

**NORTH SAN JOAQUIN WATER  
CONSERVATION DISTRICT**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

**JUNE 30, 2023 AND 2022**



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**CROCE, SANGUINETTI, & VANDER VEEN**

CERTIFIED PUBLIC ACCOUNTANTS

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CROCE, SANGUINETTI, & VANDER VEEN  
INC.

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

To the Board of Directors  
**North San Joaquin Water Conservation District**  
Victor, California

### Opinions

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of **North San Joaquin Water Conservation District** (the District) as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of **North San Joaquin Water Conservation District**, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements 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 **North San Joaquin Water Conservation 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.

### Responsibilities of Management for the Financial Statements

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

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

## **Auditor’s Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 **North San Joaquin Water Conservation 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about **North San Joaquin Water Conservation District’s** ability to continue as a going concern for a reasonable period of time.

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 4 through 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited

procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise **North San Joaquin Water Conservation District's** basic financial statements. The supplementary information - summaries of operating expenses for the years ended June 30, 2023 and 2022 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information - summaries of operating expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Report on Summarized Comparative Information*

We have previously audited the District's June 30, 2022 basic financial statements, and we expressed an unmodified audit opinion on the respective basic financial statements in our report dated March 5, 2025. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Croce, Sanguinetti, & Vander Veen, Inc.*

CROCE, SANGUINETTI, & VANDER VEEN, INC.  
Certified Public Accountants  
Stockton, California  
March 4, 2026

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT

## Management's Discussion and Analysis

June 30, 2023 and 2022

Within this section of the District's annual financial report, the District's management provides narrative discussion and analysis of the financial activities of the District for the fiscal years ended June 30, 2023 and 2022. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

### Financial Highlights

- The District's assets exceeded its liabilities by \$11,041,045 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$8,116,743.
- Total net position is comprised of the following:
  1. Net investments in capital assets of \$9,346,805 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  2. Restricted net position of \$403,564 represents the portion available to construct and maintain the South System facilities, and to maintain the activities of the Tracy Lake Improvement District #1 (TLID#1) and the Improvement District #3 (ID #3) also known as the South Water Users Improvement District.
  3. Unrestricted net position of \$1,290,676 represents the portion available to maintain the District's continuing obligations to citizens and creditors.

During the year ended June 30, 2023, the District's net position increased by \$2,924,302 or 36.02%. The District's operating revenues increased by \$2,777,580 or 503.41% and operating expenses increased by \$342,704 or 61.07%. Operating revenues for 2022/2023 increased primarily due to the District receiving \$2,516,978 in reimbursement revenues related to a cost-share agreement with East Bay Municipal Utility District (EBMUD) for the Demonstration, Recharge, Extraction, and Aquifer Management (DREAM) Project and \$398,735 from the State of California Department of Water Resources for the South System Improvement Project during the year ended June 30, 2023.

(Continued)

# NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT

## Management's Discussion and Analysis (Continued)

June 30, 2023 and 2022

### **Overview of the Basic Financial Statements**

The District's basic financial statements are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position, and the Statement of Cash Flows. An important part of the basic financial statements is the accompanying notes, which provide the users additional information required by generally accepted accounting principles (GAAP). Preceding the basic financial statements is Management's Discussion and Analysis, which is required supplementary information to the basic financial statements.

The Statement of Net Position includes the District's assets, deferred outflows, liabilities, and deferred inflows. The difference between assets and deferred outflow and liabilities and deferred inflows is reported as net position. The Statement of Revenues, Expenses and Changes in Fund Net Position account for revenue, expenses, and capital contributions and calculates the change in net position. Over time, increases or decreases in net position serve as a key indicator of the District's financial position. The Statements of Cash Flows provides the details on the changes in cash and cash equivalents during the year. By contrast, the Statement of Net Position and Statement of Revenues, Expenses and Changes in Fund Net Position are prepared on an accrual basis, meaning revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of cash receipts and payments.

### ***Notes to the Financial Statements***

The accompanying notes to the financial statements provide information essential to a full understanding of the basic financial statements. The notes to the financial statements begin immediately following the basic financial statements.

(Continued)

# NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT

## Management's Discussion and Analysis (Continued)

June 30, 2023 and 2022

### Financial Analysis of the District as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

The District's net position at fiscal year-end is \$11,041,045. This is a \$2,924,302 increase over last year's net position of \$8,116,743.

