



STOCKTON EAST WATER DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

MARCH 31, 2024 AND 2023

STOCKTON EAST WATER DISTRICT

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Independent Auditor's Report

To the Board of Directors
Stockton East Water District

Opinion

We have audited the accompanying financial statements of the business-type activities of Stockton East Water District (the District), as of and for the years ended March 31, 2024 and 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 accompanying financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the business-type activities of Stockton East Water District, as of March 31, 2024 and 2023 and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Management's Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

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

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Districts' s ability to continue as a going concern for a reasonable period of time.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Other Matters

Required Supplemental Information

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

JW7 & Associates, LLP

Fresno, California

October 15, 2024

STOCKTON EAST WATER DISTRICT

Management's Discussion and Analysis

March 31, 2024

The following is a narrative overview and analysis by the management of Stockton East Water District (the District) of the financial activities of the District for the fiscal year ended March 31, 2024. Readers should consider the information presented here in conjunction with the financial statements.

Financial Highlights

- Total assets of the District were \$147,175,713 with capital assets (Utility Plant in Service) at \$90,020,852, net of accumulated depreciation. Current and other assets were \$45,833,030 and \$96,402, respectively.
- Total liabilities were \$46,962,780 consisting of long-term liabilities of \$32,467,630 and current liabilities of \$14,495,150.
- Assets of the District exceeded liabilities at the close of the most recent fiscal year by \$98,541,635 (net position). Of this amount, \$18,514,165 (unrestricted net position) may be used to meet the District's ongoing obligations and \$72,774,427 represents the District's net investment in capital assets.
- The District's net assets increased by \$4,138,218 from \$94,403,417 in FYE 2023 to \$98,541,635 in FYE 2024.
- Total operating revenues for the fiscal year 2023-2024 were \$23,858,307, which is a decrease of 12.9% from the prior year or \$3,546,885. Surface and groundwater sales and assessments increased by \$21,932. Base Monthly Payments from the District's Urban Contractors decreased by \$3,261,279 due to a Second Amendment Settlement Agreement with the Urban Contractors. Rate of equalization charges to other municipal and industrial (M&I) customers increased by \$76,617.
- Total operating expenses for the fiscal year 2023-2024 were \$26,050,902. This figure shows a decrease of 3.7% or \$1,007,511 from the prior fiscal year figure of \$27,058,412. Several factors contributed to the decrease in operating expenses which were offset by some increases in other broad expense categories.

Water treatment costs increased by \$736,985. The increase was offset with fluctuations in other expense categories. For instance, employee and benefit expenses increased by \$414,353, maintenance and repairs increased by \$245,023, electricity increased by \$202,618 and filter media costs increased by \$59,819.

Transmission and distribution costs decreased by \$868,474 due to decreased expenses in canal and distribution system maintenance.

STOCKTON EAST WATER DISTRICT

Management's Discussion and Analysis

March 31, 2024

Sources of supply expenses saw a decrease of \$1,084,384. The decrease was due to the District receiving a full water allocation for the year which resulted in no transfers from South San Joaquin Water District (SSJID), Oakdale Irrigation District (OID), and Rock Creek Water District.

Administrative expenses decreased by \$167,897, mainly due to a reduction in election costs, which are incurred every two years. Meanwhile, professional services increased by \$230,023 as a result of the Water Supply Master Plan.

Overview of the Financial Statements

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

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

The *Statement of Net Position* presents the current and long-term portions of assets and liabilities separately and may provide a useful indicator of whether the financial position of the District is improving or deteriorating over time. This statement includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing profitability and credit worthiness as well as how the District's net position changed during the most recent fiscal year. This statement shows revenues and expenses from operations, non-operating revenues and expenses, and capital contributions, and reconciles the change from one fiscal year to the next. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges.

STOCKTON EAST WATER DISTRICT

Management's Discussion and Analysis

March 31, 2024

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

Notes to the Basic Financial Statements

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

Financial Analysis

Net Position

As noted earlier, net position may serve as a useful indicator of the District's financial position. As shown in Figure 1, the District's assets exceeded liabilities by \$98,541,635 on March 31, 2024, an increase of \$4,138,218 from the District's net assets at March 31, 2023.

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

Figure 1

	Net Position			
	3/31/2024	3/21/2023	Variance	%
Current and other assets	\$ 54,594,597	\$ 55,791,299	\$ (1,196,702)	-2.1%
Property, plant and equipment, net	90,020,852	87,623,869	2,396,983	2.7%
Total assets	144,615,449	143,415,168	1,200,281	0.8%
Current liabilities	14,495,150	12,774,918	1,720,232	13.5%
Long-term liabilities	32,467,630	36,506,927	(4,039,297)	-11.1%
Total liabilities	46,962,780	49,281,845	(2,319,065)	-4.7%
Net investment in capital assets	72,774,427	57,962,937	14,811,490	25.6%
Restricted	7,253,043	6,952,727	300,316	4.3%
Unrestricted	18,514,165	29,487,753	(10,973,588)	-37.2%
Total net position	\$ 98,541,635	\$ 94,403,417	\$ 4,138,218	4.4%

STOCKTON EAST WATER DISTRICT

Management's Discussion and Analysis

March 31, 2024

A portion of the District's net position (\$7,253,043) represents resources that are subject to external restrictions on how they may be used. These net positions consist of funds dedicated to specific purposes, e.g., urban contractors' directives, capital construction and dry year reserves. The remaining balance of the District's net assets is unrestricted and may be used to meet the District's ongoing obligations and creditors.

Change in Net Position

As shown in Figure 2, the District's operating, non-operating activities and developer fees increased net assets by \$4,138,218 as compared to a \$4,446,927 increase in net assets in the prior year. The District's net position increase is due to the combined changes of the following major components:

- The District's operating loss for the fiscal year ending 2024 is \$2,192,595, indicating that its operating revenues fell short of its operating expenses by this amount. This represents a decline of \$2,539,375 compared to the fiscal year ending 2023, which saw an operating profit of \$346,780. This was due to a settlement agreement with the Urban Contractors.
- Non-operating revenues, net increased \$2,501,948 from \$251,335 in FYE 2023 to \$2,753,283 in FYE 2024. This increase was due to increase in interest revenue and grant revenue.

