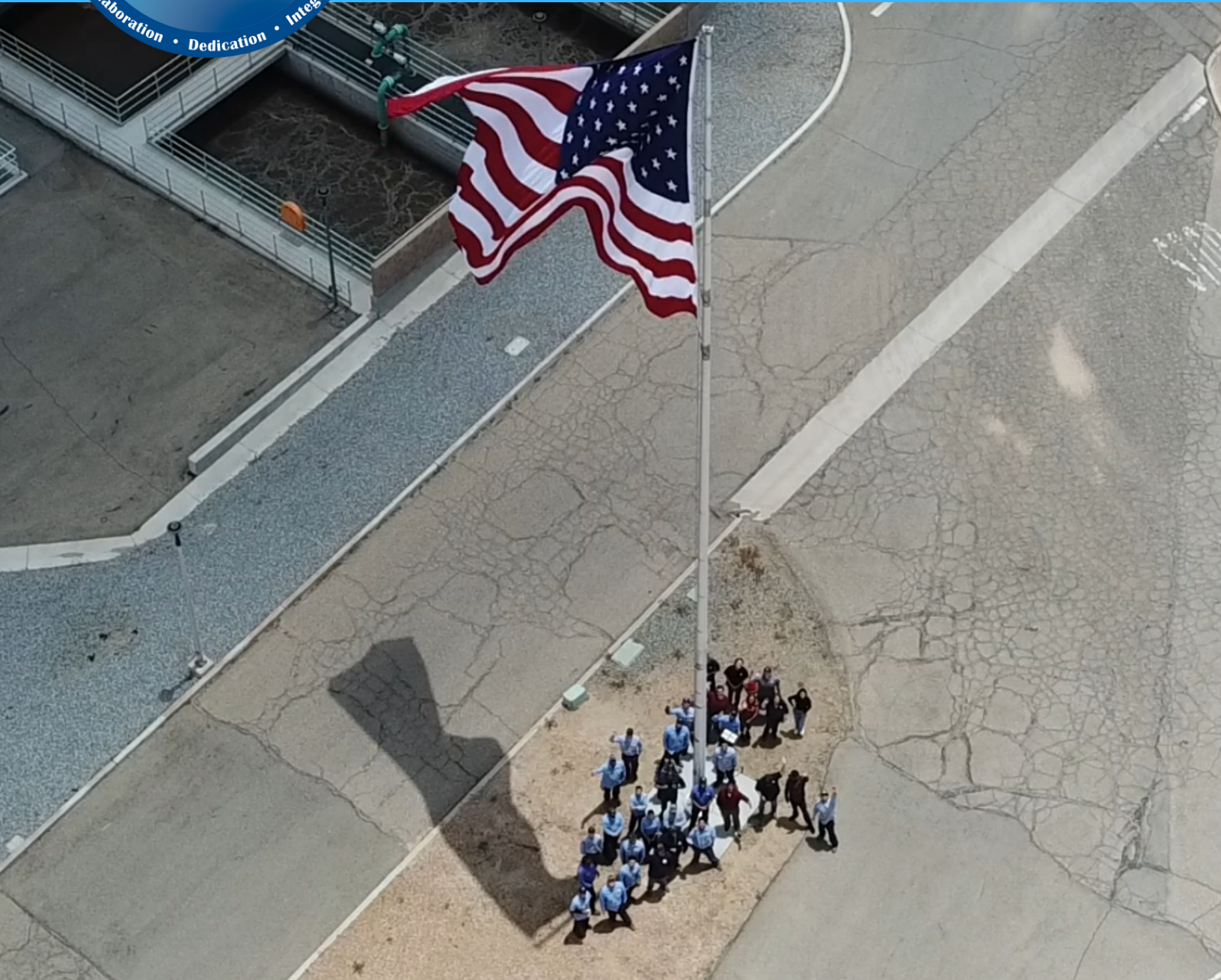


Victor Valley Wastewater Reclamation Authority
California

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2023



**Victor Valley Wastewater Reclamation Authority
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023**

Table of Contents (page 1 of 2)

	<u>Page No.</u>
Introductory Section	
Letter of Transmittal	i - v
Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting	vi
Board of Commissioners and Management	vii
The Mission of the Victor Valley Wastewater Reclamation Authority	viii
Organizational Chart	ix
Service Area Map	x
Financial Section	
Independent Auditor's Report	1 - 4
Management's Discussion and Analysis	5 - 11
Basic Financial Statements	
Statements of Net Position	12 - 13
Statements of Revenues, Expenses and Changes in Net Position	14
Statements of Cash Flows	15 - 16
Notes to the Financial Statements	17 - 52
Required Supplementary Information	
Schedules of Changes in the Total OPEB Liability and Related Ratios	53
Schedules of Proportionate Share of the Net Pension Liability and Related Ratios	54
Schedules of Pension Plan Contributions	55
Other Supplementary Information	
Schedules of Operating Expenses	56
Combining Schedule of Revenues, Expenses and Changes in Net Position	57

**Victor Valley Wastewater Reclamation Authority
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023**

Table of Contents (page 2 of 2)

	<u>Page No.</u>
Statistical Section	
Statistical Section Table of Contents	58
Net Position by Component	59
Changes in Net Position	60
Revenues by Source	61
Expenses by Function	62
Revenue Base	63
Principal Customers	64
Revenue Rate	65
Ratio of Outstanding Debt by Type	66
Demographic and Economic Statistics	67
Principal Employers	68
Investment in Capital Assets	69
Full-Time Equivalent Employees by Function	70
Operating and Capital Indicators (Facts and Figures)	71 - 78



Introduction Section

< Page Intentionally Left Blank >



Victor Valley Wastewater Reclamation Authority
A Joint Powers Authority and Public Agency of the State of California

20111 Shay Rd. Victorville, CA 92394
Telephone: (760) 246-8638
Fax: (760) 246-2898

December 20, 2023

To the Board of Commissioners and Member Agencies,

It is our pleasure to present the Victor Valley Wastewater Reclamation Authority's (the Authority) Annual Comprehensive Financial Report for the year ended June 30, 2023.

The report was prepared by the Authority's Finance Department following guidelines recommended by the Governmental Accounting Standards Board and generally accepted accounting principles (GAAP). Responsibility for the accuracy of the data presented, completeness and fairness of the presentation, including disclosures, rests with the Authority. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner to provide a fair presentation of the financial position and results of operations of the Authority. We believe all disclosures are necessary to enhance your understanding of the financial condition of the Authority.

The Authority's June 30, 2023, financial statements were audited by Vasquez & Company LLP, a firm of licensed Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Authority for the year ended June 30, 2023, are free from material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The auditors concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion that the Authority's financial statements for the year ended June 30, 2023, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section on this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is to complement the MD&A and should be read in conjunction with the MD&A. You will see the MD&A immediately following the independent auditor's report in the financial section.

Reporting Entity and Its Services

History

The Authority was originally formed by the Mojave Water Agency to help meet the requirements of the Federal Clean Water Act and provide wastewater treatment for the growing area. The original treatment plant, with supporting pipelines and infrastructure, began operating in 1981, providing tertiary level treatment for up to 4.5 million gallons per day.

The Authority is a Joint Power public agency of the State of California. Over the years, the Authority has completed treatment plant upgrades and several capacity increases, such as construction of two water reclamation plants (sub-regional plants), one in the Town of Apple Valley and another in the City of Hesperia. The regional and sub-regional treatment plants will treat all flow to a tertiary level as recycled water for reuse. At the date of this letter, a majority of the recycled water is discharged into the Mojave River Basin and a smaller amount is currently used to irrigate landscaping at the regional plant and the nearby Victorville power plant. To meet strong demands from the service areas, the agency has funded various capital and major repair projects.

Governance

The Joint Power is a quasi-governmental agency of the State of California. The Public Utilities Commission does not regulate this agency but rather a Board of four Commissioners governs the agency. The Board members are publicly elected for a four-year term from each Member Agency. A joint power agreement binds the Authority's affairs between the Authority and member local government agencies consisting of the City of Victorville, City of Hesperia, Town of Apple Valley, and County of San Bernardino Special District, specifically Service Areas No. 42 (Oro Grande) and No. 64 (Spring Valley Lake) for the purpose of construction, operation, and maintenance of sewer treatment facilities within these service areas. The General Manager is responsible for carrying out the policies and ordinances of the Board and for overseeing the day-to-day operations of the Authority.

Mission

The Authority's mission statement is:

VVWRA is committed to protecting public health and the environment in the Victor Valley by providing effective and fiscally responsible wastewater collection, treatment and recycling.

To build on the mission statement, the Authority has also established a set of three core values;

- Collaboration
- Dedication
- Integrity

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when considered from the broader perspective of the specific environment within which the Authority operates that have been impacted by the local economy.

Local Economy

A significant portion of the local economy depends on affordable housing, which will entice commuters to the High Desert. Dwindling housing development has impacted new applications to connect to the sewer system that caused a drastic reduction in connection fees over the past several years.

In order to invite businesses and commuters to the High Desert, various projects have been completed. Notable future projects include the undeveloped industrial zone in the Town of Apple Valley and a large residential project in southern Hesperia named the Silverwood Project. These projects will require wastewater treatment and will likely impact the overall VVWRA treatment capacity over the next 5 to ten years. The scarcity of water and the constant threat of drought are moving our member agencies to put a higher priority on recycled water and VVWRA is working to meet that need by identifying future projects that will enhance the delivery of recycled water.

Inter-Agency Cooperation

Now that agreements are in place with regards to member agency's ability to hold connection fees the VVWRA staff is now focused on finalizing the conditions for an industrial wastewater permit with the City of Victorville to operate the Industrial wastewater treatment plant in better collaboration with VVWRA operations. The new connection fee agreement and this new permit contain specific points that will need to be inserted into a new JPA agreement that will take these new conditions into consideration which will then need to be reviewed and approved by all VVWRA member agencies.

Major Initiatives

The Authority has continued to ramp up the recycled water production of the sub-regional plants during the year ended June 30, 2023.

The Hesperia sub-regional facility delivers almost 500 thousand gallons of recycled water per day to the City for irrigation purposes and parks and the golf course. The Apple Valley sub-regional facility is producing almost 250 thousand gallons per day, but full usage of that water by the Town is still being developed. These sub-regional plants not only reduce the overall load on the collection system but generate recycled water that is a valuable and increasingly



ADM Receiving Area

important water resource to sustain the growth in the community, businesses, and industries.

The Authority continued to improve and expand on our Renewable Natural Gas (RNG) project with Southern California Biomethane, LLC, a sub-division of Anaergia, a Canadian corporation to generate natural gas from bio-solids that the Authority generates as byproducts of wastewater processing. The project was commissioned in January 2022. Since that date both VVWRA and SoCal Biomethane have solicited and won operational grants to enhance the project operations from the CDC and CalRecycle. Both grants totaled over 4.5 million dollars in funds to improve operations without any matching funds from VVWRA. The RNG project is currently taking in over 60 thousand gallons of food waste 6 days a week which is generating 320,000 MMBTU natural gas per year. This RNG is then put on the natural gas grid where an investment group is buying the gas and turning it into hydrogen which can be used as an alternative fuel source. The project has won several awards across the globe and locally for its success in reducing greenhouse gas emissions.

Relevant Financial Policies

The Authority has formally adopted the following financial policies:

Reserve Policy

The reserve policy requires the Authority have a minimum level of operating cash reserves throughout the year. That minimum level is set at 1 million dollars for operations and unforeseen maintenance expenses. These reserves have been established to meet daily operational needs. The reserve policy guidelines enable restricted funds other than the operating fund to be set aside to address future infrastructure needs, replacement of aging facilities and to cope with unexpected emergency occurrences. These reserves are critical to the Authority's financial strength.



VVWRA Regional Facility

Investment Policy

The Investment Policy establishes guidelines for the investment of available funds. The Investment Policy incorporates the Prudent Investor Standards. The primary objectives of the Authority's investment activities are, in a priority order: 1) safety, 2) liquidity, and 3) yield. The Authority's funds are invested in a variety of investments, in accordance with California government code as described in Note (2) of the Notes to the Financial Statements. The Authority minimizes interest rate risk by investing a greater portion of its funds in short term investments and minimizes credit risk by investing a majority of its funds in the highest rated investments or in diversified investment pools.

Accounting

The Finance Department is responsible for providing financial services for the Authority, including budgeting, financial accounting, reporting, payroll, accounts receivable and payable, custody and investment of funds, billing and collection of wastewater charges and permits. The Authority accounts for its activities as an enterprise fund and prepares its financial statements on the accrual basis of accounting, under which revenues are recognized when earned and expenses are recorded when incurred. It is the intent of the Board of Commissioners to manage the Authority's operations as a business, matching revenues against the costs of providing the services.

Internal Controls

The Authority operates based on a system of internal accounting controls designed to provide reasonable assurance that assets are adequately safeguarded, and transactions are recorded in conformity with the Authority policies and procedures. The management implements and maintains the controls for which its value of the benefits exceeds the costs. Recent audits have not noted any material weaknesses in internal controls.

Budgetary Controls


Although the Authority is not legally required to adopt and adhere to a budget, the Board of Commissioners has chosen to approve an annual budget as a management tool. The budget is developed with input from the various departments of the Authority and adopted prior to the start of each fiscal year.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Victor Valley Wastewater Reclamation Authority for its annual comprehensive financial report (ACFR) for the year ended June 30, 2022. The Authority has won this prestigious award consecutively since June 30, 2010. In order to be awarded a Certificate of Achievement, a governmental agency must publish an easily readable and efficiently organized ACFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. The Certificate of Achievement is valid for a period of one year. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate for the year ended June 30, 2023.