The following table provides a summary of the District's net position:

### Summary of Net Position

	<u>2023</u>	<u>2022</u>	<u>Amount change</u>	<u>Percent change</u>
Current assets	\$ 3,459,443	\$ 2,384,852	\$ 1,074,591	45.06%
Capital assets	9,346,805	6,738,090	2,608,715	38.72
Other assets	<u>3,360</u>	<u>3,920</u>	<u>(560)</u>	(14.29)
Total assets	<u>12,809,608</u>	<u>9,126,862</u>	<u>3,682,746</u>	40.35
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	
Current liabilities	1,268,575	410,131	858,444	209.31
Noncurrent liabilities	<u>499,988</u>	<u>599,988</u>	<u>(100,000)</u>	(16.67)
Total liabilities	<u>1,768,563</u>	<u>1,010,119</u>	<u>758,444</u>	75.08
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	
Net position				
Net investment in capital assets	9,346,805	6,487,311	2,859,494	44.08
Restricted	403,564	1,043,397	(639,833)	(61.32)
Unrestricted	<u>1,290,676</u>	<u>586,035</u>	<u>704,641</u>	120.24
Total net position	<u>\$ 11,041,045</u>	<u>\$ 8,116,743</u>	<u>\$ 2,924,302</u>	36.03

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# NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT

## Management's Discussion and Analysis (Continued)

June 30, 2023 and 2022

### Financial Analysis of the District as a Whole (Continued)

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the District's changes in net position:

#### Summary of Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>Amount change</u>	<u>Percent change</u>
<b>Revenues</b>				
Reimbursements	\$ 2,517,257	\$ 388,541	\$ 2,128,716	547.87%
Grant revenue	812,079	163,215	648,864	397.55
Property taxes	381,364	363,031	18,333	5.05
Capital assessments	124,940	238,321	(113,381)	(47.57)
Interest income	<u>21,910</u>	<u>1,212</u>	<u>20,698</u>	1707.76
Total revenues	<u>3,857,550</u>	<u>1,154,320</u>	<u>2,703,230</u>	234.18
<b>Expenses</b>				
General and administrative	721,904	412,003	309,901	75.22
Depreciation and amortization	142,082	142,083	(1)	0.00
Pumping and pipeline maintenance	39,850	7,046	32,804	465.57
Interest	<u>29,412</u>	<u>43,745</u>	<u>(14,333)</u>	(32.76)
Total expenses	<u>933,248</u>	<u>604,877</u>	<u>(328,371)</u>	(54.29)
<b>Change in net position</b>	<u>\$ 2,924,302</u>	<u>\$ 549,443</u>	<u>\$ 2,374,859</u>	432.23

Analysis of the more significant variances in revenues follows:

- Grant revenues increased as the District received \$398,735 from the State of California Department of Water Resources for the South System Improvement Project and \$116,299 from the State of California Department of Water Resources for the Sustainable Groundwater Management Act Implementation Grant (SGMA) during the year ended June 30, 2023.
- Reimbursement from the previous year revenues increased as the District received more reimbursements during the fiscal year ended June 30, 2023 from the East Bay Municipal Utility District (EBMUD) for expenditures incurred during the year related to the Demonstration, Recharge, Extraction, and Aquifer Management (DREAM) Project.
- Property tax revenues have increased primarily due to an increase in assessed values of properties during the year.

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# NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT

## Management's Discussion and Analysis (Continued)

June 30, 2023 and 2022

### Financial Analysis of the District as a Whole (Continued)

Analysis of the more significant variances in expenses follows:

- General and administrative expenses have increased since the prior year due to increases in engineering expenses incurred, as well as increases in professional services expenses related to the District working with a hydrologist and Consero Solutions during the year ended June 30, 2023.

### Capital Asset Administration

The District's net investment in capital assets as of June 30, 2023 was \$9,346,805. Construction in progress increased by \$2,267,405 for expenses incurred related to the District's South System Distribution System Project, North System Project, Recharge Tecklenberg Basin and the DREAM Project. Additional information on the District's capital assets can be found in Note C of the "Notes to Financial Statements" section.

### Long-term debt

At June 30, 2023 and 2022, the District had long-term debt outstanding of \$599,988 and \$950,767, respectively, which is described in Note D of the financial statements.

### Economic Environment and Next Year's Outlook

The District incurred \$2,425,500 of operating profit during the fiscal year ended June 30, 2023, and \$(9,376) of an operating loss during the fiscal year ended June 30, 2022. A more accurate reflection of the District's financial condition is reflected in the "change in net position" which was \$2,924,302 and \$549,443 for the fiscal years ended June 30, 2023 and 2022, respectively.

Even though the District is not required to prepare a formal budget, the District anticipates revenues to remain consistent with prior years and does not anticipate any unusual expenses for the coming year.

### Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have any questions regarding this report or need additional information, please contact North San Joaquin Water Conservation District's office at P.O. Box E, Victor, CA 95253.

## **BASIC FINANCIAL STATEMENTS**

**NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT**

**Statements of Net Position**

June 30, 2023

(with comparative information as of June 30, 2022)

