</u>

OPERATING EXPENSES

Variable Water Costs	15,308,429
Personnel Services	10,348,225
Supplies and Services	8,100,671
Depreciation and amortization expense	9,094,787
Total operating expenses	<u>42,852,112</u>

Operating income (loss)	<u>(1,244,572)</u>
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NONOPERATING REVENUES (EXPENSES)

Property Taxes	2,323,369
Investment Income	1,279,458
Interest Expense	(2,408,426)
Other Nonoperating Revenues	973,139
Other Nonoperating Expenses	(358,045)
Total nonoperating revenues (expenses)	<u>1,809,495</u>

NET LOSS BEFORE CAPITAL CONTRIBUTIONS	564,923
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CAPITAL CONTRIBUTIONS	<u>26,022,951</u>
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CHANGES IN NET POSITION	26,587,874
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Net Position - Beginning of Year	<u>162,783,140</u>
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NET POSITION - END OF YEAR	<u>\$ 189,371,014</u>
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YORBA LINDA WATER DISTRICT

Schedule of Cash Flows

Year Ended June 30, 2023

Cash Flows from Operating Activities:

Cash received from customers and users	\$ 41,230,995
Cash paid to suppliers for goods and services	(33,722,215)
Cash paid to employees for services	(1,045,879)
Other receipts (payments)	47,406

Net Cash Provided (Used) by Operating Activities

6,510,307

Cash Flows from Non-Capital

Financing Activities:

Proceeds from Property Taxes and Assessments	2,318,437
Miscellaneous	66,682

Net cash provided by (used for) noncapital financing activities

2,385,119

Cash Flows from Capital

and Related Financing Activities:

Acquisition and construction of capital assets	(7,888,146)
Principal Paid on Leases	(1,658)
Principal Paid on Subscriptions	(116,581)
Principal Paid on Long-Term Liabilities	(12,436,054)
Interest and Commitment Fees Paid on Long-Term Liabilities	(2,858,076)
Proceeds from issuance of capital debt	35,618,775
Proceeds from sales of assets	325,046

Net cash provided by (used for) capital and related financing activities

12,643,306

Cash Flows from Investing Activities:

Sale of Investments	553,593
Interest and Investment Earnings	1,478,668
Purchases of Investments	(78,418)

Net Cash Provided (Used) by Investing Activities

1,953,843

Net Increase (Decrease) in Cash and Cash Equivalents

23,492,575

Cash and Cash Equivalents at Beginning of Year	<u>42,608,877</u>
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Cash and Cash Equivalents at End of Year	<u>\$ 66,101,452</u>
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YORBA LINDA WATER DISTRICT

Schedule of Cash Flows

Year Ended June 30, 2023

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:

Operating income (loss)	<u>\$ (1,244,572)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation/amortization expense	9,094,787
(Increase) decrease in accounts receivable	58,883
(Increase) decrease in leases receivable	6,576
(Increase) decrease in inventories	(167,004)
(Increase) decrease in prepaid items	9,431
(Increase) decrease in pension-related deferred outflows	(3,208,153)
(Increase) decrease in OPEB-related deferred outflows	(362,630)
Increase (decrease) in accounts payable	(3,261,839)
Increase (decrease) in accrued liabilities	3,440,687
Increase (decrease) in deposits payable	(435,428)
Increase (decrease) in compensated absences	(56,504)
Increase (decrease) in net pension liability	6,881,695
Increase (decrease) in net OPEB liability	716,191
Increase (decrease) in pension-related deferred inflows	(4,592,165)
Increase (decrease) in OPEB-related deferred inflows	(410,478)
Increase (decrease) in lease-related deferred inflows	<u>40,830</u>
Total Adjustments	<u>7,754,879</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 6,510,307</u>

SCHEDULE OF NON-CASH NONCAPITAL, CAPITAL, AND INVESTING ACTIVITIES

Amortization Related to Long-Term Debt	\$ 308,817
Capital Contributions	26,022,951

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NOTES TO BASIC FINANCIAL STATEMENTS

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YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Yorba Linda Water District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as 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. Yorba Linda Water District's significant accounting policies are described below.

A. Organization and Description of the Reporting Entity

The Yorba Linda Water District is an independent special district established in 1959, which operates under the authority of Division 12 of the California Water Code for the purpose of providing water and sewer services to properties within the District. The District is governed by a five member Board of Directors elected by the voters in the area to four-year terms. The District provides two services that include water and sewer. Water is provided to the entire service area. Sewer is provided to most of the service areas. The District's service area includes Yorba Linda, portions of Placentia, Anaheim, and Brea, and areas of unincorporated Orange County. The District provides water and sewer services to approximately 84,000 residents.

The financial statements present the District (the primary government), the Yorba Linda Water District Public Financing Corporation (the Corporation), and the Yorba Linda Water District Financing Authority (the Authority). The Corporation and the Authority meet the definition of a component unit and are presented on a blended basis, as if they are part of the primary government. Although they are legally separate entities, the governing board of the Corporation and the Authority are composed of the same membership as the District's Board of Directors. The District may impose its will on the Corporation and the Authority, including the ability to appoint, hire, reassign, or dismiss management. There is also a financial benefit/burden relationship between the District and the Corporation and the Authority.

The Corporation, a California nonprofit public benefit corporation, was formed in July 2003 for the purpose of providing assistance to the District and other public agencies in the state of California, of which the District is a member or is otherwise engaged in the financing, refinancing, acquiring, constructing, and rehabilitating of facilities, land, and equipment; the sale or leasing of facilities, land, and equipment for the use, benefit, and enjoyment of the public served by such agencies; and any other purpose incidental thereto. There are no separate financial statements for the Corporation.

The Authority, a public agency, was organized pursuant to a Joint Exercise of Powers Agreement (the JPA Agreement) between the District and the California Municipal Finance Authority (CMFA), dated April 11, 2017. The Authority is statutorily authorized by Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code and is empowered under the JPA Agreement to issue its bonds for, among other things, the purposes of the plan of financing described herein. Separate basic financial statements prepared for the Authority may be obtained from the Yorba Linda Water District, 1717 East Miraloma Avenue, Placentia, CA 92870.

B. Basic Financial Statements

The basic financial statements are composed of the statement of net position, the statement of revenues, expenses, and changes in net position, the statement of cash flows, and the notes to the basic financial statements.

C. Basis of Presentation

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

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

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

E. Cash and Cash Equivalents

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

F. Investments and Investment Policy

The District has adopted an investment policy directing the District's General Manager or Finance Manager to invest, reinvest, sell, or exchange securities.

Investments are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

G. Accounts Receivable

The District extends credit to customers in the normal course of operations. Management evaluates all accounts receivable and, if it is determined that they are uncollectible, they are written off as a bad debt expense. A charge of \$38,755 was made to bad debt expense for the year ended June 30, 2023. Management has evaluated the remaining accounts receivable and has determined that they are collectible.

H. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

I. Inventory

Inventory consists primarily of materials and supplies used in the construction and maintenance of the water and sewer systems and are stated at cost using the average- cost method on a first-in, first-out basis.

J. Capital Assets and Right-to-Use Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000 with an expected useful life of greater than one year. Contributed assets are recorded at acquisition value at the date of acquisition. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right-to-use lease assets are defined by the District as assets with an estimated useful life in excess of one year and with an initial, individual cost of \$5,000 or more. Such assets are recorded at the present value of the lease liability, including expenses to place the asset into service.

Right-to-use subscription assets are defined by the District as assets with an estimated useful life in excess of one year and with an initial, individual cost of \$15,000 or more. Such assets are recorded at the present value of the subscription liability, including implementation costs to place the asset into service.

Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets as follows:

Source of Supply	30 to 75 Years
Pumping Plant	20 to 40 Years
Water Treatment Plant	12 to 40 Years
Sewer Plant	5 to 60 Years
Transmission and Distribution Plant	10 to 40 Years
General Plant	3 to 40 Years

K. Deferred Outflows/Inflows of Resources

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

- Deferred outflow related to loss on refunding. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows related to pensions and OPEB for employer contributions made after the measurement date of the net pension liability and the net OPEB liability.
- Deferred outflows related to pensions and OPEB for differences between actual and expected experiences. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.
- Deferred outflows from OPEB resulting from changes in assumptions and to employer's proportion. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with retiree health benefits through the plan.

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

- Deferred inflow related to gain on refunding. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred inflows related to OPEB for differences between actual and expected experiences. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pension and retiree health benefits through the respective plans.
- Deferred inflows related to pensions and OPEB for differences between changes of assumptions and changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions for pension. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Deferred inflows related to leases relates to the amount of the lease receivable plus any lease payments related to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term.

L. Customer Deposits

Customer deposits may be collected at the time water service is initiated. Deposits may be applied to customer accounts or refunded at the time an account is closed.

M. Construction Advances, Deposits, and Bonding Deposits

Construction deposits are collected by the District to cover the cost of construction projects within the District. Funds in excess of project costs are refunded to the customer.

The District's policy is to maintain certain bonding requirements for water and sewer construction projects performed within District boundaries to ensure the proper completion of the project. Deposited amounts are refunded upon final approval of the project.

N. Unearned Revenue

Unearned revenue consists of developer payments that are recognized as revenue as water consumption of the area occurs and customer refunds that have not been cashed.

O. Unearned Annexation Revenue

The District collects a fee from newly annexed developments for all residential and commercial properties. This fee is in lieu of the District's share of 40 years of the 1% property tax revenue that the District no longer receives post-Proposition 13. The fee is a present worth value required to generate a 40-year revenue stream equivalent to the lost property tax revenue.

The fee is calculated based on the fair market value estimate of the improved property at the time the fee is collected and is based on the current rate of return on the District's investments. The deposit balance accrues interest and provides a source of operational revenue for the District and is amortized on a straight-line basis over 40 years. This unearned revenue source may be used for capital facilities in the future if approved by the Board of Directors.

P. Net Position

In the statement of net position, net position is classified in the following categories:

Net Investment in Capital Assets

This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt and capital related payables that are attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position

This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments. Amounts reported in restricted net position for the year ended June 30, 2023, represent the following:

- a. Amount of \$105,862 which is the balance remaining of administrative penalty fees collected by the District that must be used for costs related to conservation efforts, water use efficiency improvements, water conservation education, and regulatory compliance.
- b. Amount of \$889,808 represents funds held in a trust with PARS that is restricted for future contributions to pension plans and \$327,776 represents funds held in a trust with PARS that is restricted for future contributions to an OPEB plan.

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- c. Amount of \$550,111 represents funds held in a depository cash account that is restricted for the Cielo Vista Development.

Unrestricted Net Position

This amount is all net position that does not meet the definition of net investment in capital assets or restricted net position.

Q. Net Position Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's practice to consider restricted – net position to have been depleted before unrestricted - net position is applied.

R. Operating Revenues and Expenses

Operating revenues, such as charges for services (water sales and sewer service charges), result from exchange transactions associated with the principal activity of the District. Nonoperating revenues, such as property taxes, assessments, and investment income, result from nonexchange transactions or ancillary activities in which the District receives value without directly giving equal value in exchange.

Operating expenses include the costs of providing water, sewer, and related services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

S. Property Taxes and Assessments

The Orange County Assessor's Office assesses all real and personal property within Orange County each year. The Orange County Tax Collector's Office bills and collects the District's share of property taxes and assessments. The Orange County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property taxes in California are levied in accordance with Article XIII A of the State Constitution at 1% of countywide assessed valuations. This levy is allocated pursuant to state law to the appropriate units of local governments.

Property taxes receivable at year-end are related to property taxes collected by the Orange County Tax Collector, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien Date	January 1
Levy Date	July 1
Due Dates	First Installment – November 1 Second Installment – March 1
Collection Dates	First Installment – December 10 Second Installment – April 10

T. Water and Sewer Sales

The District recognizes water and sewer service charges based on cycle billings rendered to the customers each month.

U. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners or real estate developers desiring services that require capital expenditures or capacity commitment.

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's CalPERS plan 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.

W. Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the District's OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

X. Budgetary Policies

The District adopts annual nonappropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

Y. Use of Estimates

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management's best estimates and judgments. Accordingly, actual results could differ from the estimates.

Z. Implementation of New Accounting Standards

GASB 96

The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. The net effect of the beginning net position balance is \$0.