Operating Revenues. Operating revenues decreased by 12.9% or \$3,546,885. This is mainly due to the aforementioned Second Amendment Settlement Agreement between the District and Urban Contractors in the Base Monthly Payments (BMP). The Second Amended Contract between the District and the Urban Contractors calls for the Urban Contractors to make payments to the District in the amounts necessary to cover the District's cost of all municipal and industrial expenses. Said costs include costs related to sources of supply, transmission and distribution, water treatment plant operation and maintenance costs, debt payments on certificates of participation, an installment purchase agreement, state revolving fund loan used for construction of the treatment plant and transmission system, and a share of conveyance and storage facilities, in addition to ground water rate equalization charges paid by other municipal and industrial customers.

Operating Expenses. Operating expenses decreased 3.7% or \$1,007,511 made up mostly of decreases in sources of supply expenses of \$1,084,384, increased water treatment expenses of \$736,985, decreased transmission and distribution expenses of \$868,474, and decreased general and administrative expenses of \$167,897.

Non-operating Revenues (Expenses). Total net non-operating revenues (expenses) for FYE 2024 increased \$2,501,948 from 251,335 in FYE 2023 to \$2,753,283 in FYE 2024. This increase is composed of an increase in grant reimbursements of \$692,125, a decrease in interest expense of \$156,802, an increase in property taxes of \$29,251, and a decrease in GASB 68 pension expense of \$357,142 offset by increase in interest and other income of \$1,980,912.

Developer Fees. During FYE 2024, the District received \$3,577,530 in developer fees representing capital contributions compared to \$3,848,811 in FYE 2023 for a decrease of \$271,281.

STOCKTON EAST WATER DISTRICT
Management's Discussion and Analysis

March 31, 2024

Figure 2

	Changes in Net Position			
	3/31/2024	3/21/2023	Variance	%
Operating revenues	\$ 23,858,307	\$27,405,192	\$ (3,546,885)	-12.9%
			-	
Operating expenses	26,050,902	27,058,413	(1,007,511)	-3.7%
Operating profit	(2,192,595)	346,779	(2,539,374)	-732.3%
Nonoperating revenues (expenses)				
Property taxes	643,055	613,804	29,251	4.8%
Interest, LAIF	2,150,549	173,576	1,976,973	1139.0%
Interest, investments and other	28,315	24,376	3,939	16.2%
Grant Reimbursements	863,611	171,486	692,125	403.6%
Interest expense	(852,513)	(1,009,315)	156,802	-15.5%
GASB 68 pension expense	(79,734)	277,408	(357,142)	-128.7%
Total non-op revenues/(exp)	2,753,283	251,335	2,501,948	995.5%
Developer fees	3,577,530	3,848,811	(271,281)	-7.1%
Change in net position	\$ 4,138,218	\$ 4,446,926	\$ (308,708)	-6.9%
Net position -- beginning of period	94,403,417	89,956,490		
Net position -- end of period	\$ 98,541,635	\$94,403,417		

Budget Comparisons

The following table compares actual operating revenues and expenses to the 2023-2024 budget:

Figure 3

	Budgeted	Actual	
	<u>2023-2024</u>	<u>2023-2024</u>	<u>Variance</u>
Operating Revenues	\$ 30,996,431	\$ 23,369,591	\$ (7,626,840)
Operating Expenses	30,211,478	18,020,270	(12,191,208)
Net Operating Income	\$ 784,953	\$ 5,349,321	\$ 4,564,368

For FYE 2024, operating revenues were \$7,626,840 lower than budgeted. The difference is mainly due to the Urban Contractor's Second Amendment Settlement agreement.

STOCKTON EAST WATER DISTRICT

Management's Discussion and Analysis

March 31, 2024

Capital Asset and Debt Administration

Capital Assets Activity

The District's net investment, after depreciation, in capital assets as of March 31, 2024 amounted to \$90,020,852. The District's capital assets include all land, buildings, conveyance facilities, water treatment plant, pipelines and equipment owned by the District. The total increase in the District's investment in capital assets for the current fiscal year was 2.7% or \$2,396,983. This represents capital additions of \$6,422,925 offset by \$4,025,941 of depreciation.

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

Long Term Debt Activity

On July 15, 2019 the District refunded previously issued Certificates of Participation with Pacific Western Bank as a taxable debt issuance via a note payable. The refunding did not extend repayment terms but rather lowered the cumulative interest rate being paid over the same period. Refunding is estimated to yield \$3,757,786 in savings. Principal indebtedness of the refunded debt on March 31, 2022 was \$28,520,000. The District completed a rate reset amendment with Pacific Western Bank on November 2021 that is estimated to net additional savings of \$1,137,963 over the life of the debt and which reset the principal owed to 28,710,000. The District paid down principal indebtedness according to the terms of the note during the fiscal year ending March 31, 2023 in the amount of \$3,501,000. Principal indebtedness as of March 31, 2024 is \$17,312,000.

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

Total outstanding indebtedness as of March 31, 2024 of \$6,590,010 related to the state revolving fund loan is included in the District's financial statements.

On July 15, 2014, the District entered into a \$3,325,000 note payable with the Bank of Stockton to provide financing relative to the purchase of real property adjacent to the District's treatment plant property, consisting of approximately 230 acres. The term of the note was 5 years with an option to renew the note after the initial term. On July 15 2019, the District renewed the note for an additional 5 years. As of March 31, 2024, total principal outstanding indebtedness of \$1,999,398 is included in the District's financial statements.

Note 7 in the Notes to the Financial Statements contains information showing the debt transactions for notes and loans payable for the year, the status of the debt as of March 31, 2024, and schedules of future debt service requirements. In addition, further detailed information regarding debt maturities is contained in the Other Supplemental Information subsection.