**Assets and Deferred Outflows of Resources**

	<u>NSJWCD</u>	<u>ID #3</u>	Tracy <u>Lake ID #1</u>	Total	
				<u>2023</u>	<u>2022</u>
<b>Current assets</b>					
Cash and investments	\$ 1,754,813	\$ -	\$ 5,301	\$ 1,760,114	\$ 241,259
Cash and investments - restricted	562,853	147,439	440	710,732	1,667,687
Grants receivable	683,824	-	-	683,824	281,145
Reimbursements receivable	-	-	-	-	120,553
Prepaid expenses	2,430	-	-	2,430	2,430
Capital assessments receivable	-	<u>302,343</u>	-	<u>302,343</u>	<u>71,778</u>
Total current assets	<u>3,003,920</u>	<u>449,782</u>	<u>5,741</u>	<u>3,459,443</u>	<u>2,384,852</u>
<b>Capital assets</b>					
Construction in progress	3,959,874	-	-	3,959,874	1,692,469
South System Pump Station Upgrades	3,077,345	-	-	3,077,345	3,077,345
Groundwater Recharge Project	-	-	2,102,171	2,102,171	2,102,171
Pipeline system	1,096,574	-	-	1,096,574	1,010,899
Land	386,167	-	-	386,167	-
Pumping plant	229,882	-	-	229,882	229,882
Equipment	<u>19,384</u>	<u>-</u>	<u>-</u>	<u>19,384</u>	<u>8,394</u>
	8,769,226	-	2,102,171	10,871,397	8,121,160
Less accumulated depreciation	<u>(1,156,712)</u>	<u>-</u>	<u>(367,880)</u>	<u>(1,524,592)</u>	<u>(1,383,070)</u>
Net capital assets	<u>7,612,514</u>	<u>-</u>	<u>1,734,291</u>	<u>9,346,805</u>	<u>6,738,090</u>
<b>Other assets</b>					
Loan fees, net of accumulated amortization of 2,240 and \$1,680, respectively	<u>-</u>	<u>3,360</u>	<u>-</u>	<u>3,360</u>	<u>3,920</u>
Total other assets	<u>-</u>	<u>3,360</u>	<u>-</u>	<u>3,360</u>	<u>3,920</u>
<b>Deferred outflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$10,616,434</u>	<u>\$ 453,142</u>	<u>\$ 1,740,032</u>	<u>\$12,809,608</u>	<u>\$ 9,126,862</u>

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**NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT**

**Statements of Net Position (Continued)**

June 30, 2023

(with comparative information as of June 30, 2022)

**Liabilities, Deferred Inflows of Resources and Net Position**

			Tracy	Total	
	<u>NSJWCD</u>	<u>ID #3</u>	<u>Lake ID #1</u>	<u>2023</u>	<u>2022</u>
<b>Current liabilities</b>					
Accounts payable	\$ 1,155,692	\$ -	\$ -	\$ 1,155,692	\$ 59,352
Current maturities of long-term debt	-	100,000	-	100,000	350,779
Accrued interest payable	-	12,883	-	12,883	-
Total current liabilities	<u>1,155,692</u>	<u>112,883</u>	<u>-</u>	<u>1,268,575</u>	<u>410,131</u>
<b>Long-term debt - registered warrants payable</b>	<u>-</u>	<u>499,988</u>	<u>-</u>	<u>499,988</u>	<u>599,988</u>
<b>Deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net position</b>					
Net investment in capital assets	7,612,514	-	1,734,291	9,346,805	6,487,311
Unrestricted	1,285,375	-	5,301	1,290,676	586,035
Restricted for capital	562,853	(159,729)	440	403,564	792,190
Restricted for debt service	-	-	-	-	251,207
Total net position	<u>9,460,742</u>	<u>(159,729)</u>	<u>1,740,032</u>	<u>11,041,045</u>	<u>8,116,743</u>
Total liabilities, deferred inflows of resources and net position	<u>\$10,616,434</u>	<u>\$ 453,142</u>	<u>\$ 1,740,032</u>	<u>\$12,809,608</u>	<u>\$ 9,126,862</u>

The accompanying notes are an integral part of these financial statements.

**NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT**

**Statements of Revenues, Expenses, and  
Changes in Fund Net Position**

For the year ended June 30, 2023  
(with summarized comparative information for the year ended June 30, 2022)

	<u>NSJWCD</u>	<u>ID #3</u>	Tracy <u>Lake ID #1</u>	Total	
				<u>2023</u>	<u>2022</u>
<b>Operating revenues</b>					
Reimbursements	\$2,516,978	\$ -	\$ 279	\$ 2,517,257	\$ 388,541
Grant revenue	<u>515,034</u>	<u>297,045</u>	<u>-</u>	<u>812,079</u>	<u>163,215</u>
Total operating revenue	<u>3,032,012</u>	<u>297,045</u>	<u>279</u>	<u>3,329,336</u>	<u>551,756</u>
<b>Operating expenses</b>					
General and administrative	717,766	-	4,138	721,904	412,003
Depreciation and amortization	88,968	560	52,554	142,082	142,083
Pumping and pipeline maintenance	<u>35,047</u>	<u>-</u>	<u>4,803</u>	<u>39,850</u>	<u>7,046</u>
Total operating expenses	<u>841,781</u>	<u>560</u>	<u>61,495</u>	<u>903,836</u>	<u>561,132</u>
<b>Operating income (loss)</b>	<u>2,190,231</u>	<u>296,485</u>	<u>(61,216)</u>	<u>2,425,500</u>	<u>(9,376)</u>
<b>Non-operating revenues (expenses)</b>					
Property taxes	381,364	-	-	381,364	363,031
Interest income	21,827	72	11	21,910	1,212
Interest expense	<u>-</u>	<u>(29,412)</u>	<u>-</u>	<u>(29,412)</u>	<u>(43,745)</u>
Total non-operating revenues (expenses)	<u>403,191</u>	<u>(29,340)</u>	<u>11</u>	<u>373,862</u>	<u>320,498</u>
<b>Capital assessments</b>	<u>-</u>	<u>124,940</u>	<u>-</u>	<u>124,940</u>	<u>238,321</u>
<b>Operating transfer in (out)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Changes in net position</b>	2,593,422	392,085	(61,205)	2,924,302	549,443
<b>Net position, beginning of year</b>	<u>6,867,320</u>	<u>(551,814)</u>	<u>1,801,237</u>	<u>8,116,743</u>	<u>7,567,300</u>
<b>Net position, end of year</b>	<u>\$9,460,742</u>	<u>\$ (159,729)</u>	<u>\$1,740,032</u>	<u>\$11,041,045</u>	<u>\$ 8,116,743</u>