Preparation of this report was accomplished by the combined efforts of the Finance Department staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the Authority and thank the independent accounting firm for the effort to prepare the report. We also thank the members of the Board of Commissioners for their continued interest and support in the planning and implementation of the financial management.

Respectfully submitted,

A handwritten signature in black ink that reads "Darron Poulsen". The signature is written in a cursive, flowing style.

Darron Poulsen
General Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Victor Valley Wastewater Reclamation Authority
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

Victor Valley Wastewater Reclamation Authority

Board of Commissioners and Management

As of June 30, 2023

Board of Commissioners 2023

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Member Agency</u>
Scott Nassif	Chair	Appointed	Town of Apple Valley
Debra Jones	Vice-Chair	Appointed	City of Victorville
Larry Bird	Secretary	Appointed	City of Hesperia
Dakota Higgins	Treasurer	Appointed	County of San Bernardino, Special Districts

20111 Shay Road
Victorville, California 92394
(760) 246-8638
www.vvwra.com



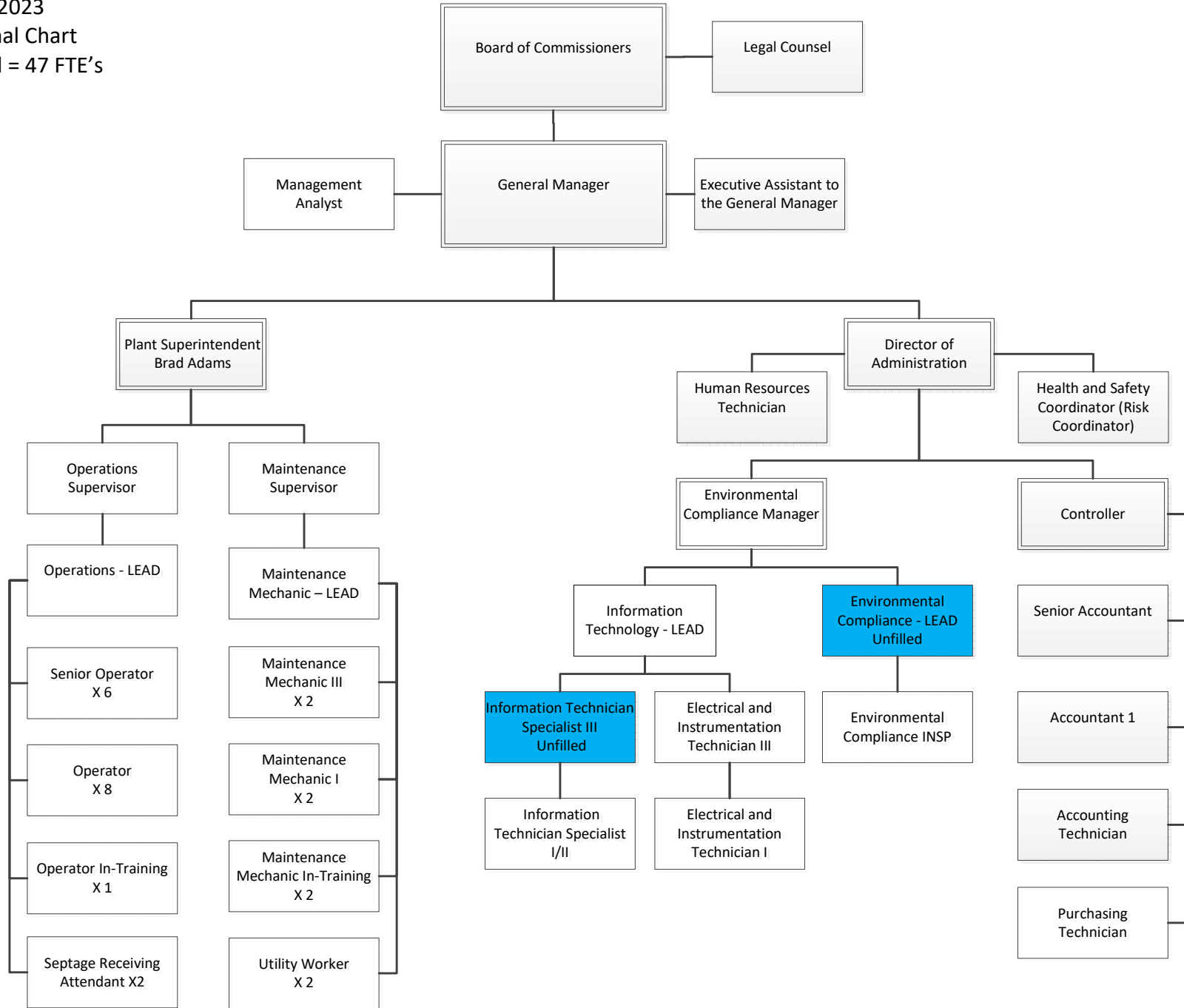
VWRA's mission statement:

VWRA is committed to protecting public health and the environment in the Victor Valley by providing effective and fiscally responsible wastewater collection, treatment, and recycling.

Our core values:

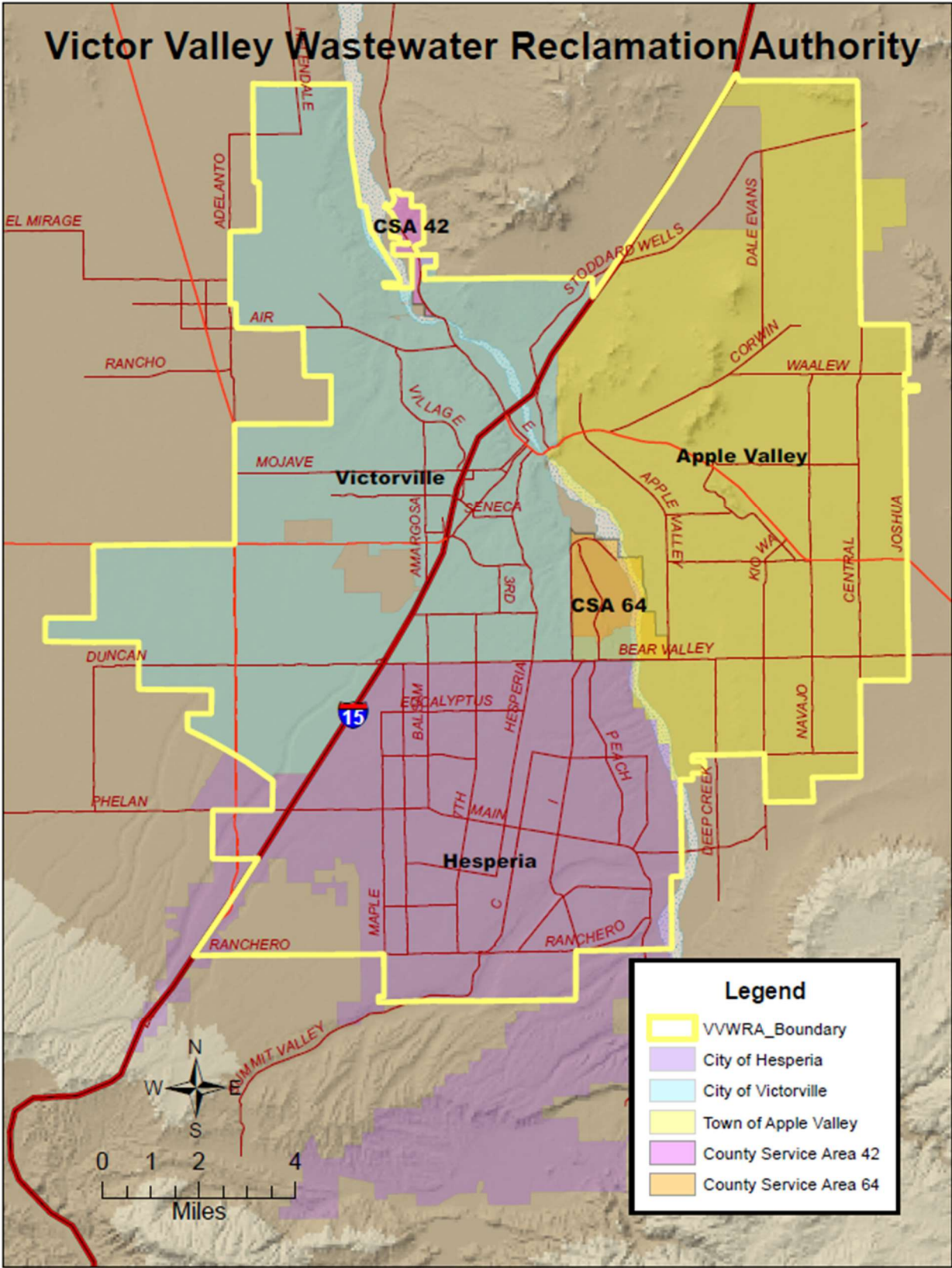
- ***Collaboration...working together towards a common goal.***
 - ***Dedication...devoting self to a particular purpose.***
- ***Integrity...the quality of being honest and adhering to ethical values.***

FY 2022/2023
 Organizational Chart
 Employee Total = 47 FTE's



Victor Valley Wastewater Reclamation Authority

Service Area Map





Financial Section

< Page Intentionally Left Blank >



Victor Valley Wastewater Reclamation Authority
Audited Financial Statements
As of and for the Year Ended June 30, 2023
With Independent Auditor's Report

Victor Valley Wastewater Reclamation Authority
Audited Financial Statements
As of and for the Year Ended June 30, 2023
With Independent Auditor's Report



655 N. Central Avenue
Suite 1550
Glendale, CA 91203

www.vasquez.cpa

213-873-1700
OFFICE

- \\ LOS ANGELES
- \\ SAN DIEGO
- \\ IRVINE
- \\ SACRAMENTO
- \\ FRESNO
- \\ PHOENIX
- \\ LAS VEGAS
- \\ MANILA, PH

Independent Auditor's Report

To the Board of Commissioners
Victor Valley Wastewater Reclamation Authority
Victorville, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Victor Valley Wastewater Reclamation Authority (Authority), which comprise the statement of net position as of June 30, 2023, the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2023, and the changes in its net position, and its cash flows for the year 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 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 the Authority 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.

Emphasis of Matter

We draw attention to Notes 1 and 11 which describe that the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which became effective during the year ended June 30, 2023. Our opinion is not modified with respect to this matter.



Management's Responsibility for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 Authority's ability to continue as a going concern for a reasonable period of time.

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



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11, the Schedules of Changes in the Total OPEB Liability and Related Ratios on page 53, and the Schedules of the Pension Plan's Proportionate Share of the Net Pension Liability and Related Ratios and Pension Plan Contributions on pages 54 through 55 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 GAAS, 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 the Authority's basic financial statements. The supplementary schedules of operating expenses, and the combining schedule of revenues, expenses and changes in net position, are presented for purposes of additional analysis and are not required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 GAAS. In our opinion, the supplementary schedules of operating expenses and the combining schedule of revenues, expenses and changes in net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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



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

Vaquer & Company LLP

**Glendale, California
December 20, 2023**

**Victor Valley Wastewater Reclamation Authority
Management's Discussion and Analysis
Year ended June 30, 2023**

As management of Victor Valley Wastewater Reclamation Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the preceding Independent Auditor's Report, the accompanying basic financial statements, and notes to the financial statements.

Financial Highlights

- In fiscal year 2023, the Authority's net position decreased by 2.8% or \$2,876,782 to \$100,631,001; primarily due to a loss of \$6,031,272 from ongoing operations (including the effect of \$11,555,695 in depreciation expense), offset by \$3,154,490 in capital contributions.
- In fiscal year 2023, the Authority's operating revenues increased by 12.4% or \$2,492,211 to \$22,526,945.
- In fiscal year 2023, the Authority's operating expenses decreased by 0.8%, or \$224,915 to \$28,001,843.

Required Financial Statements

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

The Statement of Net Position includes all the Authority's investments in resources (assets) and deferred outflows of resources and the obligations to creditors (liabilities) and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority. All the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine if the Authority has successfully recovered all its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the Authority's cash receipts and cash payments during the reporting period.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Authority

One of the most important questions asked about the Authority's finances is, "Is the Authority better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position information helps answer this question.

**Victor Valley Wastewater Reclamation Authority
Management's Discussion and Analysis
Year ended June 30, 2023**

Financial Analysis of the Authority (Continued)

These statements include all assets, deferred outflows of resources, and liabilities, deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Authority's net position and its changes. One can think of the Authority's net position – the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation or accounting standards, as well as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

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

AUTHORITY FINANCIAL STATEMENTS

Statement of Net Position

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 22,289,400	\$ 20,512,265	\$ 1,777,135	9%
Non-current assets	1,485,081	2,048,505	(563,424)	(28%)
Capital asset, net	158,283,089	166,028,401	(7,745,312)	(5%)
Total assets	<u>182,057,570</u>	<u>188,589,171</u>	<u>(6,531,601)</u>	<u>(3%)</u>
Deferred outflows of resources	<u>3,908,264</u>	<u>2,211,162</u>	<u>1,697,102</u>	<u>77%</u>
Current liabilities	6,157,049	5,354,414	802,635	15%
Non-current liabilities	76,459,700	76,593,790	(134,090)	(0%)
Total liabilities	<u>82,616,749</u>	<u>81,948,204</u>	<u>668,545</u>	<u>1%</u>
Deferred inflows of resources	<u>2,718,084</u>	<u>5,344,346</u>	<u>(2,626,262)</u>	<u>(49%)</u>
Net investment in capital assets	88,906,350	93,694,268	(4,787,918)	(5%)
Restricted	4,302,942	4,302,942	-	0%
Unrestricted	7,421,709	5,510,573	1,911,136	35%
Total net position	<u>\$ 100,631,001</u>	<u>\$ 103,507,783</u>	<u>\$ (2,876,782)</u>	<u>(3%)</u>

**Victor Valley Wastewater Reclamation Authority
Management's Discussion and Analysis
Year ended June 30, 2023**

AUTHORITY FINANCIAL STATEMENTS (CONTINUED)

Statement of Net Position (Continued)

As noted earlier, net position may serve over time as a useful indicator of an organization's financial position. The assets and deferred outflows of the Authority exceeded liabilities and deferred inflows by \$100,631,001 as of June 30, 2023.