GASB 100

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30 are reported in the accompanying statement of net position as follows:

	<u>2023</u>
Unrestricted Current Assets:	
Cash and Cash Equivalents	\$ 47,758,977
Restricted Current Assets:	
Cash and Investments - Pension Trust	889,808
Cash and Investments - OPEB Trust	327,776
Cash and Investments - Depository Cash	550,111
Cash with fiscal agent	18,342,475
Total cash and investments	<u>\$ 67,869,147</u>

Cash and Investments as of June 30 consisted of the following:

	<u>2023</u>
Cash on Hand	\$ 750
Deposits with Financial Institutions	1,181,917
Investments	66,686,480
Total cash and investments	<u>\$ 67,869,147</u>

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

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy. This table does not address investments of the employer contributions to the other post-employment benefit trust that are governed by the trust agreement or the investments of funds within the pension and other postemployment benefit (OPEB) trusts that are governed by the agreement between the District and the trustees, rather than the general provisions of the California Government Code or the District's Investment Policy.

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Credit Rating
Bank or Savings and Loans	5 Years	None	None	FDIC
Negotiable Certificates of Deposit	5 Years	30%	None	A and FDIC Collateralized
Local Agency Investment Fund	N/A	None	None	None
Orange County Commingled Investment	N/A	None	None	N/A
California Asset Management Program	N/A	(1)	None	N/A
United States Treasury Bills, Notes, and United States Government-Sponsored Agency Securities	5 Years	None	None	N/A
Corporate Bonds	5 Years	30%	None	A
Banker's Acceptance	180 Days	10%	5%	A-1
Commercial Paper	270 Days	25%	5%	A-1
CalTRUST Investment Pool	N/A	None	None	N/A
Money Market Mutual Funds	N/A	20%	10%	N/A

(1) Limited to bond proceeds held by the District. N/A Not Applicable

B. Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by the provisions of debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. Investments authorized for funds held by bond trustees include, U.S. Treasury Bills, Notes and Bonds, U.S. Treasury Obligations, Resolution Funding Corp (REFCORP), Prefunded Municipal Bonds, U.S. Government-Sponsored Agency Securities, Commercial Paper, Money Market Mutual Funds, Certificates of Deposits, Guaranteed Investment Contracts, Banker's Acceptance, Repurchase Agreements, and Local Agency Investment Funds.

C. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following tables that show the distribution of the District's investments by maturity as of June 30, 2023.

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investment Type	Total	Remaining Maturity (in Months)	
		12 Months or Less	13 to 36 Months
Local Agency Investment Fund	\$ 24,554,111	\$ 24,554,111	\$ -
Money Market Mutual Funds	4,441,400	4,441,400	-
CAMP	17,580,799	17,580,799	-
Restricted:			
Deposits	550,111	550,111	-
Pesion Trust - PARS Pooled Trust	889,808	889,808	-
OPEB Trust - PARS Pooled Trust	327,776	327,776	-
US Treasury Notes - Rev Bond 2022A	16,268,644	8,394,732	7,873,912
US Bank - Cash Equivalent	2,073,831	2,073,831	-
Total	<u>\$ 66,686,480</u>	<u>\$ 58,812,568</u>	<u>\$ 7,873,912</u>

D. Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code with the exception of banker's acceptances, commercial paper, and money market funds, which are limited to an investment in any one issuer of 5%, 5%, and 10%, respectively. The District has no investments that exceed these limits.

E. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Local Agency Investment Fund (LAIF)).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2023, all of the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

F. Investment in State Investment Pool

The District is a voluntary participant in LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

G. Cash and Investments – Other Postemployment Benefit (OPEB) and Pension Trust

Restricted assets are financial resources generated for a specific purpose, such as OPEB and pension benefits. These assets are for the benefit of a specific purpose and, as such, are legally or contractually restricted by an external third-party agreement. The District's restricted assets consisted of a trust account with the Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the District's OPEB health plan and pension plan. The OPEB and pension trusts funds' specific cash and investments are listed as restricted cash and investments on the schedule of net position and are managed by a third-party portfolio manager under guidelines approved by the District. The District-approved guidelines are as follows:

Risk Tolerance	Moderate
Risk Management	The portfolio is constructed to control through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process help to drive return potential while reducing portfolio risk.
Investment Objective	To provide current income and moderate capital appreciation. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.
Strategic Ranges	0% - 20% Cash 40% - 60% Fixed Income 40% - 60% Equity

H. Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices for similar assets in active markets, and Level 3 inputs are significant unobservable inputs.

Negotiable certificates of deposit and United States Government - Sponsored Agency securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
US Treasury Notes - Rev Bond 2022A	\$ -	\$ 16,268,644	\$ -	\$ 16,268,644
Total Levelled Investments	<u>\$ -</u>	<u>\$ 16,268,644</u>	<u>\$ -</u>	<u>\$ 16,268,644</u>
Local Agency Investment Fund*				24,554,111
Money Market Mutual Funds				4,441,400
CAMP				17,580,799
Restricted:				
Deposits				550,111
Pension Trust - PARS Pooled Trust				889,808
OPEB Trust - PARS Pooled Trust				327,776
US Bank - Cash Equivalent				2,073,831
Total Investments				<u>\$ 66,686,480</u>

*LAIF is not subjected to fair value measurement hierarchy

NOTE 3: RESTRICTED ASSETS

Restricted assets are provided by and are to be used for the following uses as of June 30:

Source	Use	2023
Cash Deposits	Cielo Vista Development	\$ 550,111
Pension Trust - PARS Pooled Trust	Payment of Pension Benefits	889,808
OPEB Trust - PARS Pooled Trust	Payment of OPEB Benefits	327,776
2022A Revenue Bonds	Capital Projects	18,342,475
Total Restricted Assets		<u>\$ 20,110,170</u>

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 4: CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2023 were as follows:

	Balance at June 30, 2022	Transfers of CIP	Additions	Deletions	Balance at June 30, 2023
Capital Assets, Not Depreciated:					
Land, Mineral, and Water Rights	\$ 287,419	\$ -	\$ -	\$ -	\$ 287,419
Construction in Progress	7,953,184	(7,132,285)	7,888,146	(7,941)	8,701,104
Total Capital Assets, Not Depreciated	8,240,603	(7,132,285)	7,888,146	(7,941)	8,988,523
Capital Assets, Being Depreciated/Amortized:					
Source of Supply	5,516,308	12,911	80,512	-	5,609,731
Pumping Plant	28,481,309	984,316	5,748,825	-	35,214,450
Water Treatment Plant	1,383,545	2,067,732	12,894,110	-	16,345,387
Transmission and Distribution Plant	247,017,480	2,095,016	4,009,732	(4,274)	253,117,954
General Plant	24,256,757	1,972,310	3,289,772	(608,350)	28,910,489
Right-to-Use - Lease Equipment	-	-	35,365	-	35,365
Right-to-Use - Lease Well	200,555	-	-	(1,001)	199,554
Right-to-Use - Subscriptions	-	-	293,345	-	293,345
Total Capital Assets, Being Depreciated	306,855,954	7,132,285	26,351,661	(613,625)	339,726,275
Less Accumulated Depreciation/Amortization for:					
Source of Supply	(2,934,442)	-	(129,095)	-	(3,063,537)
Pumping Plant	(12,566,793)	-	(1,420,336)	-	(13,987,129)
Water Treatment Plant	(1,100,429)	-	(707,931)	-	(1,808,360)
Transmission and Distribution Plant	(98,459,236)	-	(5,592,603)	2,816	(104,049,023)
General Plant	(14,638,608)	-	(1,180,153)	504,565	(15,314,196)
Right-to-Use - Equipment	-	-	(1,767)	-	(1,767)
Right-to-Use - Well	(4,809)	-	(4,809)	-	(9,618)
Right-to-Use - Subscriptions	-	-	(58,093)	-	(58,093)
Total Accumulated Depreciation	(129,704,317)	-	(9,094,787)	507,381	(138,291,723)
Total Capital Assets, Being Depreciated, Net	177,151,637	7,132,285	17,256,874	(106,244)	201,434,552
Total Capital Assets, Net	\$ 185,392,240	\$ -	\$ 25,145,020	\$ (114,185)	\$ 210,423,075

Depreciation and amortization expense for the depreciable capital assets was \$9,030,118 and amortization expense of \$64,669 for the fiscal year ended June 30, 2023.

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 5: LEASES

A. Leases Payable

Leases Payable	Balance at June 30, 2022	Adjustments	Additions	Deletions	Balance at June 30, 2023	Due within one year
Copier Lease	\$ -	\$ -	\$ 35,365	\$ (1,658)	\$ 33,707	\$ 6,744
Well Land Lease	200,555	893	-	-	201,448	-
Not Depreciated	<u>\$ 200,555</u>	<u>\$ 893</u>	<u>\$ 35,365</u>	<u>\$ (1,658)</u>	<u>\$ 235,155</u>	<u>\$ 6,744</u>

In September 2016, the District entered into a noninterest bearing lease agreements with Konica Minolta Premier Finance to obtain three photocopiers/printer. The lease term is five years with base monthly payments of \$629 per month. An initial lease liability was recorded in the amount of \$35,365. As of June 30, 2023, the value of the lease liability is \$33,707. The incremental borrowing rate of 2.682% was used in the calculation. The value of the right to use asset as of June 30, 2023 is \$35,365 with accumulated amortization of \$1,767.

In December 2021, the District entered into a 50 year lease as Lessee for the use of Well 21. An initial lease liability was recorded in the amount of \$201,448. As of June 30, 2023, the value of the lease liability is \$201,448. The District is required to make yearly payments based on agreed rent schedule. The lease has an interest rate of 3.00%. The value of the right to use asset as of June 30, 2023 of \$199,554 with accumulated amortization of \$9,618.

Payment requirements on the leases subsequent of June 30, 2023, are follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 6,744	\$ 6,852	\$ 13,596
2025	6,301	6,690	12,991
2026	6,636	6,518	13,154
2027	6,369	6,324	12,693
2028	6,071	6,167	12,238
2029 - 2033	2,081	30,438	32,519
2034 - 2038	7,995	29,704	37,699
2039 - 2043	15,753	27,950	43,703
2044 - 2048	25,794	24,870	50,664
2049 - 2053	38,653	20,081	58,734
2054 - 2058	54,973	13,115	68,088
2059 - 2063	57,785	3,650	61,435
	<u>\$ 235,155</u>	<u>\$ 182,359</u>	<u>\$ 417,514</u>

B. Deferred Inflows related to Leases

Deferred Inflows Related to Leases	Balance at June 30, 2022	Additions	Deletions	Balance at June 30, 2023
Verizon (SMSA)	\$ 92,525	\$ -	\$ (38,287)	\$ 54,238
Crown Castle	13,568	208,456	(34,413)	187,611
Total	<u>\$ 106,093</u>	<u>\$ 208,456</u>	<u>\$ (72,700)</u>	<u>\$ 241,849</u>

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 5: LEASES (CONTINUED)

C. Leases Receivable

<u>Lease Receivable</u>	<u>Balance at June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2023</u>
Verizon (SMSA)	\$ 95,279	\$ -	\$ (37,799)	\$ 57,480
Crown Castle	-	208,456	(41,761)	166,695
Total	<u>\$ 95,279</u>	<u>\$ 208,456</u>	<u>\$ (79,560)</u>	<u>\$ 224,175</u>

In November 2013, the District entered into a 5 year lease with the option to renew 4 additional 5 year terms lease as lessor for the use of a portion of Quarter horse reservoir. An initial lease receivable was recorded in the amount of \$130,812. As of June 30, 2023, the value of the lease receivable is \$57,480. The lessee is required to make monthly payments of \$3,280 increased by 3% annually. The lease has an interest rate of 3.00%. The value of the deferred inflow of resources as of June 30, 2023 was \$54,238, and the District recognized lease revenue of \$38,287 during the fiscal year.

In January 2018, the District entered into a 5 year lease as lessor for the tower site with Crown Castle and extended for an additional 5 years during January 2023, expiring on December 31, 2027. An initial lease receivable was recorded in the amount of \$208,456. As of June 30, 2023, the value of the lease receivable is \$166,695. The lessee is required to make annual payments of \$44,518 adjusted yearly based on CPI. The incremental borrowing rate of 3.34% was used in the calculation. The value of the deferred inflow of resources as of June 30, 2023 was \$187,611, and the District recognized lease revenue of \$34,413 during the fiscal year.