The accompanying notes are an integral part of these financial statements.

**NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT**

**Statements of Cash Flows**

For the year ended June 30, 2023  
(with comparative information for the year ended June 30, 2022)

	<u>NSJWCD</u>	<u>ID #3</u>	<u>Tracy Lake ID #1</u>	<u>Total</u>	
				<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities</b>					
Cash received from customers and others	\$2,749,886	\$ 66,480	\$ 279	\$2,816,645	\$1,380,830
Cash paid to suppliers and others	<u>343,697</u>	<u>-</u>	<u>(9,111)</u>	<u>334,586</u>	<u>(852,501)</u>
Net cash provided by (used in) operating activities	<u>3,093,583</u>	<u>66,480</u>	<u>(8,832)</u>	<u>3,151,231</u>	<u>528,329</u>
<b>Cash flows from non-capital financing activities</b>					
Property taxes	<u>381,364</u>	<u>-</u>	<u>-</u>	<u>381,364</u>	<u>363,031</u>
Net cash provided by non-capital financing activities	<u>381,364</u>	<u>-</u>	<u>-</u>	<u>381,364</u>	<u>363,031</u>
<b>Cash flows from capital and related financing activities</b>					
Purchases of capital assets	(2,750,237)	-	-	(2,750,237)	(621,968)
Capital assessments received	-	124,940	-	124,940	238,321
Payments on long-term debt	-	(100,000)	(250,779)	(350,779)	(350,791)
Interest paid on long-term debt	<u>-</u>	<u>(16,529)</u>	<u>-</u>	<u>(16,529)</u>	<u>(60,934)</u>
Net cash (used in) provided by capital and related financing activities	<u>(2,750,237)</u>	<u>8,411</u>	<u>(250,779)</u>	<u>(2,992,605)</u>	<u>(795,372)</u>
<b>Cash flows from investing activities</b>					
Interest received	<u>21,827</u>	<u>72</u>	<u>11</u>	<u>21,910</u>	<u>1,212</u>
Net cash provided by investing activities	<u>21,827</u>	<u>72</u>	<u>11</u>	<u>21,910</u>	<u>1,212</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	746,537	74,963	(259,600)	561,900	97,200
<b>Cash and investments, beginning of year</b>	<u>1,571,129</u>	<u>72,476</u>	<u>265,341</u>	<u>1,908,946</u>	<u>1,811,746</u>
<b>Cash and investments, end of year (including \$562,853, \$147,439, and \$440, respectively, of restricted cash)</b>	<u>\$2,317,666</u>	<u>\$ 147,439</u>	<u>\$ 5,741</u>	<u>\$2,470,846</u>	<u>\$1,908,946</u>

(Continued)

**NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT**

**Statements of Cash Flows (Continued)**

For the year ended June 30, 2023  
(with comparative information for the year ended June 30, 2022)

	<u>NSJWCD</u>	<u>ID #3</u>	<u>Tracy Lake ID #1</u>	Total	
				<u>2023</u>	<u>2022</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss)	\$2,190,231	\$ 296,485	\$ (61,216)	\$2,425,500	\$ (9,376)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	88,968	560	52,554	142,082	142,083
Changes in operating assets and liabilities					
Grants receivable	(402,679)	-	-	(402,679)	579,045
Reimbursements receivable	120,553	-	-	120,553	165,128
Capital assessments receivable	-	(230,565)	-	(230,565)	(15,099)
Prepaid expenses	-	-	-	-	(18)
Accounts payable	<u>1,096,510</u>	<u>-</u>	<u>(170)</u>	<u>1,096,340</u>	<u>(333,434)</u>
 Net cash provided by (used in) operating activities	 <u>\$3,093,583</u>	 <u>\$ 66,480</u>	 <u>\$ (8,832)</u>	 <u>\$3,151,231</u>	 <u>\$ 528,329</u>

The accompanying notes are an integral part of these financial statements.

# NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT

## Notes to Financial Statements

June 30, 2023

(with summarized comparative information for the year ended June 30, 2022)

### Note A - Summary of Significant Accounting Policies

This summary of significant accounting policies of North San Joaquin Water Conservation District (the District) is presented to assist in understanding the District's financial statements.