By far the largest portion of the Authority's net position (88% as of June 30, 2023) reflects the Authority's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to customers within the Authority's service areas.

At the end of fiscal year 2023, the Authority showed a balance in its unrestricted net position of \$7,421,709. See Note 15 for further discussion.

Statement of Revenues, Expenses and Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Operating revenues	\$ 22,526,945	\$ 20,034,734	\$ 2,492,211	12%
Non-operating revenues	389,738	230,184	159,554	69%
Total revenues	<u>22,916,683</u>	<u>20,264,918</u>	<u>2,651,765</u>	<u>13%</u>
Expenses				
Operating expenses	16,446,148	16,899,732	(453,584)	(3%)
Depreciation	11,555,695	11,327,026	228,669	2%
Non-operating expenses	946,112	1,219,005	(272,893)	(22%)
Total expenses	<u>28,947,955</u>	<u>29,445,763</u>	<u>(497,808)</u>	<u>(2%)</u>
Net loss before capital contributions	<u>(6,031,272)</u>	<u>(9,180,845)</u>	<u>3,149,573</u>	<u>(34%)</u>
Capital contribution				
Capital grants - CALRecycle	699,150	-	699,150	0%
Connections fees	2,455,340	2,635,922	(180,582)	(7%)
Total capital contributions	<u>3,154,490</u>	<u>2,635,922</u>	<u>518,568</u>	<u>20%</u>
Change in net position	(2,876,782)	(6,544,923)	3,668,141	(56%)
Net position, beginning of year	<u>103,507,783</u>	<u>110,052,706</u>	<u>(6,544,923)</u>	<u>(6%)</u>
Net position, end of year \$	<u>\$ 100,631,001</u>	<u>\$ 103,507,783</u>	<u>\$ (2,876,782)</u>	<u>(3%)</u>

The statement of revenues, expenses and changes in net position shows how the Authority's net position changed during the fiscal year. The Authority's net position decreased by 2.8% or \$2,876,782 to \$100,631,001 in fiscal year 2023, due to a loss of \$6,031,272 from ongoing operations (including the effect of \$11,555,695 in depreciation expense), offset by \$3,154,490 in capital contributions.

The Authority's total revenues (before capital contributions) increased by 13.1% or \$2,651,765 in fiscal year 2023, due primarily to an increase of \$2,492,211 in operating revenues and \$159,554 in non-operating revenues.

**Victor Valley Wastewater Reclamation Authority
Management's Discussion and Analysis
Year ended June 30, 2023**

AUTHORITY FINANCIAL STATEMENTS (CONTINUED)

Statement of Revenues, Expenses and Changes in Net Position (Continued)

The Authority's total expenses decreased by 1.7% or \$497,808 in fiscal year 2023 due primarily to decrease of \$453,584 in operating expenses (i.e., all operating expense items excluding depreciation and amortization) and \$272,893 in non-operating expenses, offset by an increase of \$228,669 in depreciation expense.

Revenues

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Operating revenues				
Wastewater service charges	\$ 20,784,188	\$ 18,939,509	\$ 1,844,679	10%
Septage receiving facility fees	912,752	870,748	42,004	5%
ADM-FOG tipping fees	773,982	166,202	607,780	366%
Pretreatment permit fees	56,023	58,275	(2,252)	(4%)
Total operating revenues	<u>22,526,945</u>	<u>20,034,734</u>	<u>2,492,211</u>	<u>12%</u>
Non-operating revenues				
Investment earnings	259,993	-	259,993	0%
Gain on disposal of capital assets	-	81,358	(81,358)	(100%)
Other revenues	129,745	148,826	(19,081)	(13%)
Total non-operating revenues	<u>389,738</u>	<u>230,184</u>	<u>159,554</u>	<u>69%</u>
Capital contribution				
Capital grants - CALRecycle	699,150	-	699,150	0%
Connections fees	2,455,340	2,635,922	(180,582)	(7%)
Total capital contributions	<u>3,154,490</u>	<u>2,635,922</u>	<u>518,568</u>	<u>20%</u>
Total revenues \$	<u>\$ 26,071,173</u>	<u>\$ 22,900,840</u>	<u>\$ 3,170,333</u>	<u>14%</u>

A closer examination of the Authority's revenues reveals that:

In 2023, the Authority's total revenues (including capital contributions) increased by 13.8% or \$3,170,333 to \$26,071,173. The Authority's operating revenues increased by 12.4% or \$2,492,211 to \$22,526,945, due to increases of \$1,844,679 in wastewater service charges, \$42,004 in septage receiving facility fees, \$607,780 in ADM-FOG tipping fees but had a decrease of \$2,252 in pretreatment permit fees.

In 2023, the Authority's non-operating revenues increased by 69.3%, or \$159,554 to \$389,738, due to an increase of \$259,993 in investment earnings but decreases of \$19,081 in other revenues and \$81,358 in gain on disposal of capital assets.

In 2023, the Authority's capital contributions increased by 19.7% or \$518,568 to \$3,154,490, due to an increase of \$699,150 in capital grants and a decrease of \$180,582 in connection fees.

**Victor Valley Wastewater Reclamation Authority
Management's Discussion and Analysis
Year ended June 30, 2023**

AUTHORITY FINANCIAL STATEMENTS (CONTINUED)

Expenses

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Operating expenses				
Salaries and benefits	\$ 5,918,603	\$ 7,522,816	\$ (1,604,213)	(21%)
Maintenance	3,147,505	2,481,215	666,290	27%
Operations	4,535,689	3,971,404	564,285	14%
General and administration	2,844,351	2,924,297	(79,946)	(3%)
Depreciation and amortization	11,555,695	11,327,026	228,669	2%
Total operating expenses	<u>28,001,843</u>	<u>28,226,758</u>	<u>(224,915)</u>	<u>(1%)</u>
Non-operating expenses				
Loss on investments	-	215,982	(215,982)	(100%)
Interest expense	934,450	1,003,023	(68,573)	(7%)
Loss on disposal of capital assets	11,662	-	11,662	0%
Total non-operating expenses	<u>946,112</u>	<u>1,219,005</u>	<u>(272,893)</u>	<u>(22%)</u>
Total expenses \$	<u>\$ 28,947,955</u>	<u>\$ 29,445,763</u>	<u>\$ (497,808)</u>	<u>(2%)</u>

A closer examination of the Authority's expenses reveals that:

In 2023, the Authority's total expenses decreased by 1.7% or \$497,808 to \$28,947,955. The Authority's operating expenses (including depreciation) decreased by 0.8%, or \$224,915, primarily due to decreases of \$1,604,213 in salaries and benefits expense and \$79,946 in general and administration expenses, but increases of \$666,290 in maintenance expense, \$564,285 in operations expense, and \$228,669 in depreciation expense as compared to the prior year.

In 2023, the Authority's non-operating expenses decreased by 22.4%, or \$272,893 to \$946,112, due to an increase of \$11,662 in loss on disposal of capital assets, which were offset by decreases of \$215,982 in loss on investments and \$68,573 in interest expense.

Capital Asset Administration

Changes in capital assets amounts for 2023 were as follows:

	<u>2022</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>2023</u>
Capital assets				
Non-depreciable assets	\$ 2,965,650	\$ 2,844,165	\$ (1,780,522)	4,029,293
Depreciable assets	304,704,809	2,758,403	(42,578)	307,420,634
Capital assets, gross	<u>307,670,459</u>	<u>5,602,568</u>	<u>(1,823,100)</u>	<u>311,449,927</u>
Less: Accumulated depreciation	<u>(141,642,058)</u>	<u>(11,555,695)</u>	<u>30,915</u>	<u>(153,166,838)</u>
Capital assets, net \$	<u>\$ 166,028,401</u>	<u>\$ (5,953,127)</u>	<u>\$ (1,792,185)</u>	<u>158,283,089</u>

AUTHORITY FINANCIAL STATEMENTS (CONTINUED)

Capital Asset Administration (Continued)

At the end of fiscal year 2023, the Authority's investment in capital assets amounted to \$158,283,089 (net of accumulated depreciation). This investment in capital assets includes land improvements, sewer collection and pipeline system, buildings and structures, equipment, vehicles, and construction in progress, etc.

In 2023, construction in progress increased by \$1,063,643, due primarily to CalRecycle grant and interceptor capacity upgrade project.

In 2023, the Authority had three capital asset addition sourcing from construction in progress. Major additions outside of construction-in progress were \$362,059 to plant and building, \$16,565 to trucks and autos, \$470,343 to right-to-use lease assets and \$128,915 in subscription IT assets and disposals of \$42,578 from plant and building. See Note 8 for more details related to capital assets.

Debt Administration

Changes in long-term debt amounts for 2023 were as follows:

	2022	Additions	Disposals/ Transfers	2023
Long-term debt				
Lease payable	\$ 332,154	\$ -	\$ (151,293)	\$ 180,861
Loans payable	72,001,979	470,343	(3,371,095)	69,101,227
Total long-term debt	\$ 72,334,133	\$ 470,343	\$ (3,522,388)	\$ 69,282,088

The Authority has seven State Revolving Fund loans from the State Water Resources Control Board, a loan from Flagstar Bank for purchase acquisition and two lease payables. The loans are for the purpose of financing construction-related costs for the 11.0 MGD Expansion Project, the North Apple Valley Interceptor, the Phase III-A Facility, the Subregional Wastewater Reclamation Plants in Hesperia, and Apple Valley, the Upper Narrows Pipeline Replacement Project, the Nanticoke Gravity Interceptor Project. The Authority has entered into a loan purchase agreement for Vactor truck that will mature in August of 2027. The Authority has two leases: one for the financing of a Brown Bear tractor for use in day-to-day operations which matured August of 2022, and the second for a fleet of 12 vehicles. These low interest loans and lease are payable in 6 to 30 annual payments maturing in fiscal years 2023 through 2048. Additional information regarding long-term debt is in Notes 10 & 12 of the Notes to Financial Statements.

The lease payable for purposes of debt administration calculation excludes the lease payable related to leased vehicles.

AUTHORITY FINANCIAL STATEMENTS (CONTINUED)

Conditions Affecting Current Financial Position

The Authority is continuing to work closely with the four Member Agencies and has completed a long-term financial plan which includes the Capital Improvement Plan and the associated funding. The financial plan includes debt financing as an element to upgrade the facilities that will benefit the residents of the communities served, thus allowing the Authority to continue its mission to maintain the environment and provide professional, competent wastewater treatment, reclamation, recycling, and reuse.

The COVID-19 pandemic in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the Authority and the duration cannot be estimated at this time.

At June 30, 2023, management is unaware of any other conditions, beyond the aforementioned, which could have a significant impact on the Authority's current financial position, net position or operating results based on past, present and future events.

Requests for Information

This financial report is designed to provide the Authority's funding sources, customers, stakeholders, and other interested parties with an overview of the Authority's financial operations and financial condition. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the Authority's Finance Department at 20111 Shay Road, Victorville, California 92394.

< Page Intentionally Left Blank >

BASIC FINANCIAL STATEMENTS

Victor Valley Wastewater Reclamation Authority
Statement of Net Position
June 30, 2023

ASSETS

Current assets

Cash and cash equivalents (note 2)	\$	10,232,553
Restricted investments (note 2)		4,302,942
Interest receivable		7,048
Accounts receivable, net		733,541
Accounts receivable - due from member agencies (note 3)		5,532,280
Accounts receivable - other (note 4)		14,053
Accounts receivable - grants		699,150
Materials and supplies inventory		24,611
Prepaid expenses and other deposits		167,421
Long-term receivables - due within one year:		
Notes receivable, net (note 5)		15,801
Settlement receivable (note 6)		440,000
Lease receivable (note 7)		120,000
		22,289,400

Total current assets 22,289,400

Non-current assets

Capital assets not being depreciated and amortized (note 8)		4,029,293
Capital assets being depreciated and amortized, net (note 8)		154,253,796
Long-term receivables - due in more than one year:		
Notes receivable, net (note 5)		167,020
Settlement receivable (note 6)		430,056
Lease receivable (note 7)		888,005
		159,768,170

Total noncurrent assets 159,768,170

Total assets 182,057,570

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to OPEB (note 13)		631,848
Deferred outflows of resources related to pension (note 14)		3,276,416
		3,908,264

Total deferred outflows of resources 3,908,264

Total assets and deferred outflows of resources **\$ 185,965,834**

(continued on the next page)

Victor Valley Wastewater Reclamation Authority
Statement of Net Position
June 30, 2023

LIABILITIES

Current liabilities

Accounts payable and accrued expenses	\$	2,023,766
Accrued interest on long-term debt		205,567
Accrued wages and related payables		158,480
Contract retention payable		2,784
Long-term liabilities - due within one year:		
Compensated absences (note 9)		102,086
Lease payable (note 10)		106,456
Subscriptions payable (note 11)		31,150
Loans payable (note 12)		3,526,760
Total current liabilities		6,157,049

Non-current liabilities

Long term liabilities - due in more than one year:		
Compensated absences (note 9)		306,258
Lease payable (note 10)		74,405
Subscriptions payable (note 11)		63,501
Loans payable (note 12)		65,574,467
Net OPEB liability (note 13)		2,974,473
Net pension liability (note 14)		7,466,596
Total noncurrent liabilities		76,459,700
Total liabilities		82,616,749

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to OPEB (note 13)		1,056,204
Deferred inflows of resources related to pension (note 14)		782,608
Deferred inflows of resources related to leases (note 7)		879,272
Total deferred inflows of resources		2,718,084

NET POSITION (Note 15)

Net investment in capital assets		88,906,350
Restricted for debt service		4,302,942
Unrestricted		7,421,709
Total net position		100,631,001

Total liabilities, deferred inflows of resources, and net position	\$	185,965,834
---	-----------	--------------------

See notes to the basic financial statements.