Total Leases Receivable at June 30, 2023 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 79,782	\$ 5,981	\$ 85,763
2025	58,267	3,648	61,915
2026	42,345	2,172	44,517
2027	43,781	736	44,517
Total	<u>\$ 224,175</u>	<u>\$ 12,537</u>	<u>\$ 236,712</u>

NOTE 6: SUBSCRIPTION-BASED TECHNOLOGY ARRANGEMENTS

A. Subscription Liability

<u>Subscription Liability</u>	<u>Balance at June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2023</u>	<u>Due within one year</u>
Software	\$ -	\$ 276,836	\$ (93,613)	\$ 183,223	\$ 90,353
Total	<u>\$ -</u>	<u>\$ 276,836</u>	<u>\$ (93,613)</u>	<u>\$ 183,223</u>	<u>\$ 90,353</u>

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 6: SUBSCRIPTION-BASED TECHNOLOGY ARRANGEMENTS (CONTINUED)

On September 22, 2022, the District entered into a 12 month subscription with the option to renew for the use of Cityworks. Per Subscription-based Information Technology Arrangement Materiality Policy, the subscription was deemed to have the term of 3 years. As of June 30, 2023, the value of the subscription liability is \$98,753. The District is required to make annual fixed payments of \$51,000. The subscription has an interest rate of 2.18%. The value of the right to use asset as of June 30, 2023 of \$149,754 with accumulated amortization of \$38,669 is included with Software on the Subscription Class activities table found on page 34. The Vendor has 2 extension options, each for 12 months. The District had a termination period of 1 month as of the subscription commencement. The Vendor had a termination period of 1 month as of the subscription commencement.

On June 15, 2023, the District entered into a 12 month subscription with the option to renew for the use of DebtBook. Per Subscription-based Information Technology Arrangement Materiality Policy, the subscription was deemed to have the term of 3 years. As of June 30, 2023, the value of the subscription liability is \$15,450. The District is required to make annual fixed payments of \$8,000. The subscription has an interest rate of 2.36%. The value of the right to use asset as of June 30, 2023 is \$22,650 with accumulated amortization of \$336 is included with Software on the Subscription Class activities table found on page 34.

On January 1, 2023, the District entered into a 12 month subscription with the option to renew for the use of Cisco Software. Per Subscription-based Information Technology Arrangement Materiality Policy, the subscription was deemed to have the term of 3 years. As of June 30, 2023, the value of the subscription liability is \$7,882. The District is required to make annual fixed payments of \$10,374. The subscription has an interest rate of 2.66%. The value of the right to use asset as of June 30, 2023 is \$28,588 with accumulated amortization of \$4,765 is included with Software on the Subscription Class activities table found on page 34.

On January 25, 2023, the District, entered into a 12 month subscription with the option to renew for the use of GIS. Per Subscription-based Information Technology Arrangement Materiality Policy, the subscription was deemed to have the term of 3 years. As of June 30, 2023, the value of the subscription liability is \$48,076. The District is required to make annual fixed payments of \$25,000. The subscription has an interest rate of 2.66%. The value of the right to use asset as of June 30, 2023 is \$73,076 with accumulated amortization of \$10,555 is included with Software on the Subscription Class activities table found on page 34.

On December 1, 2022, the District entered into a 12 month subscription with the option to renew for the use of NextRequest. Per Subscription-based Information Technology Arrangement Materiality Policy, the subscription was deemed to have the term of 3 years. As of June 30, 2023, the value of the subscription liability is \$13,062. The District is required to make annual fixed payments of \$6,367. The subscription has an interest rate of 3.24%. The value of the right to use asset as of June 30, 2023 is \$19,377 with accumulated amortization of \$3,768 is included with Software on the Subscription Class activities table found on page 34.

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 6: SUBSCRIPTION-BASED TECHNOLOGY ARRANGEMENTS (CONTINUED)

Payment requirements on the leases subsequent of June 30, 2023, are follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 90,353	\$ 4,431	\$ 94,784
2025	92,870	2,248	95,118
Total	<u>\$ 183,223</u>	<u>\$ 6,679</u>	<u>\$ 189,902</u>

NOTE 7: LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2023, were as follows:

	Balance June 30, 2022	Defeased	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Governmental activities						
2012A Refunding Revenue Bonds	\$ 5,630,000	\$ 5,630,000	\$ -	\$ -	\$ -	\$ -
2017A Revenue Bonds	24,860,000	-	-	990,000	23,870,000	1,045,000
2022A Revenue Bonds	-	-	32,310,000	-	32,310,000	480,000
Subtotal	30,490,000	5,630,000	32,310,000	990,000	56,180,000	1,525,000
Add (Less):						
2012A Premium	528,703	528,703	-	-	-	-
2017A Premium	3,384,448	-	-	208,274	3,176,174	-
2022A Premium	-	-	3,308,775	100,543	3,208,232	-
Total Certificates Participation	34,403,151	6,158,703	35,618,775	1,298,817	62,564,406	1,525,000
Revolving Credit - Direct						
Placement	5,743,751	-	-	5,743,751	-	-
Compensated Absences	1,879,164	-	1,096,368	1,152,872	1,822,660	455,665
Total	<u>\$ 42,026,066</u>	<u>\$ 6,158,703</u>	<u>\$ 36,715,143</u>	<u>\$ 8,195,440</u>	<u>\$ 64,387,066</u>	<u>\$ 1,980,665</u>

A. 2012A Refunding Revenue Bonds

In September 2012, the Corporation issued \$8,330,000 of Refunding Revenue Bonds, Series 2012A (the 2012A Bonds). The 2012A Bonds were issued to provide funds (1) to advance refund all of the currently outstanding District Certificates of Participation Series 2003 (the 2003 Certificates) and (2) to pay costs of issuance of the 2012A Bonds.

The 2012A Bonds bear interest ranging from 2% to 5%, payable semiannually on April 1 and October 1. There is no reserve requirement for the 2012A Certificates.

The 2012A Bonds are obligations of the Corporation payable solely from payments received from the District pursuant to the Installment Purchase Agreement by and between the District and the Corporation. The Installment Purchase Agreement requires the District to fix, prescribe, and collect rates and charges for the water service that will be at least sufficient to yield during each fiscal year net revenues equal to 110% of the debt service for such fiscal year.

The 2012A Bonds are subject to federal arbitrage regulations and have no amounts due.

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

As of June 30, 2023, the 2012A Bonds have been terminated upon the legal defeasance in full of the outstanding Bonds.

B. 2017A Revenue Bonds

In May 2017, the Authority issued \$29,335,000 of Revenue Bonds, Series 2017A (the 2017A Bonds). The 2017A Bonds were issued to provide funds (1) to finance the acquisition and construction of certain improvements to the District's water system, (2) to advance refund all of the currently outstanding District Revenue Certificates of Participation Series 2008, and (3) to pay costs of issuance of the 2017A Bonds.

At June 30, 2023, the 2017A Bonds' outstanding balance was \$23,870,000.

The 2017A Bonds bear interest at rates ranging from 3% to 5%, payable semiannually on April 1 and October 1. There is no reserve requirement for the 2017A Bonds.

The 2017A Bonds are obligations of the Authority payable solely from payments received from the District pursuant to the Installment Purchase Agreement by and between the District and the Authority. The Installment Purchase Agreement requires the District to fix, prescribe, and collect rates and charges for the water service that will be at least sufficient to yield during each fiscal year net revenues equal to 125% of the debt service for such fiscal year. For fiscal year 2023, the net revenues are equal to 281% of the debt service.

The 2017A Bonds are subject to federal arbitrage regulations and have no amounts due.

The annual debt service requirements for the 2017A Bonds outstanding at June 30, 2023, are as follows:

Year Ending June 30	2017A		
	Principal	Interest	Total
2024	\$ 1,045,000	\$ 1,098,419	\$ 2,143,419
2025	1,095,000	1,044,919	2,139,919
2026	1,145,000	988,919	2,133,919
2027	1,205,000	930,169	2,135,169
2028	1,265,000	868,419	2,133,419
2029-2033	7,150,000	3,482,603	10,632,603
2034-2038	8,910,000	1,663,275	10,573,275
2039-2043	2,055,000	51,100	2,106,100
Totals	<u>\$ 23,870,000</u>	<u>\$ 10,127,823</u>	<u>\$ 33,997,823</u>

C. Rating Change

On August 27, 2021, Fitch Ratings changed its rating on the Bonds to "AA+" from "AA."

D. 2022A Revenue Bonds

In July 2022, the Authority issued \$32,310,000 of Revenue Bonds, Series 2022A (the 2022A Bonds). The 2022A Bonds were issued to provide funds (1) to finance the acquisition and construction of certain improvements to the District's water system, (2) to advance refund all of the currently outstanding District Refunding Revenue Bonds Series 2012A, and (3) to pay costs of issuance of the 2022A Bonds.

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

At June 30, 2023, the 2022A Bonds' outstanding balance was \$32,310,000. The 2022A Bonds bear interest at rates ranging from 4% to 5%, payable semiannually on April 1 and October 1. There is no reserve requirement for the 2022A Bonds.

The 2022A Bonds are obligations of the Authority payable solely from payments received from the District pursuant to the Installment Purchase Agreement by and between the District and the Authority. The Installment Purchase Agreement requires the District to fix, prescribe, and collect rates and charges for the water service that will be at least sufficient to yield during each fiscal year net revenues equal to 125% of the debt service for such fiscal year. For fiscal year 2023, the net revenues are equal to 281% of the debt service.

The 2022A Bonds are subject to federal arbitrage regulations and have no amounts due.

The annual debt service requirements for the 2022A Bonds outstanding at June 30, 2023, are as follows:

2022A			
Year Ending June 30	Principal	Interest	Total
2024	\$ 480,000	\$ 1,510,800	\$ 1,990,800
2025	505,000	1,488,575	1,993,575
2026	530,000	1,462,700	1,992,700
2027	555,000	1,435,575	1,990,575
2028	585,000	1,407,075	1,992,075
2029-2033	3,405,000	6,553,625	9,958,625
2034-2038	4,380,000	5,585,500	9,965,500
2039-2043	5,620,000	4,341,750	9,961,750
2044-2048	7,220,000	2,744,250	9,964,250
2049-2053	9,030,000	932,000	9,962,000
Totals	\$ 32,310,000	\$ 27,461,850	\$ 59,771,850

E. Revolving Credit Agreement

On May 12, 2020, the District entered into a Revolving Credit Agreement (Agreement) with Bank of America. Under the Agreement, the District can borrow a maximum aggregate amount of \$20,000,000 on any business day from May 12, 2020 to the earlier of (a) May 12, 2023 and (b) the date the Revolving Commitment is reduced to zero (availability period). The proceeds of the Revolving Loans will be utilized to pay for capital projects of the Water System. The District can elect that any Revolving Loan be either a Fixed Rate Revolving Loan or a Floating Rate Revolving Loan. A Fixed Rate Revolving Loan will bear interest at the fixed rate, which is equal to the sum of (i) the product of 80% and the LIBOR rate for the applicable interest period and (ii) the Applicable Margin. A Floating Rate Revolving Loan will bear interest at the floating rate, which is a variable rate of interest equal to the sum of (i) the product of 80% and the LIBOR Rate (Floating) and (ii) the Applicable Margin.

The Applicable Margin means a rate per annum associated with the level corresponding to the lowest long-term unenhanced debt rating assigned by any Moody's, Fitch, or S&P to any Senior Indebtedness, as specified below:

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

Level	Moody's Rating	S & P Rating	Fitch Rating	Applicable Margin
Level 1	Aa3 or above	AA- or above	AA- or above	0.41%
Level 2	A1	A+	A+	0.56%
Level 3	A2	A	A2	0.61%
Level 4	A3	A1	A3	0.66%
Level 5	Baa1	BBB+	BBB+	0.81%
Level 6	Baa2	BBB	BBB	0.96%
Level 7	Baa3 or below	BBB- or below	BBB- or below	Default Rate*

*Default Rate means, for any day, a rate of interest per annum equal to the greater of (i) the Prime Rate in effect on such day plus 5%, (ii) the Federal Funds Rate in effect on such day plus 6%, (iii) 10%, and (iv) LIBOR Rate (Floating) plus 6%; provided that in no event shall the Default Rate exceed the Maximum Interest Rate then in effect (the maximum rate permitted by law).