#### Description of the Reporting Entity

The District was founded in 1948 to oversee 150,000 acres of productive agricultural land in and around the City of Lodi. The District's mission is to promote and provide surface water in lieu of pumping ground water to the constituents of their ground water basin. The District is administered by a five member board and is independent from the community of Lodi and San Joaquin County, except that the County assesses and collects property taxes on behalf of the District.

The District formed the Tracy Lake Improvement District #1 (TLID#1) for the purpose of completing the Tracy Lake Groundwater Recharge Project (Project). The Project will pull water from the Mokelumne River to an area off Forest Lake Road in Acampo to create a year-round lake. The purpose is to reduce groundwater overdraft in the area by using a portion of the District's unused Mokelumne River water right, and keep area groundwater wells full. The District's Board of Directors serve as trustees of TLID#1.

During the year ended June 30, 2019, the District formed the Improvement District #3 (ID #3), to be known as the South System Water Users Improvement District. ID #3 was created as a Benefit Improvement District for the purpose of conserving and developing the water resources of the improvement District and for levying of assessments to pay the costs thereof. The District's Board of Directors serve as trustees of ID #3.

In determining the financial reporting entity, the District complies with the provisions of Government Accounting Standards Board (GASB) Statements No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and 34*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14*. 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.

The following funds are included in the District's financial statements and are combined for financial reporting purposes:

- North San Joaquin Water Conservation District (NSJWCD) Enterprise Fund
- South System Water Users Improvement District #3 (ID #3) Enterprise Fund
- Tracy Lake Improvement District #1 (TLID#1) Enterprise Fund

(Continued)

# NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT

## Notes to Financial Statements

June 30, 2023

(with summarized comparative information for the year ended June 30, 2022)

### Note A - Summary of Significant Accounting Policies (Continued)

#### 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. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the District's proprietary funds follow all GASB pronouncements currently in effect as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict with GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The District's operating revenues include all revenues derived from the delivery of water. Operating expenses include all costs related to the delivery of water, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### 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 does not adopt an appropriated budget and is not required to adopt such a budget by law. However, the District does adopt a non-appropriated budget annually which is approved by the Board of Directors.

#### Cash and investments

For the purposes of the statement of cash flows, the District considers all highly liquid investments with an original maturity of three months or less, including restricted assets, to be cash equivalents.

#### Restricted assets

Restricted assets represent cash that is available for the purpose of conducting the TLID#1 Groundwater Recharge Project and improvements to the District's South System and for the purpose of conducting the ID #3 Improvements to the District's South System.

(Continued)

# NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT

## Notes to Financial Statements

June 30, 2023

(with summarized comparative information for the year ended June 30, 2022)

### Note A - 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 an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years.

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 statement of net position as a reduction in the book value of capital assets. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the non-operating section of the statement of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense.

Depreciation is provided using the straight line method. The estimated useful lives are as follows:

Groundwater recharge project	40 years
South System Pump Station Upgrade	40 years
Pumping plant	40 years
Pipeline system	10-40 years
Equipment	5-10 years

#### Long-lived assets

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 costs to sell.

#### Fair value measurements

Fair value is defined as 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. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

(Continued)

# NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT

## Notes to Financial Statements

June 30, 2023

(with summarized comparative information for the year ended June 30, 2022)

### Note A - Summary of Significant Accounting Policies (Continued)

Level 2 inputs are inputs other than quoted prices included within Level 1 - that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input.

#### Loan fees

Costs incurred in connection with obtaining financing have been capitalized and are being amortized over the term of the respective debt using the straight-line method. The District amortized \$560 for the years ended June 30, 2023 and 2022.

#### 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 and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to these assets.
- c. Unrestricted - Amounts not required to be reported in other components 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.

#### Special assessments

Special assessments are levied at the discretion of the Board of Directors. The assessments are approved by a vote of the landowners pursuant to the requirements of the California Constitution Article XIII.C and XIII.D.

(Continued)

# NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT

## Notes to Financial Statements

June 30, 2023

(with summarized comparative information for the year ended June 30, 2022)

### Note A - Summary of Significant Accounting Policies (Continued)

#### Capital assessments

Assessments collected from water users for the acquisition or construction of capital assets are recorded as capital assessments in the statement of revenues, expenses and changes in fund net position.

#### Water revenues

Water revenues result from fees charged by the District based upon actual usage. The District considers its water revenues earned when the District assesses its members for the water used.

#### Property taxes

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

#### Leases

The District has made an accounting policy election not to recognize right-of-use assets and lease liabilities that arise from short-term leases for any class of underlying asset. A short-term lease is a lease with a term of twelve months or less. Lease expense for such leases are recognized on a straight-line basis over the lease of the term.