Victor Valley Wastewater Reclamation Authority
Statement of Revenues, Expenses and Change in Net Position
Year Ended June 30, 2023

Operating Revenues	
Wastewater service charges	\$ 20,784,188
Septage receiving facility fees	912,752
ADM-FOG tipping fees	773,982
Pretreatment permit fees	56,023
Total operating revenues	<u>22,526,945</u>
Operating Expenses	
Salaries and benefits	5,918,603
Maintenance	3,147,505
Operations	4,535,689
General and administration	2,844,351
Total operating expenses	<u>16,446,148</u>
Operating income before depreciation expense	6,080,797
Depreciation and amortization	<u>(11,555,695)</u>
Operating loss	<u>(5,474,898)</u>
Non-operating revenues (expenses)	
Investment earnings	259,993
Interest expense	(934,450)
Loss on disposal of capital assets	(11,662)
Other, net	129,745
Non-operating revenues (expenses), net	<u>(556,374)</u>
Net loss before capital contributions	<u>(6,031,272)</u>
Capital contributions	
Capital grants - CalRecycle	699,150
Connection fees	2,455,340
Total capital contributions	<u>3,154,490</u>
Change in net position	(2,876,782)
Net position	
Net position, at beginning of year	<u>103,507,783</u>
Net position, at end of year	<u><u>\$ 100,631,001</u></u>

See notes to the basic financial statements.

Victor Valley Wastewater Reclamation Authority
Statement of Cash Flows
Year Ended June 30, 2023

Cash flows from operating activities

Cash receipts from customers	\$ 22,132,585
Cash receipts from settlement	435,028
Cash paid to employees for salaries and wages	(7,159,765)
Cash paid to vendors and suppliers for materials and services	<u>(9,837,533)</u>
Net cash provided by operating activities	<u>5,570,315</u>

Cash flows from capital and related financing activities

Acquisition and construction of capital assets	(3,233,853)
Proceeds from connection fees	2,455,340
Proceeds from lease	120,000
Principal paid for lease	(151,293)
Principal paid for subscription	(23,198)
Principal paid for long-term debt	(3,371,095)
Interest paid for long-term debt	<u>(950,590)</u>
Net cash used in capital and related financing activities	<u>(5,154,689)</u>

Cash flows from investing activities

Investment earnings	<u>254,642</u>
Cash provided by investing activities	<u>254,642</u>
Net increase in cash and cash equivalents	670,268
Cash and cash equivalents, beginning of year	<u>13,865,227</u>
Cash and cash equivalents, end of year	<u>\$ 14,535,495</u>

Reconciliation of cash and cash equivalents to the statement of net position

Cash and cash equivalents	\$ 10,232,553
Restricted investments	<u>4,302,942</u>
Total cash and cash equivalents	<u>\$ 14,535,495</u>

(continued to the next page)

See notes to the basic financial statements.

Victor Valley Wastewater Reclamation Authority
Statement of Cash Flows
Year Ended June 30, 2023

Reconciliation of operating loss to net cash provided by Operating Activities

Operating loss	\$	(5,474,898)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization		11,555,695
Other non-operating expenses		23,832
Decrease (increase) in assets:		
Accounts receivable		(427,521)
Accounts receivable - due from member agencies		(66,546)
Accounts receivable - other		(1,361)
Settlement receivable		435,028
Notes receivable, net		7,813
Materials and supplies inventory		(2,750)
Prepaid expenses and other deposits		101,791
Deferred outflows of resources related to OPEB		198,952
Deferred outflows of resources related to pension		(1,896,054)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses		660,249
Contract retention payable		145
Accrued wages and related payables		16,573
Compensated absences		(22,267)
Net other post-employment benefits liability		(388,273)
Net pension liability		3,370,256
Deferred inflows of resources related to OPEB		362,783
Deferred inflows of resources related to pension		(2,883,132)
Net cash provided by operating activities	\$	<u><u>5,570,315</u></u>
Non-cash investing, capital and financing transactions		
Change in fair value of funds deposited with LAIF	\$	<u>13,619</u>
Capital grants - CalRecycle	\$	<u><u>(699,150)</u></u>

See notes to the basic financial statements.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations of the Reporting Entity

The Victor Valley Wastewater Reclamation Authority (the Authority) was formed on December 13, 1977, under a joint powers agreement between local governments and special district consisting of the City of Victorville, the City of Hesperia, the Town of Apple Valley, and the County of San Bernardino Service Areas No. 42 (Oro Grande) and No. 64 (Spring Valley Lake) for the purpose of construction, operation, and maintenance of sewer collection, and treatment facilities within the service areas. The Authority is governed by a four-member Board of Commissioners.

Basis of Accounting and Measurement Focus

The financial statements of the Authority are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting.

The Authority reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Authority is that the costs of providing wastewater services, collection, and treatment for its service areas on a continuing basis be financed or recovered primarily through user charges (sewer service charges), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as sewer service charges, result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

Financial reporting

The Authority implemented the following standards during the fiscal year ended June 30, 2023:

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements (SBITAs). The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. This Statement establishes standards of accounting and financial reporting for SBITAs by a government end user (a government). The requirements of this Statement apply to financial statement of all state and local governments.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial reporting (Continued)

The implementation of this new accounting standards resulted in the recognition of subscriptions payable and an intangible right-to-use asset (a capital asset hereinafter referred to as the subscription IT asset) in the Authority's June 30, 2023, financial statements. See also Note 11.

GASB Statement No. 94, "*Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*." This Statement establishes the definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for activities that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 99 – Omnibus. In May 2022, the Governmental Accounting Standards Board issued Statement No. 99, "*Omnibus*" providing clarification guidance on several of its recent statements, including GASB Statement No. 87 Leases and GASB Statement No. 96 Subscription-Based Information Technology Arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The Authority implemented GASB 99 for the year ended June 30, 2023.

The following recent accounting pronouncements are not yet applicable to the Authority for the year ended June 30, 2023. See Note 17 for the details.

GASB 100, "*Accounting Changes and Error Corrections*", effective for fiscal years beginning after June 15, 2023.

GASB 101, "*Compensated Absences*", effective for fiscal years beginning after December 15, 2023.

Use of Estimates

The preparation of the basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Cash and cash equivalents

The Authority's cash and cash equivalents are considered to be demand deposits, cash with fiscal agent, and short-term investments with an original maturity of three months or less.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are generally reported at fair value. Investments in the Local Agency Investment Fund (LAIF) are reported at amortized cost, which approximates fair value.

Restricted investments

Cash and investments with fiscal agents are restricted due to limitations on their use by loan agreement provisions, law or contractual obligations. The funds may be used for specific capital outlays or for the payment of certain revolving fund debts and have been invested only as permitted by specific State statutes or applicable Authority ordinance or resolution.

Fair Value Measurements

The Authority 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 the fair value of the asset.

- Level 1 inputs are quoted prices for identical assets or liabilities in active markets that government can access at the measurement date.
- Level 2 inputs are other than quoted prices included in 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.

The Authority's investment in LAIF and Investment Trust of California (CalTrust) are measured at amortized cost which approximates fair value.

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year.

Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Receivables

Receivables are due for wastewater service charges, connection fees, grant revenues, and interest. The Authority's management closely monitors outstanding balances, and based on collection experience, has determined an allowance for doubtful accounts of \$141,903 at June 30, 2023. The Authority uses the indirect write-off method as accounts become uncollectable.

Federal Capital and Operating Grants

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a federal capital or operating grant receivable on the statement of net position and as capital grant contribution or operating grant revenue, as appropriate, on the statement of revenues, expenses, and changes in net position.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Material and Supply Inventory

Material and supply inventory is valued at historical cost and accounted for on a specific identification basis.

Prepaid Assets

Certain payments to vendors represent costs or deposits applicable to future accounting periods and are recorded as prepaid items in the Authority's financial statements and expensed as items are used.

Capital Assets

Capital assets acquired and/or constructed with a cost exceeding \$5,000 and an estimated useful life of more than one year are reported at historical cost. Contributed capital assets are recorded at acquisition value as of the date received.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Land and construction in progress are not depreciated. Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	15 years
Plant and building	20 years
Subsurface and interceptor lines	20-50 years
Office equipment	5 years
Truck and autos	5 years

Right-to-Use Lease Assets

The Authority has recorded the right to use lease assets as a result of implementing GASB Statement No. 87, *Leases*. The right-to-use lease assets are initially measured at an amount equal to the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use lease assets are amortized on a straight-line basis over the term of the related leases or the useful life of the underlying assets, whichever is shorter.

Subscription IT Assets

The Authority has recorded subscription assets as a result of implementing GASB Statement No. 96, *SBITAs*, as of and for the year ended June 30, 2023. The subscription assets are initially measured at an amount equal to the related subscription liability plus payments associated with the SBITA contract made to the SBITA vendor at the commencement of subscription term, if applicable, and capitalizable initial implementation costs less any SBITA vendor incentives received from SBITA vendor at the commencement of the subscription term.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subscription IT Assets (Continued)

A subscription asset should be amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. The amortization of the subscription asset should be reported as an outflow of resources (for example, amortization expense), which may be combined with depreciation expense related to other capital assets for financial reporting purposes. Amortization should begin at the commencement of the subscription term.

Compensated Absences

The Authority's policy is to permit an employee to accumulate earned vacation up to a total of 360 hours. An employee who has accumulated over 200 hours of unused sick leave may elect to receive the balance of up to 40 hours of sick leave per fiscal year. In addition, the employee may receive a cash payment for 20 or more hours of vacation during any pay period including the last full pay period in the fiscal year if the employee has 40 hours of vacation time remaining on the books.

Long-term obligations

Long-term debt and other long-term obligations are reported as liabilities of the Authority.

Other Post-Employment Benefits Other Than Pensions (OPEB)

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

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2023
- Measurement Date: June 30, 2023
- Measurement Period: July 1, 2022 to June 30, 2023

Pension

For purposes of measuring the net pension liability and deferred outflows or inflows of resources related to pensions and pension expense, information about the fiduciary net assets of the plan and additions to/deductions from the Plans' fiduciary net assets have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension (Continued)

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position

The Authority's financial statements are presented in accordance with the provisions of Governmental Accounting Standards Board No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. Statement 63 requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of invested in capital assets. Instead, that portion of the debt or deferred inflow of resources should be included in the same net position component (restricted or unrestricted) as the unspent amounts.
- *Restricted* – This component of net position consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

- *Unrestricted* – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

Operating and Nonoperating Revenues and Expenses

Amounts reported as operating revenues include wastewater service charges and connection fees charged to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by the Authority. Nonoperating revenues include grants and contributions received for the operational or capital requirements of the Authority.

Capital Contributions

Capital contributions represent cash and capital assets contributed to the Authority by granting agencies or member agencies requesting services that require capital expenditures or connection to the Authority's system.

Budgetary Policies

Prior to June 30th each fiscal year, the Authority adopts an annual appropriated budget for planning, control, and evaluation purposes. The budget includes proposed expenses and the means of financing them. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. The Board approves total budgeted appropriations and any amendments to the appropriations throughout the year. The Joint Powers Agreement requires the preparation of an annual budget, but the Authority is not legally required to report on the budget approved. Encumbrance accounting is not required to account for commitments related to unperformed contracts for construction and services.

NOTE 2 CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as follows.

	2023
Cash and cash equivalents	\$ 10,232,553
Restricted investments	4,302,942
Total cash and investments	\$ 14,535,495

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Cash and investments consisted of the following:

		2023
Deposits with financial institutions	\$	<u>3,104,726</u>
Investments:		
Deposits with California LAIF		884,073
Deposits with Cal Trust - Short Term Fund		5,121,236
Deposits with Cal Trust - Medium Term Fund		<u>5,425,460</u>
Total investments		<u>11,430,769</u>
Total cash and investments	\$	<u>14,535,495</u>

The Authority's authorized deposits had the following maturities:

	June 30, 2023
Deposits held with California LAIF	260 days
Deposits held with CalTrust - Short Term Fund	326 days
Deposits held with CalTrust - Medium Term Fund	698 days

Investments Authorized by the California Government Code and the Authority's Investment Policy

Allowable investment instruments are defined in the California Government Code Section 53600, et. Seq., as amended. If the Code is further revised to allow additional investments or is changed regarding the limits on certain categories of investments, the Authority is authorized to conform to these changes, excluding those changes that may be prohibited by this policy. Where the Government Code specifies a percentage limitation for a particular category of investments, that percentage is applicable only at the date of purchase.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	5 years	None	None
Federal agency securities	5 years	None	None
Banker's acceptances	180 days	40%	30%
Negotiable certificates of deposits	5 years	30%	None
Repurchase agreements	1 year	None	None
Medium-term notes	5 years	30%	None
Mutual funds	N/A	20%	10%
San Bernardino County Local Agency: Investment Fund (SBCLAIF)	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
Investment Trust of California (CalTRUST)	N/A	None	None

Investment in State Investment Pool

The Authority is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

Investment in Investment Trust of California

CalTrust is organized as a Joint Powers Authority. CalTrust is a program established by public agencies in California for the purpose of pooling and investing local agency funds – operating reserves as well as bond proceeds. Any California local agency may participate in the Trust and invest its funds. Funds from all participants are pooled in each of the accounts. Participants receive units in the Trust and designated shares for the particular account in which they invest. CalTrust invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601, et seq. and 53635, et seq. Investment guidelines adopted by the Board of Trustees may further restrict the types of investments held by the Trust. Leveraging within the Trust's portfolio is prohibited.