If one of the rating agencies' rating is at a different level than the rating of another rating agency, the Applicable Margin is based upon the level in which the lowest rating appears.

Commitment Fees accrue during the entire availability period (May 12, 2020 to May 12, 2023) and are calculated monthly, in arrears. Commitment Fees are equal to the product of (i) the Commitment Fee Rate and (ii) the actual daily amount by which the Revolving Commitment exceeds the Outstanding Amount of Revolving Loans.

The Commitment Fee Rate is a rate per annum associated with the Level corresponding to the lowest long-term unenhanced debt rating assigned by any Moody's, Fitch, or S&P to any Senior Indebtedness, as specified below:

Level	Moody's Rating	S & P Rating	Fitch Rating	Commitment Fee Rate if Available	Commitment Fee Rate if Available
				Commitment Utilized <60%	Commitment Utilized >60%
Level 1	Aa3 or above	AA- or above	AA- or above	0.20%	0.00%
Level 2	A1	A+	A+	0.35%	0.00%
Level 3	A2	A	A2	0.40%	0.00%
Level 4	A3	A1	A3	0.45%	0.00%
Level 5	Baa1	BBB+	BBB+	0.60%	0.00%
Level 6	Baa2	BBB	BBB	0.75%	0.00%
Level 7	Baa3 or below	BBB- or below	BBB- or below	Default Rate*	Default Rate*

The aggregate principal amount of the Revolving Loans outstanding is due on May 12, 2023. Interest and Commitment Fees on each Revolving Loan are due and payable in arrears on the first business day of each month, commencing on June 1, 2020.

The District must fix and prescribe rates and charges for water service that are sufficient to yield net revenues after payment of debt service of 125%. The District is in compliance with this requirement.

As of June 30, 2023, the District's Revolving Loans have been paid in full.

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 8: PENSION PLANS

A. Plan Description, Benefits Provided, and Employees Covered

All qualified permanent and probationary employees are eligible to participate in the District’s separate Miscellaneous Employee Pension Plans (Plans), which are cost - sharing multiple-employer defined benefit pension plans administered by CalPERS. Benefit provisions under these plans are established by state statute and District 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.

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full - time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five (5) years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at the measurement date ended June 30, 2022, are summarized as follows:

	Miscellaneous		
	Tier I Prior to <u>December 22, 2011</u>	Tier II On or After <u>December 22, 2011</u>	Tier III - PEPRA On or After <u>January 1, 2013</u>
Hire Date			
Benefit Formula	2% @ 55	2% @ 60	2% @ 62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	50 - 63	50 - 63	52 - 67
Monthly Benefits, as a % of Eligible Compensation	1.426% to 2.418%	1.092% to 2.418%	1.0% to 2.5%
Required Employee Contribution	7%	7%	6.75%
Required Employer Contribution			
Normal Cost Rate	10.88%	9.13%	7.59%
Payment of Unfunded Liability	\$ 762,686	\$ 5,916	\$ 11,452

B. Contribution Description

Section 20814(c) of CalPERS 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. The total plan contributions are determined through CalPERS’s annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by pension plan terms as plan member contribution requirements are classified as plan member contributions.

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 8: PENSION PLANS (CONTINUED)

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plans is \$12,476,752.

The District's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2022, and the total pension liability for the Plans 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 proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

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

Proportion - June 30, 2021	0.1035%
Proportion - June 30, 2022	<u>0.1080%</u>
Change	<u><u>0.0045%</u></u>

For the year ended June 30, 2023, the District recognized pension expense of \$635,571. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 1,554,495	\$ -
Changes of assumptions	1,278,504	-
Difference in proportionate share	-	595,912
Adjustments due to differences in proportions	297,573	-
Differences between expected and actual experience	250,558	167,813
Net difference between projected and actual earnings on pension plan investments	<u>2,285,409</u>	-
Total	<u><u>\$ 5,666,539</u></u>	<u><u>\$ 763,725</u></u>

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 8: PENSION PLANS (CONTINUED)

An amount of \$1,554,495 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending 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,	Deferred Outflows/(Inflows) of Resources
2024	\$ 834,659
2025	719,645
2026	396,181
2027	1,397,834
2028	-
Thereafter	-
Total	<u>\$ 3,348,319</u>

D. Actuarial Assumptions

The June 30, 2021 valuation was rolled forward to determine the June 30, 2022 total pension liability, based on the following actuarial methods and assumptions:

Valuation Date	<u>Miscellaneous</u> June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost	Entry-Age Normal Cost
Method Actuarial	Method
Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increase	(1)
Mortality Rate Table	(2)
Postretirement Benefit Increase	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

(3) The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.30% thereafter.

E. 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.

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 8: PENSION PLANS (CONTINUED)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach.

The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset Allocation	Real Return ^{1, 2}
Global equity-cap-weighted	30.00%	4.54%
Global equity-non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	<u>100.00%</u>	

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021 Asset Liability Management study

F. 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 contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Changes in Assumptions

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 8: PENSION PLANS (CONTINUED)

recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

H. Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plans, calculated using the discount rate for each plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate:

	Discount Rate -1 Percent (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1 Percent (7.90%)
Net Pension Liability/(Asset)	<u>\$ 19,255,772</u>	<u>\$ 12,476,752</u>	<u>\$ 6,889,301</u>

I. Pension Plans Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

J. Payable to the Pension Plans

At June 30, 2023, the District had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2023.

K. Additional Funding to the Pension Plan

In November 2017, the District approved the creation of a CalPERS defined benefit pension plan trust with PARS (Pension Trust). The PARS trust is legally restricted to providing benefits for members of the defined benefit pension plan. However, in accordance with GASB 68, the asset balance is not included in the calculation of the net pension liability above.

The District made no contributions to the Pension Trust in the fiscal year ended June 30, 2023. Investment earnings/(losses) of \$62,318 administrative expenses of \$4,941, and no distributions (benefit payments) resulted in an asset balance of \$889,808 as of June 30, 2023.

NOTE 9: OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

A. Plan Description

The District, through an agent multiple-employer defined benefit plan, provides post-employment health-care benefits to retirees managed through California Employers' Retiree Benefit Trust (CERBT). Specifically, the District provides health (medical, dental, and vision) insurance for its retired employees and directors, their dependent spouses (if married and covered on the District's plan at time of retirement), or survivors in accordance with Board of Director resolutions. Medical coverage is provided for retired employees who are age 50 or over and who have a minimum of five years of service with the District. Only employees hired prior to December 8, 2011, qualify for these benefits. The District pays 100% of the premium for the retiree and two-thirds of the premium amount for eligible dependents accrued at a rate of one year for every three years of service. Two-thirds of the premium amount of medical coverage is provided for the surviving spouse of retired employees for the remaining vested period. The plan does not provide a publicly available financial report.

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 9: OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (CONTINUED)

B. Employees Covered

As of the June 30, 2022 measurement date, the following current and former employees were covered by the benefit terms under the plan:

Inactive Employees or Beneficiaries	16
Currently Receiving Benefit Payments	35
Active Employees	<u>51</u>
Total	<u>51</u>

C. Contributions

Benefit provisions and contribution requirements are established by District policy and may be amended by the Board of Directors. The annual contribution is based on the actuarially determined contribution. For the measurement period end June 30, 2022, the District made no contributions to the OPEB trust, made payments totaling \$162,169 for retiree health-care insurance benefits, and the implied subsidy was \$46,900, resulting in payments of \$209,069.

D. 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 as of June 30, 2021.

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-age normal cost method
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.75%
Projected Salary Increase	2.75% Expected Long-Term Investment
Rate of Return	6.00%
Health-care Cost Trend Rates	4.00% per year
Mortality, Preretirement Turnover	Derived from 2017 CalPERS OPEB assumptions model for "public agency miscellaneous"

The actuarial assumptions used in the June 30, 2022, valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the District.

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. The asset class percentages were taken from the current composition of the CERBT trust, and the expected yields were taken from a CalPERS publication for the Pension Fund. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 9: OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (CONTINUED)

by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2022 are summarized in the following table:

Asset Class	Strategic Allocation	Long- Term Expected Real Rate of Return
Global Equity	59.00%	5.25%
Fixed Income	25.00%	0.99%
Treasury Securities	5.00%	0.45%
Real Estate Trusts	8.00%	4.50%
Commodities	3.00%	3.90%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the retiree's benefits. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 9: OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (CONTINUED)

E. 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) (c) = (a) - (b)
Balance at June 30, 2021 (Measurement Date)	\$ 3,837,322	\$ 3,324,477	\$ 512,845
Changes recognized for the measurement period:			
Service cost	57,577	-	57,577
Interest on total OPEB liability	242,631	-	242,631
Changes of benefit terms	-	-	-
Changes of assumptions	179,261	-	179,261
Contributions-employer	-	209,069	(209,069)
Net investment income	-	(444,949)	444,949
Benefit payments, including refunds of employee contributions	(209,069)	(209,069)	-
Administrative expense	-	(842)	842
Net changes	<u>270,400</u>	<u>(445,791)</u>	<u>716,191</u>
Balance at June 30, 2022 (Measurement Date)	<u>\$ 4,107,722</u>	<u>\$ 2,878,686</u>	<u>\$ 1,229,036</u>

Change of Benefit Terms

There was no change of benefit terms.

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB 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 discount rate:

	Discount Rate -1 Percent (5.00%)	Current Discount Rate (6.00%)	Discount Rate +1 Percent (7.00%)
Net OPEB Liability/(Asset)	<u>\$ 1,627,394</u>	<u>\$ 1,229,036</u>	<u>\$ 882,116</u>

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 9: OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in Health Care Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using health-care cost trend rates that are one percentage point lower or one percentage point higher than the current health-care cost trend rates:

	Discount Rate -1 Percent (3.00%)	Health Care Cost Trend Rate (4.00%)	Discount Rate +1 Percent (5.00%)
Net OPEB Liability/(Asset)	\$ 826,318	\$ 1,229,036	\$ 1,698,019

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$144,654. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 201,571	\$ -
Changes of assumptions	192,293	97,901
Differences between expected and actual experience	233,297	241,322
Net difference between projected and actual earnings on OPEB plan investments	255,871	-
Total	\$ 883,032	\$ 339,223

The amount of \$201,571 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending 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,	Deferred Outflows/(Inflows) of Resources
2024	\$ 62,136
2025	64,075
2026	49,062
2027	149,402
2028	17,201
Thereafter	362
Total	\$ 342,238

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 9: OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (CONTINUED)

G. Additional Funding of the OPEB Plan

In November 2017, the District approved the creation of an OPEB defined benefit plan trust with PARS (OPEB Trust). The PARS trust is legally restricted to providing benefits for members of the OPEB defined benefit plan. However, in accordance with GASB 75, the asset balance is not included in the calculation of the net OPEB liability above.

The District made no contributions to the OPEB Trust in the fiscal year ended June 30, 2023. Investment earnings/(losses) of \$22,959, and administrative expenses of \$1,918, resulted in an asset balance of \$327,776 as of June 30, 2023.

NOTE 10: DEFERRED COMPENSATION PROGRAM

For the benefit of its employees, the District participates in a 457(b) Deferred Compensation Program in accordance with Section 457(b) of the Internal Revenue Code. The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. The District matches dollar for dollar not to exceed 2% base salary earned per payroll period of an employee's base salary or the employee's actual amount of deferred compensation per pay period, whichever amount is lesser for employees who are regularly scheduled to work in excess of 30 hours per week. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes. Effective July 1, 2022, the District's contribution can be deposited into a 401(a) program in pursuant to section 401(a) of the Internal Revenue Code.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District and are not subject to claims of the District's general creditors and, therefore, are excluded from these financial statements. Fair value of the Program assets held in trust at June 30, 2023 was \$6,982,962. For the year ended June 30, 2023, the District contributed \$4,821 to the 457(b) program and \$124,873 to the 401(a) program.