#### 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. Actual results could differ from those estimates.

#### Comparative financial information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

# NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT

## Notes to Financial Statements

June 30, 2023

(with summarized comparative information for the year ended June 30, 2022)

### Note B - Cash and Investments

Cash and investments as of June 30, 2023 and 2022 are classified in the accompanying financial statements as follows:

	<u>2023</u>	<u>2022</u>
Statement of net position:		
Cash and investments	\$ 1,760,114	\$ 241,259
Cash and investments - restricted	<u>710,732</u>	<u>1,667,687</u>
Total cash and investments	<u>\$ 2,470,846</u>	<u>\$ 1,908,946</u>

Cash and investments as of June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Deposits with financial institutions	\$ 659,150	\$ 1,413,214
San Joaquin County Treasurer	1,663,817	172,049
Investments	<u>147,879</u>	<u>323,683</u>
	<u>\$ 2,470,846</u>	<u>\$ 1,908,946</u>

<u>Investment Type</u>	<u>Carrying value</u>	<u>Fair value</u>
San Joaquin County Treasurer	\$ 1,663,817	\$ 172,049
Money Market Accounts	<u>147,879</u>	<u>323,683</u>
	<u>\$ 1,811,696</u>	<u>\$ 495,732</u>

#### Deposit and Investment Policy

California statutes authorize special districts to invest idle, surplus, or reserve funds in a variety of credit instruments as provided for in the California Government Code, Section 53600. As specified in Government Code 53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling or managing the District's funds, the primary objectives, in priority order, of the District's investment activities and of the District's investment policy shall be (1) safety, (2) liquidity, and (3) yield. It is the policy of the District to invest public funds in a manner to obtain the highest return obtainable with the maximum security while meeting the daily cash flow demands of the District as long as investments meet the criteria established by this policy for safety and liquidity and conform to all laws governing the investment of District funds.

The District is provided a broad spectrum of eligible investments under California Government Code Sections 53600-53609 (authorized investments), 53630-53686 (deposits and collateral), and 16429.1 (Local Agency Investment Fund). The District may choose to restrict its permitted investments to a smaller list of securities that more closely fits the District's cash flow needs and requirements for liquidity. The table below identifies the investment types that are authorized for the District by the California Government Code, Section 53600 (or District's investment policy, where more restrictive) that address interest rate risk, credit risk and concentration of credit risk.

(Continued)

**NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT**

**Notes to Financial Statements**

June 30, 2023

(with summarized comparative information for the year ended June 30, 2022)

**Note B - Cash and Investments (Continued)**

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Bills, Notes, and Bonds	5 years	None	None
U.S. Government Agency Obligations	5 years	None	None
Repurchase Agreements	1 year	None	None
State Registered Warrants, Notes or Bonds	5 years	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	30%	10%
Time Deposits	1 year	30%	None
Medium Term Corporate Notes	3 years	30%	None
Mutual Funds	N/A	20%	10%
Bank Deposits	N/A	10%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None
Local Government Investment Pools	N/A	None	None
Capital Asset Management Program	N/A	10%	None

The District complied with the provisions of California Government Code (or the District's investment policy, where more restrictive) pertaining to the types of investments held, institutions in which deposits were made and security requirements. The District will continue to monitor compliance with applicable statuses pertaining to public deposits and investments. The District does not maintain a formal investment policy.

*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 matures or comes close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

(Continued)

**NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT**

**Notes to Financial Statements**

June 30, 2023

(with summarized comparative information for the year ended June 30, 2022)

**Note B - Cash and Investments (Continued)**

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment type</u>	<u>Total</u>	<u>Remaining maturity (in months)</u>					
		<u>12 months or less</u>	<u>13 - 24 months</u>	<u>25 - 36 months</u>	<u>37-48 months</u>	<u>49-60 months</u>	<u>More than 60 months</u>
San Joaquin County							
Treasurer	\$1,663,817	\$1,663,817	\$ -	\$ -	\$ -	\$ -	\$ -
Money Market							
Accounts	<u>147,879</u>	<u>147,879</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$1,811,696</u>	<u>\$1,811,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the District's investment policy, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>			
				<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
San Joaquin County							
Treasurer	\$ 1,663,817	N/A	\$ -	\$ -	\$ -	\$ -	\$ 1,663,817
Money Market							
Accounts	<u>147,879</u>	<u>N/A</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,879</u>
Total	<u>\$ 1,811,696</u>	<u>N/A</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,811,696</u>

Concentration of Credit Risk

The District had no investment policy limiting the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District has no investments in any one issuer (other than money market mutual funds and external investment pools) that represent 5% or more of total District investments.

(Continued)

# NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT

## Notes to Financial Statements

June 30, 2023

(with summarized comparative information for the year ended June 30, 2022)

### Note B - Cash and Investments (Continued)

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposit 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, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for 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 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.

As of June 30, 2023, the District's bank balance was \$958,008 and \$500,000 of that amount was insured by the Federal Deposit Insurance Corporation and collateralized as required by state law and the remaining amount of \$458,008 was secured by a pledge of securities by the financial institution.