NOTE 2 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, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority's investment policy limits the LAIF investment up to \$40 million to limit the exposure to custodial credit risk for deposits.

The California Government Code requires that a financial institution secure deposit made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

At June 30, 2023, of the bank balances, up to \$250,000 held at each institution were federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Authority's name.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer), the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the Authority's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity of an investment, the greater its fair value has sensitivity to changes in market interest rates. It is the policy of the Authority to invest public funds in a prudent manner which will provide in the following order: 1) the highest level of safety of funds, 2) liquidity of funds in order that daily cash flow demands are met, and 3) the yield or investment return be maximized while conforming to all laws of the State of California regarding the investment of public funds. This policy provides guidelines for authorized investments in accordance with Section 53646 of the California Government Code.

Maturities of investment at June 30, 2023, were as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity</u> <u>(in Months)</u>	
		<u>12 Months</u> <u>Or Less</u>	<u>12 Months</u> <u>Or More</u>
California Local Agency Investment Fund (LAIF) \$	884,073	\$ 884,073	\$ -
Cal Trust - Short Term Fund	5,121,236	5,121,236	-
Cal Trust - Medium Term Fund	5,425,460	-	5,425,460
Total	\$ 11,430,769	\$ 6,005,309	\$ 5,425,460

Victor Valley Wastewater Reclamation Authority
Notes to Financial Statements
Year Ended June 30, 2023

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Credit Risk

Credit risk is generally 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 Authority's investment policy or debt agreements, and the actual rating as of June 30, 2023 for each investment type:

<u>Investment Types</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating AA</u>	<u>Net Rated</u>
California Local Agency Investment Fund (LAIF)	\$ 884,073	N/A	\$ -	\$ 884,073
Cal Trust - Short Term Fund	5,121,236	AAA	5,121,236	-
Cal Trust - Medium Term Fund	5,425,460	AAA	5,425,460	-
Total	\$ 11,430,769		\$ 10,546,696	\$ 884,073

Concentration of Credit Risk

The Authority's investment policy contains the maximum amount and percentage that can be invested in any one issuer as beyond that stipulated by the California Government Code. The majority of the investments of the Authority's funds is in Cal Trust, which has no limit on the percentage of the portfolio's allocation as at June 30, 2023.

NOTE 3 ACCOUNTS RECEIVABLE - DUE FROM MEMBER AGENCIES

Accounts receivable - due from member agencies at June 30, 2023 consisted of the following:

User Charge Receivables	
City of Hesperia	\$ 688,335
Town of Apple Valley	588,249
City of Victorville	1,119,142
County of San Bernardino Special Districts	561,597
Total user charge receivables	<u>2,957,323</u>
Connection Fees Receivables	
City of Hesperia	2,444,646
Town of Apple Valley	65,506
City of Victorville	57,786
County of San Bernardino Special Districts	7,019
Total connection fees receivables	<u>2,574,957</u>
Total due from member agencies	<u>\$ 5,532,280</u>

Victor Valley Wastewater Reclamation Authority
Notes to Financial Statements
Year Ended June 30, 2023

NOTE 4 ACCOUNTS RECEIVABLE - OTHER

Other receivables include amounts related to a Flexible Spending Account established by the Authority for qualified employees. Terms of the program provide that the Authority fund each participating employee's flexible spending amount at the beginning of each year. Funds are reimbursed to the Authority through payroll deductions.

As of June 30, 2023, the amount of money that is owed to the flexible spending account is \$14,053.

NOTE 5 NOTES RECEIVABLE

Changes in notes receivable amounts for 2023 were as follows:

	At June 30, 2022	Additions	Payments	At June 30, 2023
Notes receivable:				
AVRWC (dba Liberty Utilities)	\$ 204,855	\$ -	\$ (5,853)	\$ 199,002
AVRWC (dba Liberty Utilities) - Discount	<u>(71,872)</u>	<u>-</u>	<u>2,054</u>	<u>(69,818)</u>
Subtotal AVRWC	132,983	-	(3,799)	129,184
Biogas Power Systems - Mojave LLC	<u>57,651</u>	<u>-</u>	<u>(4,014)</u>	<u>53,637</u>
Total	190,634	<u>\$ -</u>	<u>\$ (7,813)</u>	182,821
Less current	<u>(9,867)</u>			<u>(15,801)</u>
Total non-current	<u>\$ 180,767</u>			<u>\$ 167,020</u>

Apple Valley Ranchos Water Company (AVRWC) – (dba Liberty Utilities)

On November 10, 2015, Apple Valley Ranchos Water Company (dba Liberty Utilities) entered into a loan agreement with the Authority, for the construction of water main extension facilities in the amount of \$234,120. Terms of the agreement call for annual principal-only payments in the amount of \$5,853 at a rate of zero percent commencing November 2017, maturing November 2056. The Authority is imputing interest at the rate of 2.3% per annum.

Victor Valley Wastewater Reclamation Authority
Notes to Financial Statements
Year Ended June 30, 2023

NOTE 5 NOTES RECEIVABLE (CONTINUED)

As of June 30, the amount of receivable under the contract is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Amortized Discount</u>	<u>Total</u>
2024	\$ 5,853	\$ (2,054)	\$ 3,799
2024	5,853	(2,053)	3,800
2025	5,853	(2,054)	3,799
2026	5,853	(2,053)	3,800
2027-2031	29,265	(10,267)	18,998
2032-2036	29,265	(10,267)	18,998
2037-2041	29,265	(10,267)	18,998
2042-2046	29,265	(10,267)	18,998
2047-2051	29,265	(10,268)	18,997
2052-2057	29,265	(10,268)	18,997
Total	199,002	\$ (69,818)	\$ 129,184
Less current	(11,706)		
Less unamortized discount	(69,818)		
Total non-current	\$ 117,478		

Biogas Power Systems – Mojave LLC

On October 5, 2017, Biogas Power Systems – Mojave LLC entered into a loan agreement with the Authority, for an adjustment to the cost of modifications in the First Amendment to Biogas Power Generation Service Agreement in the amount of \$75,320. Terms of the agreement call for monthly payments in the amount of \$427 at a rate of 1.65 percent commencing November 30, 2017, maturing November 2035.

As of June 30, the amount receivable under the contract is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 4,095	\$ 1,026	\$ 5,121
2025	4,177	944	5,121
2026	4,260	861	5,121
2027	4,345	775	5,120
2028-2032	23,066	2,538	25,604
2032-2035	13,694	388	14,082
Total	53,637	\$ 6,532	\$ 60,169
Less current	(4,095)		
Total non-current	\$ 49,542		

NOTE 6 SETTLEMENT RECEIVABLE

On August 19, 2020, the City of Victorville entered into a settlement agreement for the claim filed by the Authority for Monetary Damages as a result of a diversion of wastewater flows by City of Victorville that the Authority alleged was a violation of the JPA and the Victor Valley Wastewater Reclamation Project Service Agreement dated November 23, 1976. In order to settle the dispute, the City of Victorville agrees that it will pay the Authority \$2,200,000 commencing in October 2020 and maturing in October 2024. The Authority is imputing interest at the rate of 0.38% per annum.

As of June 30, the amount of receivable under the contract is as follows:

Years Ending June 30	Principal	Amortized Discount	Total
2024	\$ 440,000	\$ (4,972)	\$ 435,028
2025	440,000	(4,972)	435,028
Total	880,000	\$ (9,944)	\$ 870,056
Less current	(440,000)		
Less unamortized discount	(9,944)		
Total non-current	\$ 430,056		

NOTE 7 LEASE RECEIVABLE

On May 9, 2019, SoCal Biomethane LLC (“lessee”) entered into a Gas Collection Facility Lease and Energy Services agreement for 10 years with the Authority. The term of the lease commenced on July 7, 2020 and continues until the tenth anniversary of the date on which the delivery of biomethane in the Southwest pipeline starts (commercial operation date). The lessee will have the sole discretion to extend the lease for two additional 5 years provided there is no default in its obligations under the lease. The lessee shall give notice of its intent to exercise such options no less than 180 days prior to the expiration of the expiration of the current term. During the period from the commencement date to the commercial operation date, the lessee shall pay the Authority \$1,000 per month. Commencing on the commercial operation date, the basic rent will increase to the sum of \$10,000 per month. The lessee will further pay to the Authority additional rent calculated by the difference between 40% of the net revenue generated by the lessee from the operation of the facility and the basic rent on a quarterly basis. The initiation of the additional rent is contingent upon the facility meeting the compliance requirements of volume and gas quality set forth by the Southwest Gas Company during a period of six months. The delivery of biomethane in the Southwest pipeline officially commenced in February 2022. The lease receivable as of June 30, 2023 amounts to \$1,008,005. The total amount of deferred inflows of resources recognized from the lease as of June 30, 2023 was \$879,272.

Victor Valley Wastewater Reclamation Authority
Notes to Financial Statements
Year Ended June 30, 2023

NOTE 8 CAPITAL ASSETS

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

	Balance July 1, 2022	Additions	Disposals/ Transfers	Balance June 30, 2023
Non-depreciable assets:				
Land	\$ 617,484	\$ -	\$ -	\$ 617,484
Construction in Progress	2,348,166	2,844,165	(1,780,522)	3,411,809
Total non-depreciable assets	<u>2,965,650</u>	<u>2,844,165</u>	<u>(1,780,522)</u>	<u>4,029,293</u>
Depreciable assets:				
Land improvements	9,711,868	-	-	9,711,868
Plant and building	223,819,429	2,142,580	(42,578)	225,919,431
Interceptor and subsurface lines	69,170,246	-	-	69,170,246
Office equipment	953,024	-	-	953,024
Trucks and autos	734,015	16,565	-	750,580
Right-to-use lease assets	316,227	470,343	-	786,570
Subscription IT assets	-	128,915	-	128,915
Total depreciable assets	<u>304,704,809</u>	<u>2,758,403</u>	<u>(42,578)</u>	<u>307,420,634</u>
Less accumulated depreciation and amortization:				
Land improvements	(7,614,036)	(584,654)	-	(8,198,690)
Plant and building	(108,585,731)	(9,341,994)	30,915	(117,896,810)
Interceptor and subsurface lines	(23,944,072)	(1,415,334)	-	(25,359,406)
Office equipment	(787,425)	(51,454)	-	(838,879)
Trucks and autos	(582,972)	(22,214)	-	(605,186)
Right to use lease assets	(127,822)	(112,260)	-	(240,082)
Subscription IT assets	-	(27,785)	-	(27,785)
Total accumulated depreciation and amortization	<u>(141,642,058)</u>	<u>(11,555,695)</u>	<u>30,915</u>	<u>(153,166,838)</u>
Total depreciable assets, net	<u>163,062,751</u>	<u>(8,797,292)</u>	<u>(11,663)</u>	<u>154,253,796</u>
Total capital assets, net	<u>\$ 166,028,401</u>	<u>\$ (5,953,127)</u>	<u>\$ (1,792,185)</u>	<u>\$ 158,283,089</u>

Changes in capital assets not being depreciated and amortized consist of additions to construction in progress of \$2,884,165 related to ongoing and completed projects during the year. Decreases in capital assets not being depreciated and amortized include \$1,780,522 from the capitalization of the completed PLC Replacement project.

Changes in capital assets being depreciated and amortized consist of transfers from construction-in-progress for the completed and capitalized PLC Replacement project, and acquisitions of \$362,059 to plant and building, \$16,565 to trucks and autos, \$470,343 to right-to-use lease assets, \$128,915 to subscription IT assets and disposals of \$42,578 from plant and building.

Provision for depreciation and amortization for the year ended June 30, 2023 amounted to \$11,555,695.

NOTE 8 CAPITAL ASSETS (CONTINUED)

Construction in Progress

The Authority is involved in various construction projects throughout the year. Once completed, projects are capitalized and depreciated over the life of the asset.

At June 30, construction in progress consisted of the following:

Projects	2023
Oro Grande Interceptor Project	\$ 544,811
Interceptor Capacity Upgrade	1,073,263
Old Admin Building Rehab	347,016
Plant Emergency Power Engineering	88,631
CalRecycle Grant	1,078,780
Side Stream Project	222,789
Various other minor projects > \$55,000	56,520
Total construction in progress	\$ 3,411,809

NOTE 9 COMPENSATED ABSENCES

The table below shows the summary of changes in compensated absences as of June 30, 2023:

Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year	Due in More Than One Year
\$ 430,611	\$ 559,327	\$ (581,594)	\$ 408,344	\$ 102,086	\$ 306,258

NOTE 10 LEASE PAYABLE

At June 30, lease payable consisted of the following:

Enterprise FM Trust	\$ 180,861
Less: current	(106,456)
Total non-current	\$ 74,405

NOTE 10 LEASE PAYABLE (CONTINUED)

Enterprise FM Trust – Lease of Vehicles

During the fiscal year ended June 30, 2021, the Authority entered into a lease agreement with Enterprise FM Fund (lessor) to lease twelve (12) vehicles for four (4) years. During the fiscal year ended June 30, 2022, the Authority leased additional four (4) vehicles for four (4) years. The term of the agreement for each vehicle begins on the date the vehicle is delivered. Because the Authority generally does not have access to the rate implicit in the lease, the Authority utilized the lessor's interest rate of return at the time of delivery as the discount rate. The weighted average discount rate associated with operating lease as of June 30, 2023 is 6.67%. The Authority reported a total payment of \$139,981 on lease for the fiscal year ended June 30, 2023.