STOCKTON EAST WATER DISTRICT

Management's Discussion and Analysis

March 31, 2024

Future Financial Outlook

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

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

In 2023, the District and the Urban Contractors reached a settlement to ensure compliance with the terms of the Second Amendment Contract. In FY 2024, payments from the Urban Contractors have been made correctly in accordance with the Second Amended Contract.

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

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

Requests for Information

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

Stockton East Water District

Statement of Net Position

March 31,

Assets	2024	2023
Current assets		
Cash and cash equivalents	\$ 8,731,284	\$ 9,251,136
Water assessments receivable	643,720	588,695
Investments	34,526,191	34,606,061
Interest and other receivables	1,293,395	2,742,960
Current maturities of contract receivable	54,680	54,680
Prepaid expenses and supplies	583,760	483,414
Total current assets	45,833,030	47,726,946
Restricted assets		
Cash and cash equivalents	658,908	604,871
Investments	7,202,747	6,886,492
Developer fees receivable	803,511	470,413
Total restricted assets	8,665,166	7,961,776
Property, plant and equipment, net of depreciation	90,020,852	87,623,869
Other assets		
Contract receivable and other assets	96,402	102,577
Total assets	144,615,450	143,415,169
Deferred outflows of resources	2,560,263	2,767,383
Total assets and deferred outflows of resources	\$ 147,175,713	\$ 146,182,551
Liabilities and net position		
Current liabilities		
Accounts payable and accrued liabilities	\$ 7,708,560	\$ 5,535,444
Compensated absences payable	703,969	584,558
Customer prepaid water tolls	1,540,219	2,426,140
Deferred revenue	172,466	-
Current portion of long-term debt	4,369,936	4,228,776
Total current liabilities	14,495,150	12,774,918
Long-term debt, less current portion		
State revolving fund	6,016,966	6,590,010
Other loans payable	15,514,507	19,312,561
Post employment benefits	4,332,359	4,428,658
Net pension liability	6,603,798	6,175,698
Total liabilities	46,962,780	49,281,845
Deferred inflows of resources	1,671,298	2,497,289
Total liabilities and deferred inflows of resources	48,634,078	51,779,135
Net position		
Invested in capital assets	72,774,427	57,962,937
Restricted for urban contractors	4,972,230	4,644,732
Restricted for capital projects	1,867,620	1,953,160
Restricted for dry year reserves	413,193	354,835
Unrestricted	18,514,165	29,487,753
Total net position	98,541,635	94,403,417
Total liabilities and net position	\$ 147,175,713	\$ 146,182,551

See accompanying notes to the financial statements

Stockton East Water District

Statement of Revenues, Expenses and Changes in Net Position

For the Years Ended March 31,

	<u>2024</u>	<u>2023</u>
Operating revenues		
Surface water sales and ground assessments	\$ 2,150,186	\$ 2,128,254
Municipal and industrial water	20,915,825	24,177,104
Source of supply charges	429,003	378,110
Distribution charges	<u>363,293</u>	<u>721,724</u>
Total operating revenues	23,858,307	27,405,192
 Operating expenses		
Source of supply	4,081,812	5,166,196
Transmission and distribution	2,606,224	3,474,698
Water treatment	10,851,871	9,983,117
General and administrative	4,485,054	4,784,719
Depreciation and amortization	<u>4,025,941</u>	<u>3,649,682</u>
Total operating expenses	<u>26,050,902</u>	<u>27,058,412</u>
Operating profit	(2,192,595)	346,780
 Nonoperating revenues (expenses)		
Property taxes	643,055	613,804
Interest and investment income	2,178,864	197,952
Grant and other revenues	863,611	171,486
Interest expense	(852,513)	(1,009,315)
Developer fees	<u>3,577,530</u>	<u>3,848,812</u>
Total nonoperating revenues	6,410,547	3,822,739
Net pension expense	<u>(79,734)</u>	<u>277,408</u>
Increase in net position	4,138,218	4,446,927
Total net position, beginning of year	<u>94,403,417</u>	<u>89,956,490</u>
Total net position, end of year	<u>\$ 98,541,635</u>	<u>\$ 94,403,417</u>

See accompanying notes to the financial statements

Stockton East Water District

Statement of Cash Flows

For the Year Ended March 31,

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Cash received from customers	\$ 26,192,434	\$ 26,563,752
Cash payments for goods and services	(17,749,640)	(14,029,504)
Cash payments to employees	<u>(4,275,320)</u>	<u>(5,648,319)</u>
Net cash provided by operating activities	4,167,474	6,885,929
Cash flows from non-capital and related financing activities		
Property taxes	643,055	613,804
Grant revenues	<u>863,611</u>	<u>171,486</u>
Net cash provided by non-capital and related financing activities	1,506,666	785,290
Cash flows from capital and related financing activities		
Interest paid	(852,513)	(1,009,315)
Developer fees received	3,577,530	3,848,812
Proceeds from long-term contract receivable	6,175	37,350
Change in other loans payable	(3,898,137)	(4,672,981)
Purchases of capital assets, net	<u>(6,582,391)</u>	<u>(6,734,121)</u>
Net cash provided by (used) in cap and related financing activities	(7,749,336)	(8,530,255)
Cash flows from investing activities		
Net change in restricted assets	(649,353)	(726,866)
Net change investments	79,870	170,593
Interest income	<u>2,178,864</u>	<u>197,952</u>
Net cash used in investing activities	1,609,381	(358,321)
Net (de)/increase in cash and cash equivalents	(465,815)	(1,217,357)
Cash and cash equivalents, beginning of period	<u>9,856,007</u>	<u>11,073,364</u>
Cash and cash equivalents, end of period	<u>\$ 9,390,192</u>	<u>\$ 9,856,007</u>