NOTE 11: RISK MANAGEMENT

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

The Insurance Authority is a risk-pooling self-insurance authority created under provisions of California Government Code Sections 6500 et seq. The purpose of the Insurance Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

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

- General, auto liability, and public officials' and employee's error and omissions: Broad coverage against third-party claims for the District, its directors, employees and volunteers. Covered up to the following limits: the JPIA pools for first \$5 million and purchases excess coverage with a limit up to \$55 million with aggregated policy limits.
- Employee dishonesty coverage of up to \$100,000 per loss, includes public employee dishonesty, forgery or alteration, and theft, disappearance, and destruction coverages, subject to a \$1,000 deductible per occurrence.

YORBA LINDA WATER DISTRICT

Notes to the Financial Statements

June 30, 2023

NOTE 11: RISK MANAGEMENT (CONTINUED)

- Property loss: Insured up to replacement value with a \$10,000 deductible per occurrence on scheduled buildings, fixed equipment and contents, actual cash value on scheduled mobile equipment with a \$1,000 deductible per occurrence and actual cash value on scheduled vehicles with a \$500, deductible per occurrence. JPIA is self-insured up to \$10 million per loss and has purchased re-insurance coverage up to a \$500 million limit per occurrence. Scheduled fixed equipment is covered for Accidental Mechanical Breakdown up to sub-limit of \$100 million subject to a deductible of \$25,000 to \$50,000 depending on the type of equipment. Property Program includes Earthquake with aggregate limit of \$2.5 million, and is subject to minimum a \$75,000 deductible, Flood Coverage with aggregate limit of \$25 million and subject to a \$100,000 deductible.
- Employee Dishonesty/Crime Supplement: Insured up to \$100,000 per occurrence subject to a \$1,000 deductible for employee dishonesty, forgery or alteration and computer fraud. The program covers all employees, the Board of Directors, and the Treasurer.
- Workers' compensation insurance of up to California statutory limits for all work-related injuries/illnesses covered by California law. The Insurance Authority is self-insured to \$2 million and has purchased excess insurance to the statutory limit.
- Cyber security coverage is \$2 million per occurrence and \$5 million in aggregate subject to a varying deductible per occurrence depending on insurable value.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years, and there were no reductions in the District's insurance coverage during the years ended 2023, 2022, and 2021. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported. There were no claims payable as of June 30, 2023, 2022, and 2021.

NOTE 12: COMMITMENTS AND CONTINGENCIES

A. Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement, or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and advances for construction. The District has committed to \$9,821,862 of open construction contracts as of June 30, 2023. Construction contracts include the following:

	Total Approved Contract	Construction Costs to Date	Balance to Complete
Hidden Hills BPS Upgrades	\$ 2,443,910	\$ 2,249,929	\$ 193,981
Timber Ridge BPS Rehab	5,519,570	1,245,403	4,274,167
BNSF Crossing-Veteran's Village and Highland	1,909,610	823,086	1,086,524
Imperial Waterline Improvement	2,909,333	-	2,909,333
Mountain View Waterline Replacement	745,325	105,220	640,105
Lower Hidden Hills PRS	499,760	-	499,760
Well 22	2,387,233	2,169,241	217,992
Total	<u>\$ 16,414,741</u>	<u>\$ 6,592,879</u>	<u>\$ 9,821,862</u>

B. Litigation

The District is a defendant in certain legal actions arising in the normal course of operations. In the opinion of management and legal counsel, any liability resulting from these actions will not result in a material adverse effect on the District's financial statements.

YORBA LINDA WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 13: SUBSEQUENT EVENTS

The District evaluated subsequent events for recognition and disclosure through October 24, 2023, the date on which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2023, that required recognition or disclosure in these financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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YORBA LINDA WATER DISTRICT

Schedules of Proportionate Share of Net Pension Liability

As of June 30, for the Last Ten Fiscal Years ¹

Reporting Date ² as of June 30,	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a % of Covered Payroll	Plan's Fiduciary Net Position as a % of the Total Pension Liability
<u>Miscellaneous Plan</u>					
2023	0.10800%	\$ 12,476,752	\$ 7,299,071	170.94%	78.19%
2022	0.10345%	5,595,057	6,932,628	80.71%	90.49%
2021	0.09489%	10,323,992	6,605,148	156.30%	76.33%
2020	0.09146%	9,372,305	6,673,227	140.45%	75.26%
2019	0.08768%	8,449,114	6,561,629	128.77%	75.26%
2018	0.08647%	8,575,054	6,116,587	140.19%	73.31%
2017	0.08368%	7,240,999	5,899,338	122.74%	74.06%
2016	0.07706%	5,289,322	5,564,327	95.06%	83.35%
2015	0.08184%	5,092,626	5,054,265	100.76%	83.03%

Notes to Schedule of Proportionate Share of the Net Pension Liability:

Benefit Changes: None

Changes of Assumptions: None

¹ Fiscal year 2015 was the first year of GASB Statement No. 68 implementation; therefore only nine years are shown.

² The proportions and proportionate share of the net pension liability are measured as of one year behind the reporting date. Refer to notes to basic financial statements.

YORBA LINDA WATER DISTRICT
Schedule of Changes in Net OPEB Liability and Related Ratios
As of June 30, for the Last Ten Fiscal Years ¹

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Measurement Date	6/30/2022	6/30/2021	6/30/2020
TOTAL OPEB LIABILITY			
Service cost	\$ 57,577	\$ 71,324	\$ 69,415
Interest on total pension liability	242,631	226,014	221,800
Changes of benefit terms	-	-	-
Changes of assumptions	179,261	(130,001)	-
Difference between expected and actual experience	-	309,789	-
Benefit payments, including refunds of employee contributions	(209,069)	(233,896)	(218,862)
Net change in total OPEB liability	270,400	243,230	72,353
Total OPEB liability-beginning	3,837,322	3,594,092	3,521,739
Total OPEB liability-ending (a)	4,107,722	3,837,322	3,594,092
PLAN FIDUCIARY NET POSITION			
Contributions-employer	209,069	511,896	490,937
Net investment income	(444,949)	657,056	58,823
Benefit payments, including refunds of employee contributions	(209,069)	(233,896)	(218,862)
Administrative expense	(842)	(904)	(1,048)
Net change in fiduciary net position	(445,791)	934,152	329,850
Plan fiduciary net position-beginning	3,324,477	2,390,325	2,060,475
Plan fiduciary net position-ending (b)	2,878,686	3,324,477	2,390,325
Net OPEB liability/(asset) (a) - (b)	\$ 1,229,036	\$ 512,845	\$ 1,203,767
Plan fiduciary net position as a percentage of the total OPEB liability	70.08%	86.64%	66.51%
Covered-employee payroll	\$ 3,791,813	\$ 3,384,450	\$ 3,679,078
Plan net OPEB liability/(asset) as a percentage of covered-employee payroll	32.41%	15.15%	32.72%

Notes to Schedule of Changes in the Net OPEB Liability and Related Ratios:

Benefit Changes: None

Changes of Assumptions: None

¹ Fiscal year 2018 was the first year of GASB Statement No. 75 implementation; therefore only six years are shown.

	2020	2019	2018
	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
\$	75,308	\$ 73,292	\$ 71,330
	235,589	228,072	219,305
	53,671	-	-
	-	-	-
	(368,334)	-	-
	<u>(197,887)</u>	<u>(173,539)</u>	<u>(137,979)</u>
	(201,653)	127,825	152,656
	<u>3,723,392</u>	<u>3,595,567</u>	<u>3,442,911</u>
	<u>3,521,739</u>	<u>3,723,392</u>	<u>3,595,567</u>
	462,680	431,245	355,672
	118,711	98,256	121,311
	(197,887)	(173,539)	(137,979)
	<u>(381)</u>	<u>(762)</u>	<u>(606)</u>
	383,123	355,200	338,398
	<u>1,677,352</u>	<u>1,322,152</u>	<u>983,754</u>
	<u>2,060,475</u>	<u>1,677,352</u>	<u>1,322,152</u>
\$	<u>1,461,264</u>	<u>2,046,040</u>	<u>2,273,415</u>
	58.51%	45.05%	36.77%
\$	4,419,954	\$ 4,690,421	\$ 4,490,485
	33.06%	43.62%	50.63%

YORBA LINDA WATER DISTRICT

Schedules of Plan Contributions - Pension and OPEB

As of June 30, for the Last Ten Fiscal Years ¹

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	Covered/ Covered- Employee Payroll	Contribution as a % of Covered/ Covered Employee Payroll
<u>Miscellaneous Cost-Sharing, Multiple-Employer Pension Plan</u>					
2023	\$ 1,554,495	\$ 1,554,495	\$ -	\$ 7,577,488	20.51%
2022	1,415,483	1,415,483	-	7,299,071	19.39%
2021	1,281,792	1,281,792	-	6,932,628	18.49%
2020	1,110,885	1,110,885	-	6,605,148	16.82%
2019	981,952	981,853	99	6,673,227	14.71%
2018	850,393	850,393	-	6,561,629	12.96%
2017	755,544	755,544	-	6,116,587	12.35%
2016	674,827	674,827	-	5,899,338	11.44%
2015	587,176	587,176	-	5,564,327	10.55%

Valuation Date: June 30, 2021

Methods and assumptions used to determine contribution rates:

Single and Agent Employers	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Assets valuation method	Market Value
Inflation	2.25%
Salary Increases	Varies by Entry Age and Service
Investment rate of return	6.90%
Retirement age	50 for all plans with exception of 52 for Miscellaneous 2% @ 62
Mortality	Mortality

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	Covered/ Covered- Employee Payroll	Contribution as a % of Covered/ Covered Employee Payroll
<u>Single Employer OPEB Plan</u>					
2023	\$ 201,571	\$ 201,571	\$ -	\$ 3,783,618	5.33%
2022	209,069	209,069	-	3,791,813	5.51%
2021	511,896	511,896	-	3,384,450	15.12%
2020	490,937	490,937	-	3,679,078	13.34%
2019	462,680	462,680	-	4,419,954	10.47%
2018	431,245	431,245	-	4,690,421	9.19%

Notes to Schedule:

*Actuarial methods and assumptions used to set the actuarially determined contribution for Fiscal Year 2023 were from the June 30, 2021 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Valuation Method/Period	Level percent of
Asset Valuation Method	Market value
Inflation	2.75%
Payroll Growth	2.75% per annum, in aggregate
Investment Rate of Return	6.00% per annum
Healthcare cost-trend rates	4.00%
Mortality	Mortality rates are taken from the 2021 CalPERS valuation.