The following is a summary of changes in Enterprise FS Trust lease payable as of June 30, 2023:

	Balance July 1, 2022	Additions	Payments	Balance June 30, 2023
Lease payable:				
Enterprise FM Trust	\$ 280,527	\$ -	\$ (99,666)	\$ 180,861
Less current	(99,666)			(106,456)
Total non-current	\$ 180,861		\$	74,405

NOTE 11 SUBSCRIPTIONS PAYABLE

The Authority has entered into IT software subscription agreements with various SBITA vendors with subscription terms ranging from 2-9 years. Subscriptions payable is measured at the present value of the subscription payments expected to be made during the subscription term. The annual interest rate used is equivalent to the Authority's average yield rate for CalTrust Mid Term of 2.55% for fiscal year 2023. The Authority reported a total payment of \$36,341 on IT software subscription for the fiscal year ended June 30, 2023. The subscriptions payable as of June 30, 2023 amounts to \$94,651.

Victor Valley Wastewater Reclamation Authority
Notes to Financial Statements
Year Ended June 30, 2023

NOTE 11 SUBSCRIPTIONS PAYABLE (CONTINUED)

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30,</u> <u>2023</u>
Subscriptions payable:				
Various SBITA Vendors	\$ -	\$ 117,849	\$ (23,198)	\$ 94,651
Less current	-			(31,150)
Total non-current	<u>\$ -</u>			<u>\$ 63,501</u>

The future minimum subscription obligations as of June 30, 2023, are as follows:

<u>Year ended June 30</u>	<u>Principal</u> <u>Payment</u>	<u>Interest</u> <u>Payment</u>	<u>Total</u>
2024	\$ 31,150	\$ 2,052	\$ 33,201
2025	23,005	1,318	24,323
2026	16,682	838	17,520
2027	4,444	556	5,000
2028	4,559	441	5,000
2029 - 2032	14,811	606	15,417
Total future minimum subscription obligations	<u>\$ 94,651</u>	<u>\$ 5,811</u>	<u>\$ 100,461</u>

NOTE 12 LOANS PAYABLE

The following is a summary of changes in loans payable as of June 30, 2023:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30,</u> <u>2023</u>
State Revolving Fund Loans (SRF)				
North Apple Valley Interceptor	\$ 497,566	\$ -	\$ (245,712)	\$ 251,854
Phase III-A Facility	8,901,466	-	(787,270)	8,114,196
Upper Narrows Pipeline Replacement	2,376,479	-	(212,592)	2,163,887
Sub-Regional - Hesperia	33,345,970	-	(1,129,391)	32,216,579
Sub-Regional - Apple Valley	23,363,964	-	(791,311)	22,572,653
Nanticoke Gravity Interceptor	3,516,534	-	(204,819)	3,311,715
Flagstar Bank Loan				
Vactor truck acquisition	-	470,343	-	470,343
Total	<u>72,001,979</u>	<u>\$ 470,343</u>	<u>\$ (3,371,095)</u>	<u>69,101,227</u>
Less current	<u>(3,371,095)</u>			<u>(3,526,760)</u>
Total non-current	<u>\$ 68,630,884</u>			<u>\$ 65,574,467</u>

SRF Loan Payable – North Apple Valley Interceptor

In September 2004, the Authority obtained a \$4,084,688 loan from the State Revolving Fund to provide funds for the North Apple Valley Interceptor. Terms of the agreement call for annual principal and interest payments due on February 13th at the rate of 2.500%, maturing in fiscal year 2024.

NOTE 12 LOANS PAYABLE (CONTINUED)

SRF Loan Payable – North Apple Valley Interceptor (Continued)

Future long-term debt service requirements to maturity are as follows:

Years ending June 30	<u>Principal</u>	<u>Interest*</u>	<u>Total</u>
2024	\$ 251,854	\$ 6,297	\$ 258,151
Total	<u>251,854</u>	<u>6,297</u>	<u>258,151</u>
Less current	<u>(251,854)</u>		
Total non-current	<u>\$ -</u>		

* Includes annual service charge.

SRF Loan Payable – Phase III-A Facility

On October 11, 2010, the Authority entered into a loan agreement to receive up to \$18,581,561 from the California State Water Resources Control Board to construct a water treatment facility at the Authority's plant site in the City of Victorville. The total loan amount of \$18,581,561 includes a contingent principal forgiveness of \$3,000,000 received during the fiscal year ended June 30, 2013. Terms of the agreement call for annual principal and interest payments due on June 30th at the rate of 2.70%, maturing in fiscal year 2032.

Future long-term debt service requirements to maturity are as follows:

Years ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 808,527	\$ 219,084	\$ 1,027,611
2025	830,357	197,253	1,027,610
2026	852,776	174,833	1,027,609
2027	875,801	151,808	1,027,609
2028-2032	<u>4,746,735</u>	<u>391,312</u>	<u>5,138,047</u>
Total	<u>8,114,196</u>	<u>\$ 1,134,290</u>	<u>\$ 9,248,486</u>
Less current	<u>(808,527)</u>		
Total non-current	<u>\$ 7,305,669</u>		

SRF Loan Payable – Upper Narrows Pipeline Replacement

On September 30, 2013, the Authority entered into a loan agreement to receive up to \$4,286,380 from the California State Water Resources Control Board to construct the Upper Narrows Pipeline Replacement. Terms of the agreement call for annual principal and interest payments due on December 31st at the rate of 1.900%, maturing in fiscal year 2033.

NOTE 12 LOANS PAYABLE (CONTINUED)

SRF Loan Payable – Upper Narrows Pipeline Replacement (Continued)

Future long-term debt service requirements to maturity are as follows:

Years ending June 30	Principal	Interest	Total
2024	\$ 216,632	\$ 41,114	\$ 257,746
2025	220,748	36,998	257,746
2026	224,942	32,804	257,746
2027	229,216	28,530	257,746
2028-2032	1,213,082	75,645	1,288,727
2033	59,267	1,126	60,393
Total	2,163,887	\$ 216,217	\$ 2,380,104
Less current	(216,632)		
Total non-current	\$ 1,947,255		

SRF Loan Payable – Subregional Wastewater Reclamation Plant – City of Hesperia

On May 20, 2014, the Authority entered into a loan agreement with the California State Water Resources Control Board to construct a subregional wastewater reclamation plant in the City of Hesperia. The final amended agreement totaled \$37,758,385 which included construction costs and construction period interest. Terms of the agreement call for annual principal and interest payments due on February 28th, at the rate of 1.000%, maturing in fiscal year 2048.

Future long-term debt service requirements to maturity are as follows:

Years ending June 30	Principal	Interest	Total
2024	\$ 1,140,685	\$ 322,166	\$ 1,462,851
2025	1,152,091	310,759	1,462,850
2026	1,163,612	299,238	1,462,850
2027	1,175,248	287,602	1,462,850
2028-2032	6,054,897	1,259,353	7,314,250
2033-2037	6,363,758	950,494	7,314,252
2038-2042	6,688,374	625,878	7,314,252
2043-2047	7,029,548	284,704	7,314,252
2048	1,448,366	14,484	1,462,850
Total	32,216,579	\$ 4,354,678	\$ 36,571,257
Less current	(1,140,685)		
Total non-current	\$ 31,075,894		

NOTE 12 LOANS PAYABLE (CONTINUED)

SRF Loan Payable – Subregional Wastewater Reclamation Plant – Town of Apple Valley

On May 22, 2014, the Authority entered into a loan agreement with the California State Water Resources Control Board to construct a subregional wastewater reclamation plant in the Town of Apple Valley. The final amended loan agreement totaled \$26,455,229 which included construction costs and construction period interest. Terms of the agreement call for annual principal and interest payments due on February 28th at the rate of 1.000%, maturing in fiscal year 2048.

Future long-term debt service requirements to maturity are as follows:

Years ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 799,224	\$ 225,727	\$ 1,024,951
2025	807,217	217,734	1,024,951
2026	815,289	209,662	1,024,951
2027	823,442	201,509	1,024,951
2028-2032	4,242,384	882,370	5,124,754
2033-2037	4,458,788	665,966	5,124,754
2038-2042	4,686,231	438,523	5,124,754
2043-2047	4,925,275	199,479	5,124,754
2048	1,014,803	10,148	1,024,951
Total	<u>22,572,653</u>	<u>\$ 3,051,118</u>	<u>\$ 25,623,771</u>
Less current	<u>(799,224)</u>		
Total non-current	<u>\$ 21,773,429</u>		

SRF Loan Payable – Nanticoke Gravity Interceptor

On August 14, 2014, the Authority entered into a loan agreement with the California State Water Resources Control Board to construct the Nanticoke Pump Station Bypass Sewer project. The final amended loan agreement totaled \$4,495,213 which included construction costs and construction period interest. Terms of the agreement call for annual principal and interest payments due on June 30th, at the rate of 1.900%, maturing in fiscal year 2037.

Years ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 208,710	\$ 62,923	\$ 271,633
2025	212,676	58,957	271,633
2026	216,716	54,916	271,632
2027	220,834	50,799	271,633
2028-2032	1,168,725	189,438	1,358,163
2033-2037	1,284,054	74,109	1,358,163
Total	<u>3,311,715</u>	<u>\$ 491,142</u>	<u>\$ 3,802,857</u>
Less current	<u>(208,710)</u>		
Total non-current	<u>\$ 3,103,005</u>		

NOTE 12 LOANS PAYABLE (CONTINUED)

Flagstar Bank Loan Payable – Vactor Truck Acquisition

On June 30, 2023, the Authority entered into a lease purchase agreement with Flagstar Bank for the purchase acquisition of a Vactor truck in the amount of \$470,343. Terms of the agreement call for annual principal and interest payments, at the rate of 6.77%, with an expected maturity in August 2027.

Years ending June 30	Principal	Interest	Total
2024	\$ 101,128.00	\$ 28,735.00	\$ 129,863
2025	108,188.00	21,674.00	129,862
2026	115,742.00	14,120.00	129,862
2027	123,823.00	6,039.00	129,862
2008	21,462.00	182.00	21,644
Total	470,343	\$ 70,750	\$ 541,093
Less current	(101,128)		
Total non-current	\$ 369,215		

NOTE 13 OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Authority offers post-employment medical benefits to retired employees who satisfy the eligibility requirements, subject to certain restrictions as determined by the Authority. Retirees can apply the monthly maximum allowance of \$571 toward covering their family. If the family coverage exceeds \$571, the retirees pay the premium above the limit. Retirees may enroll in any plan available through the Authority's CalPERS Medical Program.

The Plan is a single employer defined benefit OPEB plan administered by the Authority. The Authority's Board has the authority to establish and amend the benefit terms and financing requirements of the Plan. The Authority does not have an OPEB trust established, and no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided

The Authority's Plan is open to qualified employees who have attained age 50, retired from and were employed by the Authority at least five years.

Employees Covered

As of June 30, 2023 valuation, the following current and former employees were covered by the benefit terms under the Plan:

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefit	7
Active employees	45
Total Plan membership	68

NOTE 13 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Contributions

The Plan and its contribution requirements for eligible retired employees of the Authority are established and may be amended by the Board of Commissioners. The Authority pays 100% of the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the Authority. The Authority's cap is \$571 per month which is in compliance with California Government Code Section 22892. The Authority has not established an irrevocable OPEB Trust and continues to finance its OPEB liability on a pay-as-you-go basis. For the fiscal years ended June 30, 2023, the contributions of \$132,941 represents payment of benefits to the retirees.

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial assumptions

Funding Method	Entry Age Normal Cost, level percent of pay
Asset valuation method	Market value of assets
Municipal bond index	Bond Buyer General Obligation 20-Bond Municipal Bond Index
Inflation	2.5 percent as of June 30, 2023
Salary Increase	3.0% per year. Since benefits do not depend on salary, this is used to allocate the cost of benefits between service years.
Discount rate	3.65% for all plan liabilities as of June 30, 2023
Healthcare cost trend rates	Pre-65 11% and post-65 9.6% in 2024; Fluctuating down to 3.9% by 2076
Participants valued	Only current active employees, retired participants and covered dependents are valued. No future entrants are included.

Discount Rate

As of June 30, 2023, the discount rate used to measure the total OPEB liability was 3.65 percent. The valuation used the Bond Buyer General Obligation 20-Bond Municipal Bond Index. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates.

NOTE 13 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Changes in the Net OPEB Liability

The changes in the net OPEB liability during the measurement period are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2022			
(Measurement date June 30, 2022) \$	3,362,746	\$ -	\$ 3,362,746
Changes for the year:			
Service cost	141,701		141,701
Interest	121,704		121,704
Changes in benefit terms	-		-
Difference between expected and actual experience	(424,338)	-	(424,338)
Changes in assumptions	(94,399)	-	(94,399)
Employer Contributions	-	132,941	(132,941)
Benefit payments	(132,941)	(132,941)	-
Net changes	(388,273)	-	(388,273)
Balance at June 30, 2023			
(Measurement date June 30, 2023) \$	<u>2,974,473</u>	<u>\$ -</u>	<u>\$ 2,974,473</u>

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

The following presents the net OPEB liability of the Authority if it were calculated using a discount rate that is 1-percentage-point lower (2.65%) or 1-percentage-point higher (4.65%) than the current rate for measurement period ended June 30, 2023:

	Discount Rate 1% Lower 2.65%	Valuation Discount Rate 3.65%	Discount Rate 1% Higher 4.65%
Net OPEB liability	\$ 3,367,539	\$ 2,974,473	\$ 2,650,240

NOTE 13 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

The following presents the net OPEB liability of the Authority if it were calculated using healthcare cost trend rates that are one-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

At June 30, 2023, the healthcare cost trend rate comparison was the following:

	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Net OPEB liability	\$ <u>2,781,263</u>	\$ <u>2,974,473</u>	\$ <u>3,243,023</u>

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

For the year ended June 30, the Authority recognized OPEB expense of \$306,403 with details as follows.