See accompanying notes to the financial statements

Stockton East Water District

Statement of Cash Flows

For the Year Ended March 31,

	<u>2024</u>	<u>2023</u>
Reconciliation of operating income to net cash provided by operating activities		
Income from operations	\$ (2,192,595)	\$ 346,780
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation and amortization	4,025,941	3,649,682
Other non-cash adjustments	(539,137)	(737,199)
Changes in operating assets and liabilities		
Water assessments and other receivables	1,394,540	(1,499,472)
Prepaid expenses and supplies	(100,346)	(63,771)
Accounts payable	2,173,115	2,869,003
Accrued payroll and related liabilities	119,411	1,662,874
Deferred revenue	172,466	-
Customer prepaid water tolls	(885,921)	658,032
Net cash provided by operating activities	<u>\$ 4,167,474</u>	<u>\$ 6,885,929</u>

See accompanying notes to the financial statements

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 1 – Summary of Significant Accounting Policies

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

Description of reporting entity

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

The District's principal functions are:

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

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

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

Basis of accounting

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

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of accounting

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

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

Fund accounting

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

Budgetary accounting

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

Cash and cash equivalents

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

Investments

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

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Water assessments receivable

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

Prepaid chemicals and supplies

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

Restricted assets

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

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

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Capital assets

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

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

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

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

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

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

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Amortization of cost of issuance and refunding costs

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

Reclassifications

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

Customer prepaid water tolls

Overpayments of BMP payments by the Urban Contractors are accrued and reported as customer deposits. As of March 31, 2024 and 2023, customer deposits totaled \$1,540,219 and \$2,426,140, respectively.

Deferred outflows/inflows of resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and inflows of resources. This separate financial statement element, *deferred outflows and inflows of resources*, represents a consumption and acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/expenditure) until then. The District reported \$2,560,263 and \$2,767,383 and \$1,671,298 and \$2,497,289 of deferred outflow and inflows, respectively, as of March 31, 2024 and 2023.

Due from other divisions

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

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Net position

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

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

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

Net position restrictions

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

Surface water sales and ground water assessments

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

Municipal and industrial water

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

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Property taxes

Property taxes levied January 1, 2023 were payable in two installments on December 10, 2023 and April 10, 2024. Property taxes levied January 1, 2022 were payable in two installments on December 10, 2022 and April 10, 2023. The County of San Joaquin bills and collects property taxes on behalf of the District.

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

Grant revenues

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

Estimates

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

Accounting pronouncements-

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

GASB Statement No. 94, *P3s and Availability Payment Arrangements* The new statement is effective for reporting periods beginning after June 15, 2022.

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

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

The District recognized additional liabilities for outstanding defined pension benefit obligations as of March 31, 2024.

Note 2 – Cash and Cash Equivalents

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

Note 3 – Investments

The District is a voluntary participant in the following external investment pools: Local Agency Investment Fund (LAIF) and California Cooperative Liquid Asset Securities System (CLASS). LAIF is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investments in these pools are reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the pools for their entire portfolio (in relation to the amortized cost of that portfolio). California CLASS is regulated by the California Government Code under the oversight of joint exercise of powers agreement among California public agencies. This is a new investment pool aimed to meet the growing investment needs of California public agencies. The funds transferred to California CLASS from LAIF was to diversify investments.

Note 4 – Restricted Assets

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

	<u>2024</u>	<u>2023</u>
Urban Contractors' directives	\$ 4,972,230	\$ 4,644,732
New Melones Conveyance System construction and improvements	615,482	728,422
Treatment plant repairs and replacement	1,252,139	1,224,738
Dry year reserves	413,192	354,835
	<u>\$ 7,253,043</u>	<u>\$ 6,952,727</u>

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 5 – Capital Assets

	<u>March 31, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfer</u>	<u>March 31, 2024</u>
Non-depreciable capital assets					
Land and land rights	\$ 7,610,338	\$ -	\$ -	\$ -	\$ 7,610,338
Construction in progress	8,948,350	3,592,685	-	-	12,541,035
Total nondepreciable capital assets	16,558,688	3,592,685	-	-	20,151,373
Depreciable capital assets					
Water contracts and rights	3,142,139	-	-	-	3,142,139
Wells and equipment	1,709,839	-	-	-	1,709,839
Groundwater recharge projects	2,297,775	-	-	-	2,297,775
Pipeline	17,869,310	172,510	-	-	18,041,820
New Melones Conveyance	77,257,508	-	-	-	77,257,508
Ponding dams	712,576	-	-	-	712,576
Bridges and crossings	1,046,423	903,324	-	-	1,949,747
Treatment plant	46,603,992	-	-	-	46,603,992
Conveyance/Plant Equipment	3,823,359	308,382	-	-	4,131,741
Automotive equipment	1,515,905	451,720	-	-	1,967,625
Administration building	282,831	86,700	-	-	369,531
Furniture and office equipment	946,834	907,604	-	-	1,854,438
Total depreciable assets	157,208,491	2,830,240	-	-	160,038,731
Less accumulated depreciation	(86,143,311)	(4,025,941)	-	-	(90,169,252)
Total depreciable assets, net	71,065,181	(1,195,701)	-	-	69,869,479
Total capital assets, net	\$ 87,623,869	\$ 2,396,984	\$ -	\$ -	\$ 90,020,852

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 5 – Capital Assets (Continued)

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

Nondepreciable capital assets	<u>March 31, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfer</u>	<u>March 31, 2023</u>
Land and land rights	\$ 7,610,338	\$ -	\$ -	\$ -	\$ 7,610,
Construction in progress	4,205,492	4,742,858	-	-	8,948,350
Total nondepreciable capital assets	<u>11,815,830</u>	<u>4,742,858</u>	<u>-</u>	<u>-</u>	<u>16,558,688</u>
Depreciable capital assets					
Water contracts and rights	3,142,139				3,142,139
Wells and equipment	1,709,839				1,709,839
Groundwater recharge projects	2,297,775				2,297,775
Pipeline	17,869,310				17,869,310
New Melones Conveyance	77,257,508				77,257,508
Ponding dams	712,576				712,576
Bridges and crossings	671,018	375,405			1,046,423
Treatment plant	46,603,992				46,603,992
Treatment plant equipment	3,030,316	793,043			3,823,359
Automotive equipment	1,393,278	122,627			1,515,905
Administration building	282,831				282,831
Furniture and office equipment	246,646	700,188			946,834
Total depreciable assets	<u>155,217,229</u>	<u>1,991,263</u>	<u>-</u>	<u>781,089</u>	<u>157,208,491</u>
Less accumulated depreciation	(82,493,629)	(3,649,682)	-	-	(86,143,311)
Total depreciable assets, net	<u>72,723,600</u>	<u>(1,658,419)</u>	<u>-</u>	<u>781,089</u>	<u>71,065,181</u>
Total capital assets, net	<u>\$ 84,539,430</u>	<u>\$ 3,084,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,623,869</u>