SUPPLEMENTARY INFORMATION SECTION

YORBA LINDA WATER DISTRICT
Combining Schedule of Net Position
June 30, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CURRENT ASSETS			
Unrestricted Assets:			
Cash and cash equivalents	\$ 39,359,737	\$ 8,399,240	\$ 47,758,977
Accounts Receivable - Water and Sewer Services	4,808,162	419,068	5,227,230
Accounts Receivable - Property Taxes	68,817	-	68,817
Accrued Interest Receivable	190,759	56,812	247,571
Prepaid Expenses and Deposits	306,619	-	306,619
Inventory	499,393	-	499,393
Lease Receivable	79,782	-	79,782
Total Unrestricted Assets	<u>45,313,269</u>	<u>8,875,120</u>	<u>54,188,389</u>
Restricted Assets:			
Investments - Pension Trust	815,162	74,646	889,808
Investments - OPEB Trust	300,279	27,497	327,776
Investments - Deposits	550,111	-	550,111
Cash with fiscal agent	18,342,475	-	18,342,475
Total Restricted Assets	<u>20,008,027</u>	<u>102,143</u>	<u>20,110,170</u>
Total Current Assets	<u>65,321,296</u>	<u>8,977,263</u>	<u>74,298,559</u>
NONCURRENT ASSETS			
Lease Receivable	144,393	-	144,393
Capital Assets:			
Not Depreciable Capital Assets	8,834,285	154,238	8,988,523
Capital Assets, net of Depreciation/Amortization	164,924,525	36,510,027	201,434,552
Total Noncurrent Assets	<u>173,903,203</u>	<u>36,664,265</u>	<u>210,567,468</u>
Total Assets	<u>239,224,499</u>	<u>45,641,528</u>	<u>284,866,027</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts from Pension Plans	4,831,997	834,542	5,666,539
Deferred Amounts from OPEB	754,263	128,769	883,032
Total Deferred Outflows of Resources	<u>5,586,260</u>	<u>963,311</u>	<u>6,549,571</u>
CURRENT LIABILITIES			
Payable from Unrestricted Current Assets:			
Accounts Payable	3,274,782	1,208,209	4,482,991
Accrued Expenses	3,831,888	-	3,831,888
Accrued Interest Payable	663,782	-	663,782
Unearned Revenues	14,162	4,779	18,941
Compensated Absences Payable-Current Portion	455,665	-	455,665
Customer and Construction Deposits	1,347,146	257,294	1,604,440
Leases Payable	6,744	-	6,744
Subscriptions-based technology arrangements (SBITA) Payable	68,207	22,146	90,353
Certificates of Participation - Current Portion	1,525,000	-	1,525,000
Total Payable from Unrestricted Current Assets	<u>11,187,376</u>	<u>1,492,428</u>	<u>12,679,804</u>
Total Current Liabilities	<u>11,187,376</u>	<u>1,492,428</u>	<u>12,679,804</u>
LONG-TERM LIABILITIES (Less Current Portion)			
Unearned Annexation Revenue	11,132,750	-	11,132,750
Compensated absences	1,366,995	-	1,366,995
Leases Payable	228,411	-	228,411
Subscriptions-based technology arrangements (SBITA) Payable	70,107	22,763	92,870
Certificates of Participation	61,039,406	-	61,039,406
Net pension liability	10,640,931	1,835,821	12,476,752
Net OPEB liability	1,047,840	181,196	1,229,036
Total Long-Term Liabilities (Less Current Portion)	<u>85,526,440</u>	<u>2,039,780</u>	<u>87,566,220</u>
Total Liabilities	<u>96,713,816</u>	<u>3,532,208</u>	<u>100,246,024</u>

YORBA LINDA WATER DISTRICT
Combining Schedule of Net Position
June 30, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts from Pension Plans	698,022	65,703	763,725
Deferred Amounts from OPEB	294,878	44,345	339,223
Deferred charge on refunding	453,763	-	453,763
Deferred Amounts from Leases	241,849	-	241,849
Total Deferred Inflows of Resources	<u>1,688,512</u>	<u>110,048</u>	<u>1,798,560</u>
NET POSITION			
Net investment in capital assets	128,709,647	36,619,356	165,329,003
Restricted:			
Water Conservation	105,862	-	105,862
Pension Benefits	815,162	74,646	889,808
Other Postemployment Benefits	300,279	27,497	327,776
Depository Cash	550,111	-	550,111
Unrestricted	15,927,370	6,241,084	22,168,454
Total net position	<u>\$ 146,408,431</u>	<u>\$ 42,962,583</u>	<u>\$ 189,371,014</u>

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YORBA LINDA WATER DISTRICT**Combining Schedule of Revenues, Expenses and Changes in Net Position****Proprietary Funds****For the Year Ended June 30, 2023**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Water Sales	\$ 36,880,380	\$ -	\$ 36,880,380
Sewer Revenues	-	3,453,202	3,453,202
Other Operating Revenues	1,221,675	52,283	1,273,958
Total operating revenues	<u>38,102,055</u>	<u>3,505,485</u>	<u>41,607,540</u>
OPERATING EXPENSES			
Variable Water Costs	15,308,429	-	15,308,429
Personnel Services	8,782,887	1,565,338	10,348,225
Supplies and Services	7,007,737	1,092,934	8,100,671
Depreciation and Amortization Expense	7,566,538	1,528,249	9,094,787
Total Operating Expenses	<u>38,665,591</u>	<u>4,186,521</u>	<u>42,852,112</u>
OPERATING LOSS	<u>(563,536)</u>	<u>(681,036)</u>	<u>(1,244,572)</u>
NONOPERATING REVENUES (EXPENSES)			
Property Taxes	2,323,369	-	2,323,369
Investment Income	1,089,073	190,385	1,279,458
Interest Expense	(2,408,426)	-	(2,408,426)
Other Nonoperating Revenues	922,201	50,938	973,139
Other Nonoperating Expenses	(373,789)	15,744	(358,045)
Total Nonoperating Revenues (Expenses)	<u>1,552,428</u>	<u>257,067</u>	<u>1,809,495</u>
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	988,892	(423,969)	564,923
CAPITAL CONTRIBUTIONS	<u>25,606,815</u>	<u>416,136</u>	<u>26,022,951</u>
CHANGES IN NET POSITION	26,595,707	(7,833)	26,587,874
Net Position - Beginning of Year	<u>119,812,724</u>	<u>42,970,416</u>	<u>162,783,140</u>
Net position-ending	<u>\$ 146,408,431</u>	<u>\$ 42,962,583</u>	<u>\$ 189,371,014</u>

YORBA LINDA WATER DISTRICT

Combining Schedule of Cash Flows

Year Ended June 30, 2023

	Water	Sewer	Totals
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 37,759,896	\$ 3,471,099	\$ 41,230,995
Cash paid to suppliers for goods and services	(30,778,888)	(2,943,327)	(33,722,215)
Cash paid to employees for services	(898,262)	(147,617)	(1,045,879)
Other receipts (payments)	47,406	-	47,406
Net Cash Provided (Used) by Operating Activities	6,130,152	380,155	6,510,307
Cash Flows from Non-Capital Financing Activities:			
Proceeds from Property Taxes and Assessments	2,318,437	-	2,318,437
Miscellaneous	-	66,682	66,682
Net cash provided by (used for) noncapital financing activities	2,318,437	66,682	2,385,119
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(7,846,609)	(41,537)	(7,888,146)
Principal Paid on Leases	(1,658)	-	(1,658)
Principal Paid on Subscriptions	(93,613)	(22,968)	(116,581)
Principal Paid on Long-Term Liabilities	(12,436,054)	-	(12,436,054)
Interest and Commitment Fees Paid on Long-Term Liabilities	(2,855,746)	(2,330)	(2,858,076)
Proceeds from issuance of capital debt	35,618,775	-	35,618,775
Proceeds from sales of assets	325,046	-	325,046
Net cash provided by (used for) capital and related financing activities	12,710,141	(66,835)	12,643,306
Cash Flows from Investing Activities:			
Sale of Investments	553,593	-	553,593
Interest and Investment Earnings	1,334,874	143,794	1,478,668
Purchases of Investments	(71,837)	(6,581)	(78,418)
Net Cash Provided (Used) by Investing Activities	1,816,630	137,213	1,953,843
Net Increase (Decrease) in Cash and Cash Equivalents	22,975,360	517,215	23,492,575
Cash and Cash Equivalents at Beginning of Year	34,726,852	7,882,025	42,608,877
Cash and Cash Equivalents at End of Year	\$ 57,702,212	\$ 8,399,240	\$ 66,101,452

YORBA LINDA WATER DISTRICT

Combining Schedule of Cash Flows

Year Ended June 30, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (563,536)	\$ (681,036)	\$ (1,244,572)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation/amortization expense	7,566,538	1,528,249	9,094,787
(Increase) decrease in accounts receivable	72,761	(13,878)	58,883
(Increase) decrease in leases receivable	6,576	-	6,576
(Increase) decrease in inventories	(167,004)	-	(167,004)
(Increase) decrease in prepaid items	9,431	-	9,431
(Increase) decrease in pension-related deferred outflows	(2,722,702)	(485,451)	(3,208,153)
(Increase) decrease in OPEB-related deferred outflows	(307,758)	(54,872)	(362,630)
Increase (decrease) in accounts payable	(2,976,784)	(285,055)	(3,261,839)
Increase (decrease) in accrued liabilities	3,440,687	-	3,440,687
Increase (decrease) in deposits payable	(414,920)	(20,508)	(435,428)
Increase (decrease) in compensated absences	(56,504)	-	(56,504)
Increase (decrease) in net pension liability	5,840,372	1,041,323	6,881,695
Increase (decrease) in net OPEB liability	607,819	108,372	716,191
Increase (decrease) in pension-related deferred inflows	(3,897,289)	(694,876)	(4,592,165)
Increase (decrease) in OPEB-related deferred inflows	(348,365)	(62,113)	(410,478)
Increase (decrease) in lease-related deferred inflows	40,830	-	40,830
Total Adjustments	6,693,688	1,061,191	7,754,879
Net Cash Provided (Used) by Operating Activities	\$ 6,130,152	\$ 380,155	\$ 6,510,307

SCHEDULE OF NON-CASH NONCAPITAL, CAPITAL, AND INVESTING ACTIVITIES

Amortization Related to Long-Term Debt	\$ 308,817	\$ -	\$ 308,817
Capital Contributions	25,606,815	416,136	26,022,951

YORBA LINDA WATER DISTRICT

Combining Schedule of Operating Expenses by Cost and Nature of Expenses for Water and Sewer

Year Ended June 30, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING EXPENSES			
Variable Water Costs:			
Imported Water	\$ 2,570,435	\$ -	\$ 2,570,435
OCWD Replenishment Assessment	8,622,089	-	8,622,089
MWD Connection Charge	1,155,753	-	1,155,753
Fuel and Power/Pumping	2,960,152	-	2,960,152
Total Variable Water Costs	<u>15,308,429</u>	<u>-</u>	<u>15,308,429</u>
Personnel Services:			
Unit Salaries	6,722,033	1,178,101	7,900,134
Fringe Benefits	2,006,141	378,349	2,384,490
Director's Fees	54,713	8,888	63,601
Total Personnel Services	<u>8,782,887</u>	<u>1,565,338</u>	<u>10,348,225</u>
Supplies and Services:			
Board Election	76,675	13,531	90,206
Communication	169,888	22,287	192,175
Contractual Services	605,226	81,780	687,006
Data Processing	243,630	55,526	299,156
District Activities	33,389	5,124	38,513
Dues and Memberships	77,334	13,648	90,982
Fees and Permits	439,482	50,236	489,718
Insurance	313,336	55,295	368,631
Maintenance	1,390,045	364,945	1,754,990
Materials	1,155,195	64,414	1,219,609
Noncapital Equipment	223,343	71,353	294,696
Office Expense	40,192	6,625	46,817
Professional Services	1,210,760	137,670	1,348,430
Training	34,139	12,637	46,776
Travel and Conferences	29,864	4,802	34,666
Uncollectible Accounts	22,286	5,368	27,654
Utilities	175,020	27,843	202,863
Vehicle Expense	767,933	99,850	867,783
Total Supplies and Services	<u>7,007,737</u>	<u>1,092,934</u>	<u>8,100,671</u>
Depreciation and Amortization Expense	<u>7,566,538</u>	<u>1,528,249</u>	<u>9,094,787</u>
Total Operating Expenses	<u>\$ 38,665,591</u>	<u>\$ 4,186,521</u>	<u>\$ 42,852,112</u>

YORBA LINDA WATER DISTRICT
Combining Schedule of Capital Assets
June 30, 2022

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Land, Mineral, and Water Rights:			
Land	\$ 78,558	\$ -	\$ 78,558
Water Rights	86,300	-	86,300
Mineral Rights	63,650	-	63,650
Land Rights and Easements	385	58,526	58,911
Total Land, Mineral, and Water Rights	<u>228,893</u>	<u>58,526</u>	<u>287,419</u>
Source of Supply:			
Wells	5,045,363	-	5,045,363
MWD Connection	564,368	-	564,368
Total Source of Supply	<u>5,609,731</u>	<u>-</u>	<u>5,609,731</u>
Pumping Plant:			
Structures and Improvements	20,534,901	-	20,534,901
Equipment	14,358,071	321,478	14,679,549
Total Pumping Plant	<u>34,892,972</u>	<u>321,478</u>	<u>35,214,450</u>
Water Treatment Plant:			
Structures and Improvements	1,163,706	-	1,163,706
Equipment	15,181,681	-	15,181,681
Total Water Treatment Plant	<u>16,345,387</u>	<u>-</u>	<u>16,345,387</u>
Transmission and Distribution Plant:			
Mains	90,709,736	55,011,781	145,721,517
Reservoirs and Tanks	62,915,162	-	62,915,162
Service and Meter Installation	7,973,206	3,483,735	11,456,941
Fire Hydrants	8,151,570	-	8,151,570
Meters	12,856,045	-	12,856,045
Fire Mains	752,880	-	752,880
Structures and Improvements	5,668,465	-	5,668,465
Control System	5,561,889	33,485	5,595,374
Total Transmission and Distribution Plant	<u>194,588,953</u>	<u>58,529,001</u>	<u>253,117,954</u>
General Plant:			
Structures and Improvements	14,587,966	-	14,587,966
Transportation Equipment	3,519,197	1,451,241	4,970,438
Power Operated Equipment	1,294,602	-	1,294,602
Communication Equipment	894,005	-	894,005
Computer Equipment	2,519,837	238,071	2,757,908
Office Furniture	1,126,266	-	1,126,266
Tools, Shop, and Garage Equipment	3,210,705	-	3,210,705
Store Equipment	68,599	-	68,599
Total General Plant	<u>27,221,177</u>	<u>1,689,312</u>	<u>28,910,489</u>
Right-to-Use - Lease Land and Equipment	234,919	-	234,919
Right-to-Use - Subscription	222,991	70,354	293,345
Construction in Progress	8,605,392	95,712	8,701,104
Accumulated Depreciation/Amortization	<u>(114,191,605)</u>	<u>(24,100,118)</u>	<u>(138,291,723)</u>
Total Capital Assets	<u>\$ 173,758,810</u>	<u>\$ 36,664,265</u>	<u>\$ 210,423,075</u>

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STATISTICAL SECTION

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**YORBA LINDA WATER DISTRICT
DESCRIPTION OF STATISTICAL
SECTION JUNE 30, 2023**

This part of the District's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements and the note disclosures say about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant local revenue source, water sales.