Service cost	\$	141,701
Interest cost on Total OPEB liability (TOL)		121,704
<i>Recognized Deferred Resource items:</i>		
Assumption Changes		97,110
Plan Experience		<u>(54,112)</u>
Total OPEB expense	\$	<u>306,403</u>

At June 30, 2023, the Authority reported the following deferred outflows of resources and deferred inflows of resources related to OPEB.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$ 29,575	\$ (485,484)
Net changes in assumption	602,273	<u>(570,720)</u>
Total	\$ <u>631,848</u>	\$ <u>(1,056,204)</u>

NOTE 13 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Deferred outflows and inflows of resources related to OPEB will be recognized as pension expense as follows.

Year Ending June 30	Deferred Outflows/ (Inflows) of Resources
2024	\$ 42,998
2025	42,998
2026	4,633
2027	(94,952)
2028	(143,720)
Thereafter	(275,896)

Schedule of Changes in the Authority’s Total OPEB Liability and Related Ratios
See Required Supplementary Schedule.

NOTE 14 DEFINED BENEFIT PENSION PLAN

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Authority’s separate Miscellaneous Employee Pension Plans, cost-sharing multiple employers defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

NOTE 14 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the Authority's CalPERS 2.5% at 55 Risk Pool Retirement Plan to new employee entrants, not previously employed by an agency under CalPERS, effective December 31, 2013. All employees hired after January 1, 2013, are eligible for the Authority's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The Plans' provision and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous Plan	
	<u>Classic</u>	<u>PEPRA</u>
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.000%	7.750%
Required employer contribution rates	13.340%	7.680%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates, for all public employers, be determined on an annual basis by the actuary and shall be effective on July 1st, of each fiscal year following notice of the change in rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The Authority contribution rates may change if plan contracts are amended.

For the year ended June 30, 2023, the Authority's contributions were \$977,987.

NOTE 14 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

As of June 30, 2023, the Authority reported net pension liabilities for its proportionate share of the net pension liability amounted to \$7,466,596.

The Authority's net pension liability for the Plan is measured as the proportionate share of the collective net pension liability of the Plan. The net pension liability reported as of June 30, 2023 is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30 2021, rolled forward to June 30, 2022 using standard update procedures.

The Authority's proportionate share of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the collective net pension liability as of June 30, 2022 measurement date is as follows:

Proportion at Measurement Date	Miscellaneous
Proportion - June 30, 2022	0.15957%
Proportion - June 30, 2021	0.21573%
Change - Increase	-0.05616%

For the year ended June 30, 2023, the Authority recognized pension credit of \$430,944 for the Plan.

At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 977,987	\$ -
Net difference between actual and expected experience	149,944	(100,426)
Net changes in assumption	765,109	-
Net differences between projected and actual earnings on plan investments	1,367,682	-
Net differences between actual contribution and proportionate share of contribution	455	(89,711)
Net adjustment due to differences in proportions of net pension liability	15,239	(592,471)
Total	\$ 3,276,416	\$ (782,608)

NOTE 14 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

As of June 30, 2023, employer pension contribution of \$977,987, reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal years ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pensions will be recognized as pension expense as follows.

Years Ending June 30	Deferred Outflows/(Inflows) of Resources
2024	\$ 318,741
2025	246,878
2026	113,682
2027	836,521
Total	\$ 1,515,822

Actuarial Assumptions

The total pension liabilities in the June 30, 2021 actuarial valuation report was determined using the following actuarial assumptions:

The following is a summary of the actuarial assumptions and methods:

Valuation dates	June 30, 2021
Measurement dates	June 30, 2022
Actuarial cost method	Entry Age Normal cost method
Actuarial assumptions:	
Discount rate	6.90%
Inflation	2.30%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	6.90%
 Mortality Rate Table*	 Derived using CalPERS' Membership Data for all Funds.
Period upon which Actuarial Experience Survey assumptions were based	Nineteen (19) - year period from 2000 to 2019. Does not include impacts of COVID-19.
Post Retirement Benefit	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

*The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

NOTE 14 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined.

Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

The long-term expected real rate of return by asset class was as follows:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10 *,**</u>
Global equity - cap-weighted	30%	4.45%
Global equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%
Total	100.00%	

* An expected inflation of 2.3% used for this period.

** Figures are based on the 2021-22 Asset Liability Management study.

NOTE 14 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following represents the Authority's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority's proportional share of the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Authority's proportionate share of the net pension liability	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
2023	\$ 11,086,518	\$ 7,466,596	\$ 4,488,299

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

As of June 30, 2023, the Authority reported no payables for the outstanding amounts of contributions to the pension plan required for the year ended June 30, 2023.

NOTE 15 NET POSITION

At June 30, 2023 net position consisted of the following:

Net investment in capital assets	
Capital assets - not being depreciated	\$ 4,029,293
Capital assets, net - being depreciated	154,253,796
Loans payable	(69,101,227)
Lease payable	(180,861)
Subscription payable	(94,651)
Total net investment in capital assets	<u>88,906,350</u>
Restricted net position	
Restricted for debt service	<u>4,302,942</u>
Total restricted net position	<u>4,302,942</u>
Unrestricted net position	
Material and supply inventory	24,611
Prepaid expenses and deposits	167,421
Undesignated net position reserve	<u>7,229,677</u>
Total unrestricted net position	<u>7,421,709</u>
Total net position	<u><u>\$ 100,631,001</u></u>

NOTE 16 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is a member of the California Sanitation Risk Management Authority (CSRMA), an intergovernmental risk-sharing joint powers authority currently operating as a common risk management and loss prevention program for 60 California Sanitation Authorities. The Authority pays an annual premium to CSRMA for its public liability and workers compensation risk coverage. The Agreement for the formation of the CSRMA provides that CSRMA will be self-sustaining through member premiums and will provide specific excess insurance through commercial companies. The CSRMA is allowed to make additional assessments to its members based on a retrospective premium adjustment process.

NOTE 16 RISK MANAGEMENT (CONTINUED)

At June 30, 2023, the Authority participated in the CSRMA programs as follows:

- General and automotive liability, including errors and omissions and employment practices liability (EPL): The Authority is insured through the CSRMA. Coverage includes excess liability applicable to the general and automobile liability section, excess layer of \$10,000,000 over the \$15,500,000 excess of the first \$500,000 insured layer with a \$1,000/\$2,000 deductible, \$2,500 deductible for errors and omissions, a \$25,000 deductible for EPL per occurrence, and a sewer backup deductible of \$10,000. Re-insurance is purchased above the \$500,000 layer to \$15,000,000 through CSRMA.
- Workers' compensation and employer's liability: The Authority is insured through the CSRMA up to \$750,000 with a deductible of \$0 per claim. The Authority purchased through CSRMA, additional excess workers' compensation coverage and excess employer's liability coverage of \$1,000,000 excess of the first \$750,000.

In addition, the Authority also has the following insurance coverage:

- Master Crime Policy up to \$2,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance, and destruction coverage with a deductible of \$2,500 per claim.
- Special form property coverage up to \$193,085,220, with a deductible of \$10,000 per claim.
- Mobile Vehicle Program coverage up to \$1,012,252, subject to a deductible of \$1,000 per claim and \$2,000 in total.
- Pollution and remediation legal liability coverage up to \$5,000,000 subject to a deductible of \$25,000 per claim.
- Public entity pollution liability coverage up to \$25,000,000, subject to \$2,000,000 per pollution condition, \$100,000 per pollution condition retention.
- Cyber liability coverage up to \$2,000,000, subject to \$2,000,000 per computer security, \$50,000 per pollution condition retention.
- Fraud Master Policy identity theft coverage up to \$25,000 with a \$0 deductible.

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

**NOTE 17 GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT ISSUED,
NOT YET EFFECTIVE**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements, that have effective dates that may impact future financial presentations. Management has not yet determined any impact the implementation of the following statements may have on the financial statement of the Authority.

GASB No. 100

In May 2022, the Governmental Accounting Standards Board issued Statement No. 100, "Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62." The requirements of this Statement are effective for the fiscal year ending June 30, 2024. The Statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB No. 101

In May 2022, the Governmental Accounting Standards Board issued Statement No. 101, "Compensated Absences." The requirements of this Statement are effective for the fiscal year ending June 30, 2025. This Statement requires alignment of the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

NOTE 18 COMMITMENTS AND CONTINGENCIES

Grant Awards

Grant funds received by the Authority are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under the terms of the grant. Management of the Authority believes that such disallowances, if any, would not be significant.

Construction Contracts

The Authority has a variety of agreements with developers and private parties relating to the installation, improvement or modification of facilities and distribution systems within its service areas. The financing of such improvements is provided primarily from loans for construction and the Authority's capital replacement reserve.

Biogas Power Generation and Services Agreement

On March 25, 2013, the Authority entered into an agreement with Anaergia Services, LLC to provide a biogas energy generation services facility at the Authority's wastewater treatment and reclamation plant facility. The purpose of the converted biogas is to provide electrical energy for use in plant operations. Anaergia has constructed the Biogas Facility and Ancillary Facilities at its sole cost and expense. Excess energy can be delivered by the Authority to the grid. The term of the agreement is 20 years from the operation date of July 1, 2015 and matures on June 30, 2035. The Authority will purchase all energy output from Anaergia at a fixed cost of \$734,000 per year, payable in monthly installments of \$61,167. At June 30, 2023, the future minimum remaining commitment amounted to \$8,808,000.

NOTE 18 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Co-Digestion (COD1) Grant Program Agreement

On October 31, 2022, the Authority has been a grantee on the Co-Digestion Grant Program of the Department of Resources Recycling and Recovery (CalRecycle). Under this program, the Authority shall not be:

- a. in violation of any order or resolution not subject to review promulgated by the State Air Resources Board or an air pollution control district.
- b. Out of compliance with any final cease and desist order issued pursuant to Water Code Section 13301 for violation of waste discharge requirements or discharge prohibitions.
- c. Finally determined to be in violation of provisions of federal law relating to air or water pollution.

The grant term of the agreement begins on the date of the Notice to Proceed (NTP) email, which is the formal notification from CalRecycle authorizing the grantee to begin the project and ends on April 1, 2025.

Litigation

In the ordinary course of operations, the Authority is subject to claims and litigation from outside parties.

Funding Future Obligations

The outstanding issue of connection fees has been resolved on September 16, 2021. See note 19 for further discussion.

NOTE 19 RELATED PARTY

In April of 2016, a member agency (agency) informed the Authority of their intent to withdraw from the Service Agreement per the 30-year notice requirement.

The Board of Commissioners has engaged a judicial review on the issue of the member agency's flow diversion for the purpose of rendering a non-binding opinion. The flow diversion and withholding of certain connection fees by the member agency has resulted in a dispute that is being resolved with the assistance of a retired judge who has issued an advisory, non-binding opinion. As a result of the dispute regarding the flow diversion, another member agency has retained a portion of its connections fees. After issue of the judge's non-binding opinion, the Authority and its member entities have begun negotiating a settlement of both the flow diversion and the withholding of fees by the member agency. Management believes that although the flow diversion issue with a member agency has been solved, the withholding of connection fees by another member agency may or may not be addressed by a rate increase.

On September 16, 2021, the Board approved the settlement of connection fees outstanding from the agency. As a result, the agency will retain the Zone H connection fees collected by the agency prior to and following the Effective Date, as defined in the settlement agreement, for a period of three years after the Effective Date or until the incurrence of \$2,500,000 connection fees, whichever comes first.

NOTE 20 SUBSEQUENT EVENTS

The Authority has evaluated events subsequent to the balance sheet date through December 20, 2023, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Victor Valley Wastewater Reclamation Authority
Schedules of Changes in the Total OPEB Liability and Related Ratios
Last 10 Fiscal Years*

Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability						
Service cost	\$ 141,701	\$ 185,017	\$ 156,167	\$ 113,200	\$ 38,990	\$ 37,946
Interest	121,704	86,199	86,769	112,932	86,142	84,676
Difference between expected and actual experience	(424,338)		(168,432)	-	85,165	-
Changes in assumptions	(94,399)	(647,936)	97,993	565,970	779,126	-
Employer contributions	(132,941)	(132,384)	(141,384)	(111,208)	(114,948)	(94,258)
Net change in total OPEB liability	(388,273)	(509,104)	31,113	680,894	874,475	28,364
Total OPEB liability - beginning	3,362,746	3,871,850	3,840,737	3,159,843	2,285,368	2,257,004
Total OPEB liability - ending	\$ 2,974,473	\$ 3,362,746	\$ 3,871,850	\$ 3,840,737	\$ 3,159,843	\$ 2,285,368
Covered-employee Payroll	\$ 3,644,747	\$ 3,891,330	\$ 2,650,000	\$ 2,572,348	\$ 2,882,328	\$ 3,004,335
Total OPEB liability as a percentage of Covered-employee Payroll	81.61%	86.42%	146.11%	149.31%	109.63%	76.07%

Summary of key assumptions

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Valuation date	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Actuarial cost method	2.50%	2.50%	2.50%	2.75%	2.75%	2.75%
Inflation	Pre-65 11% and post-65 9.6% in 2024;	5.70% in 2021, fluctuating down to 4% by 2076	5.70% in 2021, fluctuating down to 4% by 2076	7.00% in 2020, step down 0.50% each year to 5.00% in 2024	7.00% in 2020, step down 0.50% each year to 5.00% in 2024	4.00% per year
Healthcare cost trend rates	3.00%	3.00%	3.00%	3.25%	3.25%	2.75%
Salary increases	3.65%	3.54%	2.16%	2.21%	3.51%	3.80%
Discount rate	From 50 to 75	From 50 to 75	From 50 to 75	From 50 to 75	From 50 to 75	From 50 to 75
Retirement age	CalPERS 2021 Experience Study	CalPERS 2017 Experience Study; Projected with MW Scale 2020	CalPERS 2017 Experience Study; Projected with MW Scale 2020	CalPERS 2017 Experience Study; Projected with MW Scale 2018	CalPERS 2017 Experience Study; Projected with MW Scale 2018	CalPERS 2014 Experience Study
Mortality						

Notes to Schedule

No assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the pension/OPEB plan.