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 5 – Capital Assets (Continued)

Construction in progress at March 31, 2024 consists of:

1. Stockton East Water District is in process of designing a new fish ladder at Bellota Weir, reconstructing the Bellota Weir itself, screening the Bellota intake, and constructing a fish exclusion at the Old Calaveras River headgate structure. As of March 31, 2024, the District has expended \$3,047,605 towards the design, which is included in the March 31, 2024 construction in progress account. The District estimates costs to complete the design will be \$3,452,225, which will be funded out of the Treatment Plant budget and grants for this purpose. Design and construction is expected to be completed by FY 2027-2028.
2. The District is in the process of replacing its current gas chlorine disinfection system with a Sodium Hypochlorite (liquid) disinfection system which necessitates the construction of a facility to house the chemical with the corresponding instrumentation. The changeover will allow for greater supply chain resiliency as there are more vendors which sell Sodium Hypochlorite than gaseous chlorine. As of March 31, 2024, the District has expended \$6,432,802 towards the design, which is included in the March 31, 2024 construction in process account. The District estimates costs to complete the design and construction to be about \$6,670,000 which will be funded out of the Treatment Plant budget. Construction is expected to be completed in FY 2024-2025.
3. The District began work on the Goodwin Tunnel outlet meter project which will provide conditions for accurate flow measurement and mitigate the effects of the overgrown aquatic life. The second phase consists of constructing a concrete flume in the canal with further shotcrete canal lining as an option. As of March 31, 2024, the District has expended \$454,308 towards the construction, which is included in the March 31, 2024 construction in process account. The District estimates costs to complete the design and construction to be about \$2,968,000. The project is expected to be completed in FY 2024-2025.
4. At year end, the District incurred \$1,225,092 in other projects which are expected to be completed in FY 2024-2025 and one project to be completed in FY 2025-2026.

Note 6 – Long-Term Contract Receivable

Under terms of the “District Contract” dated August 25, 1970, between Stockton East Water District and Calaveras County Water District, the payment of all obligations under the “New Hogan Contract” is the responsibility of Stockton East Water District. The District Contract provides for payment by Calaveras County Water District to Stockton East Water District for 43.5% of the construction costs of New Hogan Dam exclusive of recreation features. The original amount receivable was determined by reference to the final construction cost of \$15,362,636. The contract also provides for payment to Stockton East Water District for Calaveras County Water District’s share of expense for operation, maintenance, replacement, contract administration and water- master expense. Total remaining balance at March 31, 2024 and 2023, (including current portion) was \$151,082 and \$157,257, respectively.

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 7 – Long-Term Debt

In 2019, the District entered in three notes payable with Pacific Western Bank to provide financing for the retirement and repayment of all Certificates of Participation and Installment Agreement. These were refinanced during the year ended March 31, 2020. The interest rates range from 4.31% to 4.90%, ten year amortization period. Future principal payments for the five succeeding years of March 31, 2024 are as follows: \$3,632,000 in 2025; \$3,229,000 in 2026; \$3,352,000 in 2027; \$3,486,000 in 2028; and \$3,613,000 in 2029.

The District entered into a funding agreement with the State of California Department of Public Health. The purpose of the funding agreement is to assist the District in financing the construction of a 10 million gallon finished water reservoir and repair of the District's existing finished water reservoir. The funding agreement consists of a \$15,000,000 revolving loan, equal to the total estimated construction cost and repairs. The revolving loan carries no interest, and, upon completion of construction and repairs, is amortized over a 20-year term and payable in semi-annual payments each January 1 and July 1, beginning January 1, 2016. The District will fund the repayment of the revolving loan with municipal and industrial water revenues. The balance of the state revolving fund loan was \$6,590,010 and \$7,163,055 as of March 31, 2024 and 2023, respectively. Future principal payments for the five succeeding years of March 31, 2024 are as follows: \$573,044 in 2025; \$573,044 in 2026; \$573,044 in 2027; \$573,044 in 2028; and \$573,044 in 2029.

In 2014, the District entered into a \$3,325,000 note payable with the Bank of Stockton to provide financing relative to the purchase of real property adjacent to the District's treatment plant property, consisting of approximately 230 acres. The note is payable in 19 quarterly installments of \$59,966, with interest at 3.95%, collateralized by a deed of trust on real property, with all remaining principal and accrued interest due July 15, 2024. The District will fund the repayment of the Bank of Stockton note payable with municipal and industrial water revenues. The balance of the Bank of Stockton note payable was \$1,999,398 and \$2,155,292 as of March 31, 2024 and 2023, respectively. Future principal payment for the succeeding year from March 31, 2024 is as follows: \$1,999,398 in 2025.