#### Investment in External Investment Pool

The District's investment in the San Joaquin County investment pool is managed by the San Joaquin County Treasurer and is stated at fair value or amortized cost, which approximates fair value. Cash held by the San Joaquin County Treasury is pooled with other County deposits for investment purposes by the County Treasurer in accordance with the investment policy of the County Treasurer (see County Treasurer's investment policy at <http://www.sjgov.org/treasurer/>). The Pool has established a treasury oversight committee to monitor and review the management of public funds maintained by the Pool. Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed investment income. Investment income is prorated to individual funds based on their average daily cash balances. In accordance with applicable State laws, the San Joaquin County Treasurer may invest in derivative securities. However, at June 30, 2023, the San Joaquin County Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

(Continued)

# NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT

## Notes to Financial Statements

June 30, 2023

(with summarized comparative information for the year ended June 30, 2022)

### Note B - Cash and Investments (Continued)

#### Fair Value Hierarchy

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The District's investments in the money market accounts held with commercial banks are classified as Level 1. The District's investment in the County of San Joaquin Treasury Pool is classified as Level 2 and its value is based on the fair value factor provided by the Treasurer of the County of San Joaquin, which is calculated as the fair value divided by the amortized cost of the investment pool.

### Note C - Capital Assets

Capital asset activity for the year ended June 30, 2023 is as follows:

	<u>Balance</u>				<u>Balance</u>
	<u>July 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>June 30, 2023</u>
Non-depreciable capital assets					
Land	\$ -	\$ 386,167	\$ -	\$ -	\$ 386,167
Construction in progress	<u>1,692,469</u>	<u>2,267,405</u>	-	-	<u>3,959,874</u>
Total non-depreciable capital assets	<u>1,692,469</u>	<u>2,653,572</u>	-	-	<u>4,346,041</u>
Depreciable capital assets					
South System Pump Station Upgrade	3,077,345	-	-	-	3,077,345
Groundwater Recharge Project	2,102,171	-	-	-	2,102,171
Pumping plant	229,882	-	-	-	229,882
Pipeline system	1,010,899	85,675	-	-	1,096,574
Equipment	<u>8,394</u>	<u>10,990</u>	-	-	<u>19,384</u>
Total depreciable capital assets	6,428,691	96,665	-	-	6,525,356
Less accumulated depreciation	<u>(1,383,070)</u>	<u>(141,522)</u>	-	-	<u>(1,524,592)</u>
Total depreciable capital assets, net	<u>5,045,621</u>	<u>(44,857)</u>	-	-	<u>5,000,764</u>
Total capital assets, net	<u>\$ 6,738,090</u>	<u>\$ 2,608,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,346,805</u>

(Continued)

**NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT**

**Notes to Financial Statements**

June 30, 2023

(with summarized comparative information for the year ended June 30, 2022)

**Note C - Capital Assets (Continued)**

Capital asset activity for the year ended June 30, 2022 is as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2022</u>
Non-depreciable capital assets					
Construction in progress	\$ 1,103,671	\$ 621,968	\$ -	\$ (33,170)	\$ 1,692,469
Total non-depreciable capital assets	<u>1,103,671</u>	<u>621,968</u>	<u>-</u>	<u>(33,170)</u>	<u>1,692,469</u>
Depreciable capital assets					
South System Pump Station Upgrade	3,044,175	-	-	33,170	3,077,345
Groundwater Recharge Project	2,102,171	-	-	-	2,102,171
Pumping plant	229,882	-	-	-	229,882
Pipeline system	1,010,899	-	-	-	1,010,899
Equipment	<u>8,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,394</u>
Total depreciable capital assets	6,395,521	-	-	33,170	6,428,691
Less accumulated depreciation	<u>(1,241,547)</u>	<u>(141,523)</u>	<u>-</u>	<u>-</u>	<u>(1,383,070)</u>
Total depreciable capital assets, net	<u>5,153,974</u>	<u>(141,523)</u>	<u>-</u>	<u>33,170</u>	<u>5,045,621</u>
Total capital assets, net	<u>\$ 6,257,645</u>	<u>\$ 480,445</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,738,090</u>

**Note D - Long-Term Debt - Registered Warrants Payable**

The following is a summary of registered warrant transactions during the year ended June 30, 2023.

	<u>Balance</u> <u>July 1, 2022</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>June 30, 2023</u>
Registered warrants	\$ 950,767	\$ -	\$ (350,779)	\$ 599,988

(Continued)

**NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT**

**Notes to Financial Statements**

June 30, 2023

(with summarized comparative information for the year ended June 30, 2022)

**Note D - Long-Term Debt - Registered Warrants Payable (Continued)**

The following is a summary of registered warrant transactions during the year ended June 30, 2022.

	<u>Balance</u>		<u>Balance</u>
	<u>July 1, 2021</u>	<u>Issued</u>	<u>June 30, 2022</u>
Registered warrants	\$ 1,301,558	\$ _____ -	\$ (350,791)    \$ 950,767

Registered warrants payable outstanding as of June 30, 2023 are drawn in favor of Farmers & Merchants Bank as follows:

	<u>Warrant No.</u>	<u>Amount</u>	<u>Interest rate</u>	<u>Collateral</u>
Farmers & Merchants Bank	4 through 10	\$ 599,988	4.00% - 4.33%	Unsecured

Registered warrant debt service requirements to maturity are as follows:

<u>Year ending June 30,</u>	
2024	\$ 100,000
2025	100,000
2026	100,000
2027	100,000
2028	100,000
Thereafter	<u>99,988</u>
Total	<u>\$ 599,988</u>

**Note E - Joint Venture**

Eastern San Joaquin County Groundwater Basin Authority

The District is a member of the Eastern San Joaquin County Groundwater Basin Authority (the GBA). The GBA was established to collectively develop locally supported projects to strengthen water supply reliability in Eastern San Joaquin County. The District provided \$0 of funding to the GBA for the fiscal years ended June 30, 2023 and 2022, respectively. Financial statements for the GBA are available at the office of the Eastern San Joaquin County Groundwater Basin Authority.