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

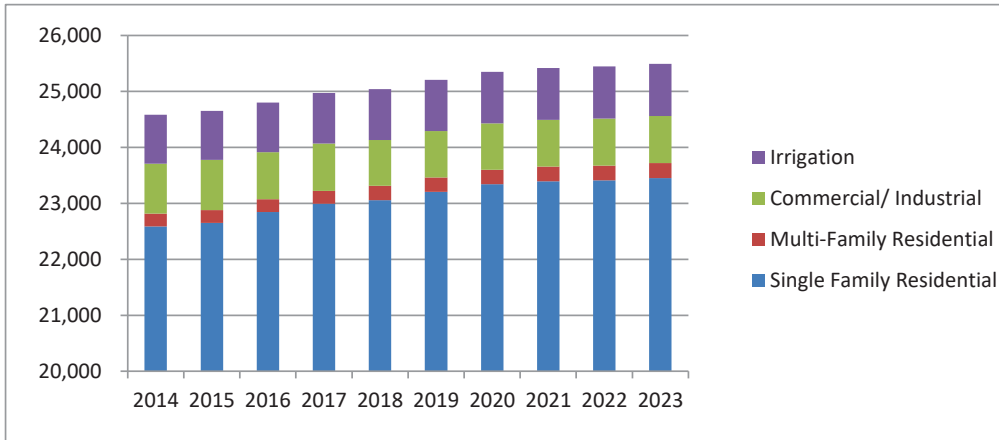
**Yorba Linda Water District
Changes in Net Position
Last Ten Fiscal Years**

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Changes in Net Position:										
Operating Revenues										
Water Sales	\$ 36,880,380	\$ 38,495,864	\$ 35,539,146	\$ 32,192,312	\$ 29,819,532	\$ 32,082,152	\$ 29,326,565	\$ 27,820,638	\$ 26,446,618	\$ 28,376,082
Sewer Revenues	3,453,202	3,204,396	2,743,000	2,731,285	2,528,020	2,330,809	2,099,947	1,849,114	1,775,676	1,762,816
Other Operating Revenues	1,273,958	1,275,632	968,455	896,107	1,014,691	831,733	1,033,608	2,665,835	1,461,106	1,047,625
Operating Expenses										
Variable Water Costs	15,308,429	20,603,385	18,638,471	16,916,388	13,327,860	15,028,131	12,710,857	10,470,181	12,733,762	14,673,144
Personnel Services	10,348,225	11,016,220	10,947,895	10,890,404	9,538,167	9,874,212	8,913,639	8,096,853	7,778,763	7,529,481
Supplies and Services	8,100,671	6,297,722	5,459,423	4,754,719	4,592,521	4,298,863	4,504,054	4,355,033	3,806,900	3,849,183
Depreciation	9,094,787	7,935,696	7,858,355	7,757,139	7,322,753	7,465,977	7,147,369	7,546,407	7,432,586	7,315,084
Operating Income/(Loss)	(1,244,572)	(2,877,131)	(3,653,543)	(4,498,945)	(1,419,058)	(1,422,489)	(815,799)	1,867,113	(2,068,611)	(2,180,369)
Nonoperating Revenues (Expenses)										
Property Taxes	2,323,369	2,157,211	2,072,582	1,961,002	1,874,688	1,749,957	1,687,384	1,615,454	1,496,489	1,394,722
Investment Income	1,279,458	179,375	246,942	694,705	819,522	518,600	377,205	288,817	187,316	145,048
Interest Expense	(2,408,426)	(1,249,313)	(1,293,830)	(1,309,883)	(1,350,616)	(1,106,515)	(1,552,896)	(1,671,539)	(1,683,039)	(1,715,429)
Other Nonoperating Revenues	973,139	209,976	1,249,200	1,104,622	1,014,495	413,465	645,562	872,420	744,572	1,325,685
Other Nonoperating Expenses	(358,045)	(21,141)	(859,403)	(137,569)	(1,550,378)	(89,021)	(403,597)	(7,273)	(116,526)	(47,948)
Total Nonoperating Revenues (Expenses)	1,809,495	1,276,108	1,415,491	2,312,877	807,711	1,486,486	753,658	1,097,879	628,810	1,102,078
Net Income (Loss) Before Capital Contributions	564,923	(1,601,023)	(2,238,052)	(2,186,068)	(611,347)	63,997	(62,141)	2,964,992	(1,439,801)	(1,078,291)
Capital Contributions	26,022,951	289,612	2,051,988	1,030,017	171,144	3,554,123	2,665,462	788,445	705,848	2,128,579
Special Items	-	-	-	-	-	(2,205,847)	-	-	-	-
Extraordinary Items	-	-	-	-	-	-	-	-	-	5,000,000
Changes in Net Position	\$ 26,587,874	\$ (1,311,411)	\$ (186,064)	\$ (1,156,051)	\$ (440,203)	\$ 3,618,120	\$ 2,603,321	\$ 3,763,437	\$ (733,953)	\$ 6,050,288
Net Position by Component:										
Net investment in Capital Assets	\$ 165,329,003	\$ 145,238,227	\$ 146,951,549	\$ 148,308,815	\$ 152,297,398	\$ 154,271,627	\$ 154,273,025	\$ 153,776,247	\$ 157,092,210	\$ 161,159,541
Restricted	1,873,557	2,269,372	1,807,363	2,131,773	2,063,965	352,063	1,222,452	1,572,527	189,314	-
Unrestricted	22,168,454	15,275,541	15,335,639	13,840,027	11,075,303	11,253,179	8,969,119	9,027,328	3,341,141	6,617,328
Total Net Assets	\$ 189,371,014	\$ 162,783,140	\$ 164,094,551	\$ 164,280,615	\$ 165,436,666	\$ 165,876,869	\$ 164,464,596	\$ 164,376,102	\$ 160,622,665	\$ 167,776,869

Source: YLWD Audited Financial Statements

**Yorba Linda Water District
Number of Connections
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Single Family Residential</u>	<u>Multi-Family Residential</u>	<u>Commercial/ Industrial</u>	<u>Irrigation</u>	<u>Direct Rate (Billing Unit)</u>	
2014	22,586	230	892	876	2.64	
2015	22,649	230	898	876	2.70	
2016	22,845	229	842	884	2.70	
2017	22,991	232	845	902	2.70	
2018	23,055	256	821	908	2.70	
2019	23,207	256	829	914	2.80	
2020	23,340	258	831	921	2.80	<u>Total</u>
2021	23,392	263	838	924	2.86	
2022	23,412	264	840	930	2.64	
2023	23,453	264	843	933	2.90	25,493
					SFR %	92.00%



Source: YLWD Billing System

**Yorba Linda Water District
Ten Largest Customers
Current and Five Years Ago**

FY23

	Customer Name	Business Type	Annual Revenues #	% of Actual Revenues *
1	City of Yorba Linda	Government	\$ 2,112,623	5.73%
2	Placentia- Yorba Linda Unified School District	Government	367,688	1.00%
3	The Hills at Yorba Linda	Homeowners Association	165,304	0.45%
4	The Bryant at Yorba Linda, LLC	Homeowners Association	143,596	0.39%
5	Sukut Construction	Developer	141,765	0.38%
6	Yorba Linda Villages	Homeowners Association	140,296	0.38%
7	Lake Park Yorba Linda EPM	Homeowners Association	110,537	0.30%
8	Fairmont Hill Community Association	Homeowners Association	105,866	0.29%
9	Beverage Visions, LLC	Homeowners Association	93,194	0.25%
10	Amalfi Hills Community Assoc	Homeowners Association	75,006	0.20%
	TOTAL		\$ 3,455,875	9.37%

FY19

	Customer Name	Business Type	Annual Revenues #	% of Actual Revenues *
1	City of Yorba Linda	Government	\$ 2,084,287	6.50%
2	Placentia Yorba Linda USD	Government	334,319	1.04%
3	The Hills at Yorba Linda	Homeowner's Assoc.	158,387	0.49%
4	Yorba Linda Villages	Homeowner's Assoc.	140,154	0.44%
5	RRE Yorba Linda	Homeowner's Assoc.	125,752	0.39%
6	Aseptic Technology	Manufacturing	121,520	0.38%
7	Fairmont Hill Community Assoc.	Homeowner's Assoc.	114,915	0.36%
8	Lake Park Mobile Home Community	Homeowner's Assoc.	103,295	0.32%
9	Amalfi Hills Community Assoc	Homeowner's Assoc.	79,724	0.25%
10	Woodgate Condominiums	Homeowner's Assoc.	69,319	0.22%
	TOTAL		\$ 3,331,673	10.40%

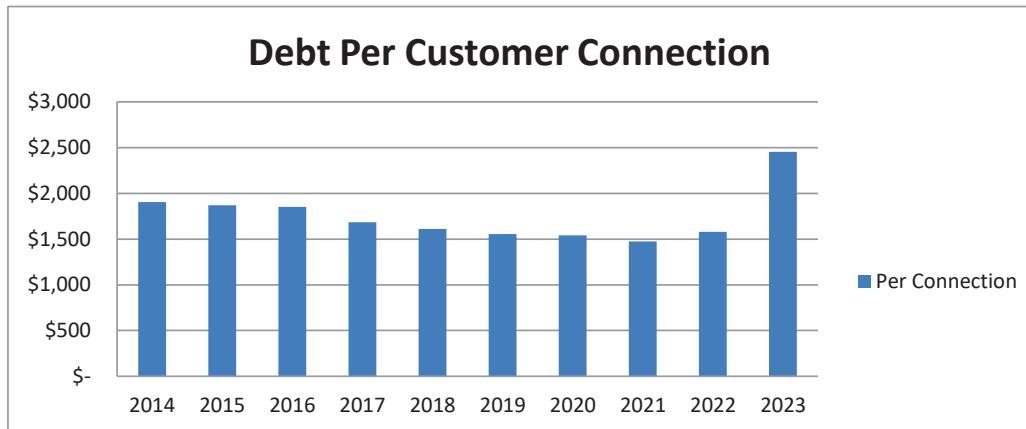
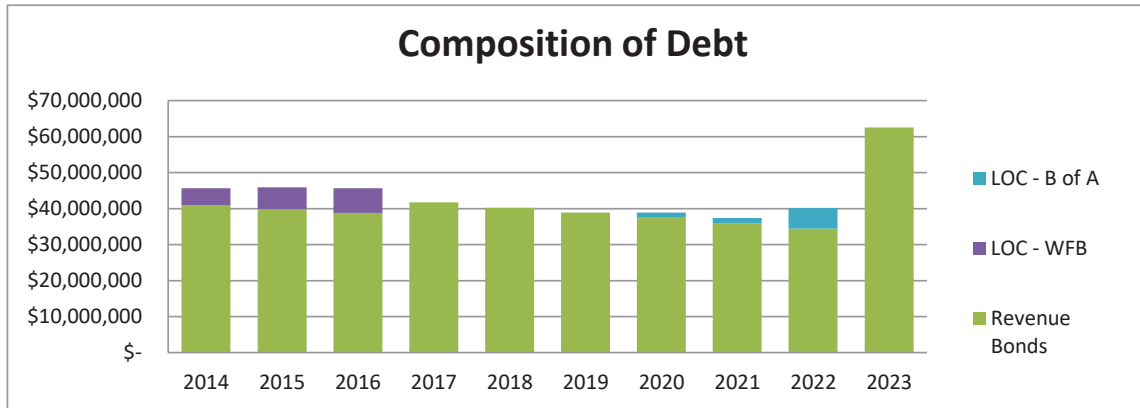
Notes:

Annual Revenues represents the listed customer's annual total billing for water services (including Base Service and Capital Finance Charges)

* Total "actual revenues" represents revenue generated from customer billings (water and sewer related)

**Yorba Linda Water District
Ratio of Outstanding Debt
Last Ten Fiscal Years**

Fiscal Year	Bank of America Line of Credit LOC - B of A	Well Fargo Line of Credit LOC - WFB	Certificates of Participation / Revenue Bonds	Total			As a Share of Personal Income
				Debt	Per Connection	Per Capita	
2014	\$ -	\$ 4,642,656	\$ 40,970,599	\$ 45,613,255	\$ 1,904	\$ 616	1.32%
2015	-	5,994,099	39,886,475	45,880,574	1,868	613	1.33%
2016	-	6,883,720	38,767,354	45,651,074	1,852	581	1.26%
2017	-	-	41,758,033	41,758,033	1,684	527	1.14%
2018	-	-	40,262,056	40,262,056	1,612	506	1.10%
2019	-	-	38,866,080	38,866,080	1,557	482	1.07%
2020	1,443,517	-	37,435,103	38,878,620	1,542	485	1.08%
2021	1,443,751	-	35,949,127	37,392,878	1,475	467	1.04%
2022	5,743,751	-	34,403,151	40,146,902	1,580	481	1.11%
2023	-	-	62,564,406	62,564,406	2,454	744	1.66%



Source: YLWD Audited Financial Statements

**Yorba Linda Water District
Debt Coverage
Last Ten Fiscal Years**

Fiscal Year	Revenues	Expenses	Net Revenues	Debt Service			Coverage Ratio
				Principal	Interest	Total	
2014	\$ 31,118	\$ 24,901	\$ 6,217	\$ 965	\$ 1,747	\$ 2,712	2.29
2015	29,685	23,219	6,466	1,010	1,728	2,738	2.36
2016	32,557	21,603	10,954	1,045	1,679	2,724	4.02
2017	32,734	25,112	7,622	1,080	1,637	2,717	2.81
2018	35,022	27,844	7,178	1,240	1,509	2,749	2.61
2019	34,301	26,037	8,264	1,140	1,598	2,738	3.02
2020	36,605	31,167	5,438	1,175	1,552	2,727	1.99
2021	39,833	33,562	6,271	1,230	1,499	2,729	2.30
2022	42,009	35,331	6,678	1,290	1,439	2,729	2.45
2023	42,339	32,377	9,962	1,290	2,253	3,543	2.81

NOTE: Expenses exclude non-cash expenses and debt service expenses.

Source: YLWD Audited Financial Statements - Water Fund

**Yorba Linda Water District
Demographics
Last Ten Fiscal Years**

YLWD

Year	Population *	City of YL Population	Personal Income	Personal Income per Capita
2013	74,861	65,777	\$3,374,570,547	\$ 45,078
2014	73,990	67,069	3,461,036,956	46,777
2015	74,787	67,826	3,451,134,500	46,146
2016	78,539	67,637	3,624,303,533	46,147
2017	79,170	67,890	3,654,487,200	46,160
2018	79,565	68,229	3,672,735,413	46,160
2019	80,606	69,121	3,633,462,895	45,077
2020	80,122	68,706	3,611,647,715	45,077
2021	80,056	68,650	3,608,703,980	45,077
2022	83,490	67,846	3,631,214,745	43,493
2023	84,054	67,233	3,763,504,116	44,775

County of Orange

Year	Population	Unemployment Rate	Personal Income	Personal Income per Capita
2014	3,081,804	6.2%	\$ 168,966,068	\$ 54,827
2015	3,113,991	5.4%	177,412,900	56,973
2016	3,132,681	4.6%	169,792,810	54,200
2017	3,194,024	3.7%	172,509,495	54,010
2018	3,221,103	3.3%	174,062,080	54,038
2019	3,222,498	2.2%	175,628,639	54,501
2020	3,228,519	3.0%	177,209,297	54,889
2021	3,194,332	12.3%	178,804,181	55,975
2022	3,153,764	6.3%	258,933,000	82,103
2023	3,162,245	2.8%	267,143,000	84,479

NOTE:

Sources: City of Yorba Linda ACFR
County of Orange ACFR
U.S. Census Bureau
CA State Water Resources Control Board

**Yorba Linda Water District
Ten Largest Employers
Current and Seven Years Ago**

Employer ^	2023*		2016**	
	Employees	% of Total Labor Force	Employees	% of Total Labor Force
Costco Wholesale Corporation # 445	321	3.29 %	293	4.00 %
Nobel Biocare U S A, L L C	299	3.06 %	269	3.67 %
Jondo Ltd	201	2.06 %	0	0.00 %
Euroline Steel Windows	142	1.45 %	0	0.00 %
Coldwell Banker	118	1.21 %	118	1.61 %
Serento Rosa	115	1.18 %	0	0.00 %
Sprouts Farmers Market	99	1.01 %	78	1.06 %
Vons Grocery Co #3069	98	1.00 %	86	1.17 %
Bristol Farms	87	0.89 %	0	0.00 %
So CA Permanente Medical Group	86	0.88 %	55	0.75 %
Chick-Fil-A At Yorba Linda Fsr	85	0.87 %	0	0.00 %
Total	1,651	16.90 %	899	12.26 %

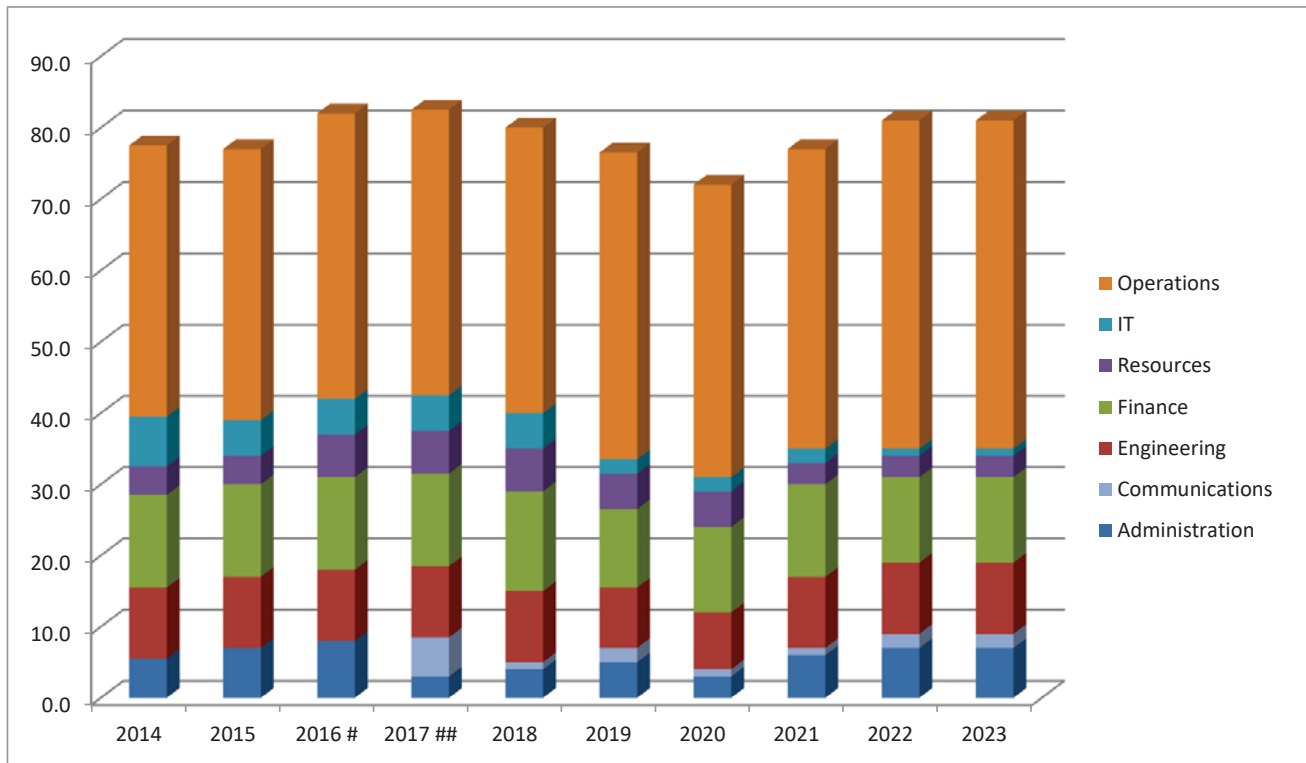
NOTES: * Most current and available data from the City of Yorba Linda most recent completed ACFR

** Based on the City of Yorba Linda ACFR, the oldest data available for this table is 2016.

**Yorba Linda Water District
Number of Employees
Last Ten Fiscal Years**

Full Time Equivalent Employees by Department *

Fiscal Year	Department							Total
	Administration	Communications	Engineering	Finance	Human Resources	IT	Operations	
2014	5.5	-	10.0	13.0	4.0	7.0	38.0	77.5
2015	7.0	-	10.0	13.0	4.0	5.0	38.0	77.0
2016 [#]	8.0	-	10.0	13.0	6.0	5.0	40.0	82.0
2017 ^{##}	3.0	5.5	10.0	13.0	6.0	5.0	40.0	82.5
2018	4.0	1.0	10.0	14.0	6.0	5.0	40.0	80.0
2019	5.0	2.0	8.5	11.0	5.0	2.0	43.0	76.5
2020	3.0	1.0	8.0	12.0	5.0	2.0	41.0	72.0
2021	6.0	1.0	10.0	13.0	3.0	2.0	42.0	77.0
2022	7.0	2.0	10.0	12.0	3.0	1.0	46.0	81.0
2023	7.0	2.0	10.0	12.0	3.0	1.0	46.0	81.0



NOTE: * Number of employees in each department are authorized and funded positions.
[#] Includes 3FTE temporary positions in relation to the SWRCB Emergency Mandate
^{##} Includes 2 Limited-term FT and 1 Limited-term PT positions in relation to the SWRCB Emergency Mandate

Source: YLWD Human Resources Department

**Yorba Linda Water District
Operating and Capacity Indicators
Last Ten Fiscal Years**

Fiscal Year	Miles of Water Mains Installed*	Yearly Water Production (MG)	Average Production (MGD)	Number of Field Service Calls
2014	0.77	7,329	20.1	1,579
2015	1.53	6,447	17.7	1,247
2016	2.86	4,408	12.1	1,873
2017	1.15	5,827	16.0	1,782
2018	1.50	6,601	18.1	1,681
2019	0.97	5,858	16.0	1,651
2020	0.42	6,281	17.2	1,693
2021	0.29	6,732	18.4	1,764
2022	0.89	6,283	17.2	1,680
2023	0.55	5,318	14.6	1,254

Fiscal Year	Number of Booster Pumps	Capacity by Booster Pump (GPM)	Number of Reservoirs	Capacity by Reservoir (MG)
2014	12	46,525	14	57
2015	12	52,025	14	57
2016	12	52,025	14	57
2017	12	52,025	14	57
2018	12	52,025	14	57
2019	12	56,125	14	57
2020	12	56,125	14	57
2021	12	56,125	14	57
2022	12	63,025	14	57
2023	12	63,025	14	57

MG - Millions of Gallons
 MGD - Millions of Gallons per Day
 GPM - Gallon per Minute

NOTE: * Miles of Water Main estimated

Sources: YLWD Operations Department