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 8 – Net Position

Reconciliations of net investment in capital assets and restricted net position classifications in the financial statements as of March 31, 2024 and 2023 are as follows:

Net investment in capital assets	<u>2024</u>	<u>2023</u>
Developer fees receivable	\$ 803,511	\$ 470,413
Capital assets, net of accumulated depreciation	90,020,852	87,623,870
Current liabilities (payable from restricted assets)	(4,369,936)	(4,228,775)
Long-term debt	<u>(13,680,000)</u>	<u>(25,902,571)</u>
Total net investment in capital assets	<u>\$ 72,774,427</u>	<u>\$ 57,962,937</u>
Restricted for urban contractors		
Cash and cash equivalents – restricted	10,000	10,000
Investments and interest receivable, restricted	<u>4,962,230</u>	<u>4,634,732</u>
Total net position restricted for urban contractors	<u>\$ 4,972,230</u>	<u>\$ 4,644,732</u>
Restricted for capital projects		
Cash and cash equivalents – restricted	586,316	584,871
Investments and interest receivable, restricted	<u>1,281,304</u>	<u>1,368,289</u>
Total net position restricted for capital projects	<u>\$ 1,867,620</u>	<u>\$ 1,953,160</u>
Restricted for dry year reserves		
Cash and investments – restricted	<u>413,192</u>	<u>354,835</u>
Total net position restricted for dry year reserves	<u>\$ 413,192</u>	<u>\$ 354,835</u>

Note 9 – Compensated Absences

As of March 31, 2024 and 2023, the District’s accrued liabilities for accumulated unused vacation and sick leave were \$703,969 and \$584,558, respectively. Employees accrue vacation and sick leave benefits based on length of service and current compensation. Accumulated vacation days are subject to a maximum accrual of 240 hours. Accumulated unused sick leave is 25% vested upon five years of continued service and 50% vested upon ten years of continued service. Employees are paid for their accumulated unused vacation and sick leave upon separation of service.

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 10 – Developer Fees

Developer fees are collected to repay debt associated with the New Melones Conveyance System, which is currently expected to be thru 2029. Fees collected are recorded in the statement of revenues, expenses and changes in net assets. A schedule of the changes in total developer fees collected during the years ended March 31, 2024 and 2023 is as follows:

	<u>City of Stockton</u>	<u>San Joaquin County</u>	<u>Total</u>
Total developer fees collected as of March 31, 2022	\$ <u>80,128,205</u>	\$ <u>6,470,889</u>	\$ <u>86,599,094</u>
Developer fees collected during the year ended March 31, 2023	<u>3,552,832</u>	<u>295,980</u>	<u>3,848,812</u>
Total developer fees collected as of March 31, 2023	\$ <u>83,681,037</u>	\$ <u>6,766,869</u>	\$ <u>90,447,906</u>
Developer fees collected during the year ended March 31, 2024	<u>3,337,208</u>	<u>240,322</u>	<u>3,577,530</u>
Total developer fees collected as of March 31, 2024	\$ <u>87,018,245</u>	\$ <u>7,007,191</u>	\$ <u>94,025,436</u>

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 11 – Defined Benefit Pension Plan

Plan description

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

California Public Employees Pension Reform Act of 2012

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2021 (PEPRA) into law. PEPRA took effect January 1, 2013.

Key components of the legislation are as follows:

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

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

Funding policy

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

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 11 – Defined Benefit Pension Plan (continued)

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

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

Pension liabilities: At March 31, 2024, the District reported a liability of \$6,603,798 for its proportionate share of the net pension liability. The District's proportion of the net pension liability was based on the District's share of contributions in the plan relative to the total contributions of all participating employers. At June 30, 2023, the District's proportion was .001321 percent. The District's liability as of March 31, 2024 was measured as of June 30, 2023, for the measurement period of June 30, 2022 to June 30, 2023.

Employees covered by benefit terms: There are currently 44 active participants in the plan, and 44 participants receiving benefits.

Contributions: The recommended contribution for the 2023 plan year is \$739,558 (assuming contributions will be deposited throughout the plan year). The overall contributions to the plan as a percentage of covered-employee payroll was 18.2%.

Actuarial assumptions: Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earning of the individual between entry age and assumed exit age. The total pension liability in the June 30, 2022 measurement date actuarial valuation was determined using the following assumptions, applied to all periods in the measurement: 1) Inflation of 2.30%; 2) Payroll growth of 9.75%; 3) 6.90% investment rate of return.

Mortality rates were based on the CalPERS experience Study for an eighteen year period reported in 2021.

Sensitivity of the net pension liability to changes in the discount rate: It is estimated that a 1% increase in the discount rate would decrease the net pension liability by approximately \$3.10 million dollars and a 1% decrease in the discount rate would increase the net pension liability by approximately \$3.79 million dollars.

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 11– Defined Benefit Pension Plan (continued)

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

Deferred Outflows and Inflows of Resources: The following table presents deferred outflows and inflows of resources related to pensions as of March 31, 2024:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	398,701	-
Differences between Expected and Actual Experience	337,358	52,332
Differences between Projected and Actual Investment Earnings	1,069,214	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	156,424
Change in Employer's Proportion	3,368	606,967
Pension Contributions Made Subsequent to Measurement Date	<u>740,759</u>	<u>-</u>
	<u>2,549,400</u>	<u>815,723</u>

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

Note 12 – Deferred Compensation Plan

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

Note 13 – Subsequent events

The District has evaluated all events and transactions that occurred after March 31, 2024, and through the date the financial statements were available to be issued and determined that there were no material subsequent events that had not been disclosed.

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 14 – Other Post-Employment Benefits

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

Plan description

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

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

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

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

Benefits are recognized as claims are paid.

Plan membership. At March 31, 2024, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	22
Active plan members	13

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

Net OPEB Liability

The District's Net OPEB Liability was measured as of March 31, 2024 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of April 1, 2022. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

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

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 14 – Other Post-Employment Benefits (continued)

Salary increases	3.00 percent
Inflation rate	2.50 percent
Healthcare cost trend rate	4.00-5.50 percent for 2022-2070

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

Actuarial assumptions used in the April 1, 2022 valuation were based on a review of plan experience during the period April 1, 2020 to March 31, 2022.