Eastern San Joaquin Groundwater Authority

The District is a member of the Eastern San Joaquin Groundwater Authority (the Authority). The Authority was established to provide dynamic, cost-effective, flexible and collegial organization to ensure initial and ongoing “Sustainable Ground Management Act” (SGMA) compliance within the Basin. The District provided \$0 of funding to the Authority for the fiscal years ended June 30, 2023 and 2022, respectively. Financial Statements for the Authority are available at the office of the Eastern San Joaquin Groundwater Authority.

# NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT

## Notes to Financial Statements

June 30, 2023

(with summarized comparative information for the year ended June 30, 2022)

### Note F- Risk Management

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 pooled, self-insured programs for liability, property, worker's compensation and underground storage tank pollution liability coverage for member districts. The District currently participates in the JPIA's liability and property programs. The JPIA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPIA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board.

Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPIA. Management does not expect the District's share of surpluses and deficits, if any, to be material in relation to the financial statements.

Insurance coverage obtained through the JPIA is as follows:

<u>Coverage through Association of California Water Agencies Joint Powers Insurance Authority</u>	<u>Limits of liability</u>
Commercial general liability, automobile liability, and errors and omissions (pooled program)	
Self-insured retention-pooled liability	\$ 5,000,000
Commercial carriers - limit	55,000,000
Property and equipment (pooled program)	
Self-insured retention-pooled liability	10,000,000
Commercial carrier - limit	500,000,000
Fidelity and public employee dishonesty (pooled program)	
Self-insured retention-pooled liability	100,000
Cyber liability	
Self-insured retention-pooled liability	2,000,000

There have not been any significant reductions in insurance coverage compared to the prior year. Settlements have not exceeded the insurance coverage for the past three fiscal years.

# NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT

## Notes to Financial Statements

June 30, 2023

(with summarized comparative information for the year ended June 30, 2022)

### Note G - Governing Board

The powers of the District are exercised by a Board of Directors consisting of five directors, each elected for a term of four years by the qualified electors within the District. As of June 30, 2023, the members of the District's Board of Directors were as follows:

<u>Directors</u>	<u>Term expires</u>
Joe Valente	December 2024
Jason Colombini	December 2024
David Simpson	December 2026
Charles Starr	December 2026
Marden Wilbur	December 2026

### Note H - Contingencies and Commitments

The District is involved in litigation arising in the ordinary course of operations that, in the opinion of management, will not have a material effect on the financial condition of the District.

### Note I - Subsequent Events

#### Subsequent events

Management has evaluated events occurring subsequent to June 30, 2023 through March 4, 2026, the date on which the financial statements were available to be issued.

#### Credit facility

During October 2023, the District entered into a master agreement for the purchase/sale of warrants with Farmers & Merchants Bank of Central California (F&M Bank). F&M Bank agrees to purchase from the District from time to time but no later than October 30, 2025 up to \$1,500,000 of registered demand warrants from the District. The interest rate on the warrant purchases will be based on an adjustable interest rate equal to 1.00% below F&M Bank's base rate. All warrants sold and/or issued to F&M Bank shall be redeemed by F&M Bank and paid in full along with accrued interest on or before the earlier of four years from the date of each applicable warrant or October 30, 2029.

## **SUPPLEMENTARY INFORMATION**

**NORTH SAN JOAQUIN WATER CONSERVATION DISTRICT**

**Summaries of Operating Expenses**

June 30,

	<u>2023</u>	<u>2022</u>
<b>Pumping and pipeline maintenance</b>		
Utilities	\$ 25,650	\$ 6,943
Repairs and maintenance	<u>14,200</u>	<u>103</u>
	<u>39,850</u>	<u>7,046</u>
<b>General and administrative</b>		
Professional services	278,099	124,872
Legal and accounting	188,873	137,070
Engineering	126,625	96,625
Dues and subscriptions	41,437	6,340
Public outreach	19,844	19,758
County administrative charges	16,562	5,809
Advertisement	16,500	-
Insurance	13,077	6,044
Office expenses	12,573	2,841
Meetings	4,966	3,304
Telephone and internet	1,748	1,446
Website	1,600	1,875
Bank charges	-	140
Permits	-	2,279
Rent	<u>-</u>	<u>3,600</u>
	<u>721,904</u>	<u>412,003</u>
<b>Depreciation and amortization</b>	<u>142,082</u>	<u>142,083</u>
	<u>\$ 903,836</u>	<u>\$ 561,132</u>