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

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

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

Reporting Date	Measurement Date	Municipal Bond 20-Year High Grade Rate Index	Discount Rate
March 31, 2023	March 31, 2023	3.78%	3.78%
March 31, 2024	March 31, 2024	3.96%	3.96%

The components of the net OPEB liability were as follows:

Total OPEB liability	\$4,332,359
Plan fiduciary net position	0
Net OPEB liability	\$4,332,359
Measurement date	March 31, 2024
Reporting date	March 31, 2024
Covered payroll	\$1,564,818
Net OPEB liability (asset) as a percentage of covered payroll	276.86%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 14 – Other Post-Employment Benefits (continued)

Schedule of Changes in Net OPEB Liability (April 1, 2023 to March 31, 2024)

Total OPEB Liability	
Service Cost	\$ 58,072
Interest	165,314
Changes of benefit terms	0
Difference between expected and actual experience	0
Changes of assumptions	(90,894)
Benefit payments ¹	(228,791)
Net change in total OPEB liability	(96,299)
Total OPEB liability – March 31, 2023 (a)	\$ 4,428,658
Total OPEB liability – March 31, 2024 (b)	\$ 4,332,359
Plan fiduciary net position	
Contributions – employer ¹	228,791
Net investment income	0
Benefit payments ¹	(228,791)
Trustee fees	0
Administrative expense	0
Net change in plan fiduciary net position	0
Plan fiduciary net position – March 31, 2022 (c)	\$0
Plan fiduciary net position – March 31, 2023 (d)	\$0
Net OPEB liability – March 31, 2023 (c) – (a)	\$ 4,428,658
Net OPEB liability – March 31, 2024 (d) – (b)	\$ 4,332,359

¹ Amount includes implicit subsidy associated with benefits paid.

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

	1% Decrease (2.96%)	Discount Rate (3.96%)	1% Increase (4.96%)
Net OPEB liability (asset)	4,878,811	4,332,359	3,878,642

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

	1% Decrease	Trend Rate	1% Increase
Net OPEB liability (asset)	3,783,512	4,332,359	5,003,811

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 14 – Other Post-Employment Benefits (continued)

Net OPEB Expense

The District’s Net OPEB expense (credit) for March 31, 2024 was \$(138,013).

Net OPEB Liability - beginning (a)	\$ 4,428,658
Net OPEB Liability – ending (b)	\$ 4,332,359
Change in Net OPEB Liability [(b)-(a)]	(96,299)
Change in Deferred Outflows	115,611
Change in Deferred Inflows	(386,116)
Employer Contributions	228,791
Net OPEB Expense – April 1, 2023 to March 31, 2024	\$ (138,013)

Service Cost	58,072
Interest Cost	165,314
Recognition of Deferred Outflows and Inflows	
Differences between expected and actual experience	(314,582)
Changes of assumptions	(46,817)
Differences between projected and actual investments	0
Total	(361,399)
Net OPEB Expense – April 1, 2023 to March 31, 2024	\$(138,013)

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

At March 31, 2024, the District’s deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	0	(622,936)
Changes in assumptions or other inputs	10,863	(232,638)
Total	\$ 10,863	\$(855,574)

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

Fiscal Year ending March 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2025	\$ 10,863	(462,354)
2026	0	(342,250)
2027	0	(50,970)
2028	0	0
2029	0	0
Thereafter+	0	0

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 15 – Joint Venture (Joint Powers Agreement)

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

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

The latest audited financial information for the JPIA is for the fiscal year ending September 30, 2023 and the condensed financial information of the JPIA is as follows:

Total assets and deferred outflows	\$ 293,117,414
Total liabilities and deferred inflows	<u>(172,404,502)</u>
Net position	<u>\$ 120,712,912</u>

The entity did not have long-term debt outstanding at September 30, 2023. The District's share of the year-end assets, liabilities or fund equity has not been calculated by the JPIA.

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 16 – Commitments and Contingencies

Second Amended Contract

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

New Melones Contract

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

New Hogan Dam Contract

Under terms of a contract known as the “New Hogan Contract” dated August 25, 1970, between the United States of America, Stockton East Water District and Calaveras County Water District, the two districts contracted to receive the full yield of the New Hogan Project in exchange for repaying the United States of America a portion of the construction costs of New Hogan Dam, excluding recreation features. This repayment obligation was paid in 2011. The District now continues to pay for its pro rata share of the annual operation, maintenance, replacement and contract administration costs. This payment is determined every five years based on estimated costs as determined by the U.S. Army Corps of Engineers and adjusted for the differences between the actual costs and estimated costs of the prior five years.

New Melones Conveyance System

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

STOCKTON EAST WATER DISTRICT

Notes to Financial Statements

March 31, 2024 and 2023

Note 16 – Commitments and Contingencies (Continued)

Merger with Central San Joaquin Water Conservation District

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

Note 17 – Governing Board

As of March 31, 2024, the seven members of the District’s Board of Directors were as follows:

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

COMBINING FINANCIAL STATEMENT

Stockton East Water District

Combining Statement of Net Position

March 31, 2024

	Admin	Municipal Division		Treatment Plant	Eliminations	Consolidated Total	2023 Consolidated Total
		Agricultural	Groundwater				
Assets							
Current assets							
Cash and cash equivalents	\$ 3,137,087	\$ 833,813	\$ 75,725	\$ 4,684,659	\$ -	\$ 8,731,284	\$ 9,251,136
Water assessments receivable	-	608,696	35,024	(1,540,219)	1,540,219	643,720	588,695
Investments	17,501,087	2,630,430	4,017,834	10,376,840	-	34,526,191	34,606,061
Other receivables	965,638	62,066	(26,491)	292,182	-	1,293,395	2,742,960
Due to other divisions	(3,470,774)	742,851	239,830	2,487,989	104	-	-
Contract receivable, current	54,680	-	-	-	-	54,680	54,680
Inventory	81,858	-	-	121,559	-	203,417	161,498
Prepaid expenses	299,950	-	-	80,393	-	380,343	321,916
Restricted Assets							
Cash and cash equivalents	6,330	54,266	8,326	589,986	-	658,908	604,871
Investments	609,151	224,803	91,379	6,277,414	-	7,202,747	6,886,492
Developer fees receivable	-	-	-	803,511	-	803,511	470,413
Total current and restricted assets	19,185,007	5,156,925	4,441,627	24,174,314	1,540,323	54,498,196	55,688,722
Property, plant and equipment, net	41,222,830	1,258,921	6,036,681	41,502,420	-	90,020,852	87,623,869
Other assets							
Long term contract receivable	96,402	-	-	-	-	96,402	102,577
Total assets	60,504,239	6,415,846	10,478,308	65,676,734	1,540,323	144,615,450	143,415,168
Deferred outflows	2,540,432	23,507	-	(3,676)	-	2,560,263	2,767,383
Total assets and deferred outflows	\$ 63,044,671	\$ 6,439,353	\$ 10,478,308	\$ 65,673,058	\$ 1,540,323	\$ 147,175,713	\$ 146,182,551
Liabilities and net position							
Current liabilities							
Accounts payable and accrued liabilities	\$ 3,585,474	\$ 239,007	\$ 491	\$ 3,883,484	\$ 104	\$ 7,708,560	\$ 5,535,444
Compensated absences payable	283,193	-	-	420,776	-	703,969	584,558
Customer prepaid water tolls	-	-	-	-	1,540,219	1,540,219	2,426,140
Deferred revenue	-	-	-	172,466	-	172,466	-
Current portion of long-term debt	3,110,000	-	164,892	1,095,044	-	4,369,936	4,228,776
Total current liabilities	6,978,667	239,007	165,383	5,571,770	1,540,323	14,495,150	12,774,918
Long-term debt, less current portion							
State revolving fund loan	-	-	-	6,016,966	-	6,016,966	6,590,010
Other loan payable	13,680,000	-	1,834,507	-	-	15,514,507	19,312,561
Accrued post-employment benefits	1,665,379	558,653	-	2,108,327	-	4,332,359	4,428,658
Net pension liability	6,603,798	-	-	-	-	6,603,798	6,175,698
Total liabilities	28,927,844	797,660	1,999,890	13,697,063	1,540,323	46,962,780	49,281,845
Deferred inflows	1,194,693	53,288	-	423,317	-	1,671,298	2,497,289
Net position							
Invested in capital assets	24,432,830	1,258,921	5,871,789	41,210,887	-	72,774,427	57,962,937
Restricted for urban contractors	-	-	-	4,972,230	-	4,972,230	4,644,732
Restricted for capital projects	615,480	-	-	1,252,140	-	1,867,620	1,953,160
Restricted for dry year reserves	-	312,790	100,403	-	-	413,193	354,835
Unrestricted	7,873,824	4,016,694	2,506,226	4,117,421	-	18,514,165	29,487,753
Total net position	32,922,134	5,588,405	8,478,418	51,552,678	-	98,541,635	94,403,417
Total liabilities and net position	\$ 63,044,671	\$ 6,439,353	\$ 10,478,308	\$ 65,673,058	\$ 1,540,323	\$ 147,175,713	\$ 146,182,551

Stockton East Water District

Combining Statement of Revenues, Expenses and Change in Net Position

March 31, 2024

	Municipal Division					Consolidated Total	2023 Consolidated Total
	Admin	Agricultural	Groundwater	Treatment Plant	Eliminations		
Operating revenues							
Surface water sales and assessments	\$ -	\$ 1,785,746	\$ 54,368	\$ 310,072	\$ -	\$ 2,150,186	\$ 2,128,254
Municipal and industrial water	-	-	-	20,915,825	-	20,915,825	24,177,104
Administration charges	435,496	-	-	-	(435,496)	-	-
Source of supply charges	429,003	-	-	-	-	429,003	378,110
Transmission and distribution charges	1,923,032	200,776	742,867	673,241	(3,176,623)	363,293	721,724
Total operating revenues	2,787,531	1,986,522	797,235	21,899,138	(3,612,119)	23,858,307	27,405,192
Operating expenses							
Source of supply	1,249,791	478,637	-	2,353,384	-	4,081,812	5,166,196
Transmission and distribution charges	2,604,634	1,590	-	-	-	2,606,224	3,474,698
Water treatment	-	-	42,488	10,809,383	-	10,851,871	9,983,117
General and admin	4,722,782	521,268	-	2,853,123	(3,612,119)	4,485,054	4,784,719
Depreciation	2,054,196	58,722	46,462	1,866,561	-	4,025,941	3,649,682
Amortization	-	-	-	-	-	-	-
Total operating expenses	10,631,403	1,060,217	88,950	17,882,451	(3,612,119)	26,050,902	27,058,412
Operating profit (loss)	(7,843,872)	926,305	708,285	4,016,687	-	(2,192,595)	346,780
Nonoperating revenues (expenses)							
Property taxes	643,055	-	-	-	-	643,055	613,804
Interest, LAIF	847,354	144,219	131,297	1,027,679	-	2,150,549	173,577
Interest, investment and other	6,293	21	20,000	2,001	-	28,315	24,375
Grant revenues	832,075	31,536	-	-	-	863,611	171,486
Interest expense	(732,082)	-	(83,972)	(36,459)	-	(852,513)	(1,009,315)
Developer fees	-	-	-	3,577,530	-	3,577,530	3,848,812
Net profit prior to other items	(6,247,177)	1,102,081	775,610	8,587,438	-	4,217,952	4,169,519
Net change in pension expense	(79,734)	-	-	-	-	(79,734)	277,408
Interdivision transfers- debt service	-	-	-	-	-	-	-
Interdivision transfers- other	9,723,786	151,217	1,818,863	(11,693,866)	-	-	-
Change in net position	3,396,875	1,253,298	2,594,473	(3,106,428)	-	4,138,218	4,446,927
Net position, beginning of year	29,525,259	4,335,107	5,883,945	54,659,106	-	94,403,417	89,956,490
Net position, end of year	\$ 32,922,134	\$ 5,588,405	\$ 8,478,418	\$ 51,552,678	\$ -	\$ 98,541,635	\$ 94,403,417