* Fiscal Year 2018 was the first year of implementation. Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Victor Valley Wastewater Reclamation Authority
Schedules of Proportionate Share of the Net Pension Liability and Related Ratios
Last 10 Fiscal Years*

Measurement Date	Authority's Proportion of the Collective Net Pension Liability	Authority's Proportionate Share of the Collective Net Pension Liability	Authority's Covered Payroll	Authority's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Payroll	Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2015	0.05341% \$	3,323,316 \$	2,945,462	112.83%	79.19%
6/30/2016	0.06074%	4,169,063	3,004,402	138.77%	75.01%
6/30/2017	0.05792%	5,011,624	3,004,335	166.81%	71.30%
6/30/2018	0.05799%	5,750,574	3,397,714	169.25%	71.18%
6/30/2019	0.05854%	5,641,328	2,546,478	221.53%	72.05%
6/30/2020	0.05909%	6,054,828	2,781,332	217.70%	72.04%
6/30/2021	0.05935%	6,458,067	2,701,718	239.04%	71.65%
6/30/2022	0.07574%	4,096,340	3,891,330	105.27%	95.00%
6/30/2023	0.15957%	7,466,596	3,644,747	204.86%	48.81%

Notes to Schedule

Changes in Benefit Terms – For the measurement date June 30, 2022, there were no changes in the benefit terms that applied to all members of the Public Agency Pool.

Changes of Assumptions – For the measurement date June 30, 2022 the discount rate was 6.90% percent. Refer to CALPERS ACFR for more details on changes of assumptions and methods.

* Historical information is required only for measurement periods for which GASB 68 is applicable. GASB 68 was implemented in the fiscal year ended June 30, 2015, with a measurement date of June 30, 2014, therefore only 9 years are shown.

**Victor Valley Wastewater Reclamation Authority
Schedules of Pension Plan Contributions
Last 10 Fiscal Years***

Measurement Date	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Authority's Covered Payroll	Contributions as a percentage of Covered Payroll
6/30/2015	\$ 464,069	\$ (464,069)	\$ -	\$ 2,945,462	15.76%
6/30/2016	507,931	(503,175)	4,756	3,004,402	16.91%
6/30/2017	561,105	(503,376)	57,729	3,004,335	18.68%
6/30/2018	589,365	(528,660)	60,705	3,397,714	17.35%
6/30/2019	690,639	(607,170)	83,469	2,546,478	27.12%
6/30/2020	694,372	(698,749)	(4,377)	2,781,332	24.97%
6/30/2021	788,287	(788,287)	-	2,701,718	29.18%
6/30/2022	876,021	(876,021)	-	3,891,330	22.51%
6/30/2023	977,987	(977,987)	-	3,953,991	24.73%

Notes to Schedule

- * Historical information is required only for measurement periods for which GASB 68 is applicable. GASB 68 was implemented in the fiscal year ended June 30, 2015 with a measurement date of June 30, 2014, therefore only 9 years are shown.

See Independent Auditor's Report.

OTHER SUPPLEMENTARY INFORMATION

Victor Valley Wastewater Reclamation Authority
Schedules of Operating Expenses
Year ended June 30, 2023

Salaries and benefits		
Salaries	\$	4,993,889
Employee benefits		924,714
	Total salaries and benefits	<u>5,918,603</u>
Maintenance		
Equipment and supplies		1,373,805
Instrumentation		464,664
Tools		82,558
Ground repairs and maintenance		804,215
Vehicle repairs and maintenance		229,048
Sewer repairs and maintenance		90,581
Other		102,634
	Total maintenance	<u>3,147,505</u>
Operations		
Process chemicals		550,298
Utilities		2,977,197
Trash and sludge disposal		99,437
Fuel and lubricants		136,260
Lab supplies and services		351,898
Safety equipment		133,595
Custodial		42,664
Equipment rental		89,672
Uniform		45,788
Security		104,382
Sewer location services		4,498
	Total operations	<u>4,535,689</u>
General and Administration		
Telephone and communication		115,770
Computers and office equipment		100,273
Computer and office supplies		65,625
Printing and advertising		6,729
Postage and freight		16,813
Travel and education		122,230
Membership and commissioner fees		50,279
Books and periodicals		14,459
Professional services		488,932
Legal services		493,755
Temporary labor		61,993
Insurance		505,498
Permit fees		208,934
Rent		69,834
Construction services		499,415
Other		23,812
	Total administration	<u>2,844,351</u>
	Total operating expenses	<u>16,446,148</u>
Depreciation and amortization		11,555,695
Total operating expenses including depreciation and amortization expense	\$	<u>28,001,843</u>

Victor Valley Wastewater Reclamation Authority
Combining Schedule of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2023

	Operations and Maintenance	Repairs and Replacements	Capital Outlay	Total
Operating Revenues				
Wastewater service charges	\$ 20,784,188	\$ -	\$ -	\$ 20,784,188
Septage receiving facility fees	912,752	-	-	912,752
ADM-FOG tipping fees	773,982	-	-	773,982
Pretreatment permit fees	56,023	-	-	56,023
Total operating revenues	<u>22,526,945</u>	<u>-</u>	<u>-</u>	<u>22,526,945</u>
Operating expenses				
Salaries and benefits	5,918,603	-	-	5,918,603
Maintenance	3,147,505	-	-	3,147,505
Operations	4,535,689	-	-	4,535,689
General and administration	2,844,351	-	-	2,844,351
Total operating expenses	<u>16,446,148</u>	<u>-</u>	<u>-</u>	<u>16,446,148</u>
Operating income (loss) before depreciation and amortization expense	6,080,797	-	-	6,080,797
Depreciation	<u>(11,555,695)</u>	<u>-</u>	<u>-</u>	<u>(11,555,695)</u>
Operating loss	<u>(5,474,898)</u>	<u>-</u>	<u>-</u>	<u>(5,474,898)</u>
Non-operating revenues (expenses)				
Investment earnings	259,993	-	-	259,993
Interest expense	(934,450)	-	-	(934,450)
Loss on disposal of capital assets	(11,662)	-	-	(11,662)
Other, net	129,745	-	-	129,745
Total non-operating expense, net	<u>(556,374)</u>	<u>-</u>	<u>-</u>	<u>(556,374)</u>
Net loss before capital contributions	<u>(6,031,272)</u>	<u>-</u>	<u>-</u>	<u>(6,031,272)</u>
Capital contributions				
Capital grants - CalRecycle	-	-	699,150	699,150
Connection fees	-	-	2,455,340	2,455,340
Total contributed capital	<u>-</u>	<u>-</u>	<u>3,154,490</u>	<u>3,154,490</u>
Changes in net position	<u>\$ (6,031,272)</u>	<u>-</u>	<u>\$ 3,154,490</u>	<u>\$ (2,876,782)</u>

< Page Intentionally Left Blank >



Statistics Section

STATISTICAL SECTION

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Statistical Section Table of
Contents

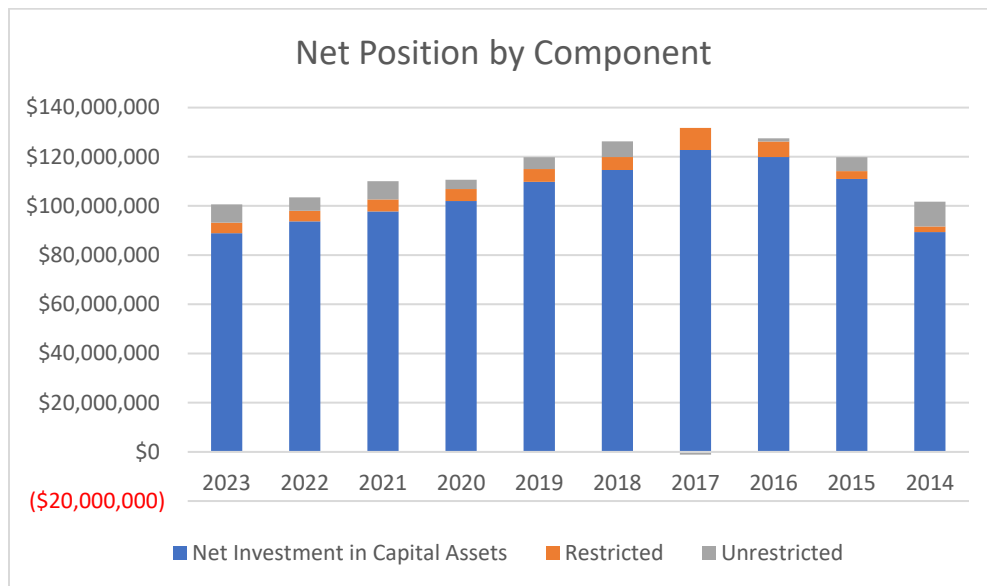
This part of Authority's annual comprehensive financial report presents detailed information as a context for understanding what the information in the accompanying financial statements and notes to the financial statements say about the Authority's overall financial health.

	<u>Page No.</u>
Financial Trends These schedules contain information to help the reader understand how the Authority's financial performance and well-being have changed over time.	59 – 60
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the Authority's ability to generate revenues.	61 – 65
Debt Capacity These schedules present information to help the readers assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debts in the future.	66
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time and with other agencies.	67 – 70
Operating Information These schedules contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the services the Authority provides and the activities it performs.	71 – 78

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Net Position by Component
Last Ten Fiscal Years

June 30	2023	2022	2021	2020	2019
Net Investment in Capital Assets	\$ 88,906,350	\$ 93,694,268	\$ 97,720,779	\$ 101,957,712	\$ 109,818,767
Restricted	4,302,942	4,302,942	4,882,810	4,882,810	5,147,861
Unrestricted	7,421,709	5,510,573	7,449,117	3,796,364	4,856,081
Total Net Position	\$ 100,631,001	\$ 103,507,783	\$ 110,052,706	\$ 110,636,886	\$ 119,822,709

June 30	2018	2017	2016	2015	2014
Net Investment in Capital Assets	\$ 114,620,595	\$ 122,731,832	\$ 119,848,757	\$ 110,982,384	\$ 89,340,144
Restricted	5,285,091	9,004,801	6,367,601	3,150,314	2,322,650
Unrestricted	6,360,280	(1,131,737)	1,295,274	5,692,256	10,061,819
Total Net Position	\$ 126,265,966	\$ 130,604,896	\$ 127,511,632	\$ 119,824,954	\$ 101,724,613

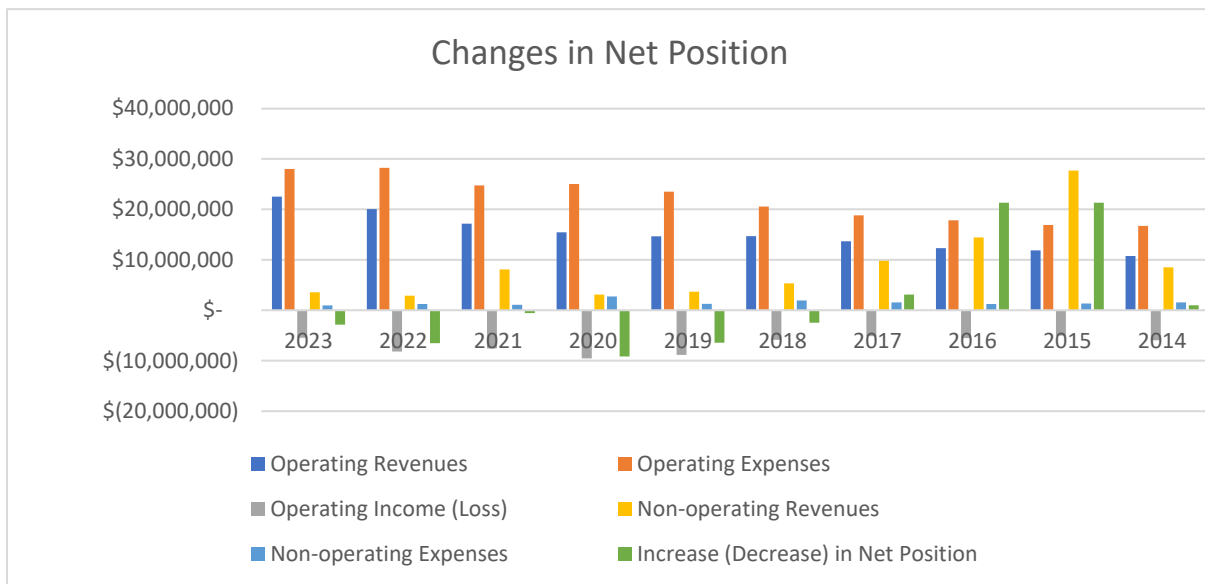


Source: Victor Valley Wastewater Reclamation Authority

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Changes in Net Positions
Last Ten Fiscal Years

June 30	2023	2022	2021	2020	2019
Operating Revenues	\$ 22,526,945	\$ 20,034,734	\$ 17,167,525	\$ 15,457,755	\$ 14,649,380
Operating Expenses	28,001,843	28,226,758	24,744,907	25,017,638	23,502,391
Operating Income (Loss)	(5,474,898)	(8,192,024)	(7,577,382)	(9,559,883)	(8,853,011)
Non-operating Revenues	3,544,228	2,866,106	8,079,931	3,109,947	3,665,387
Non-operating Expenses	946,112	1,219,005	1,086,729	2,735,887	1,255,633
Increase (Decrease) in Net Position	\$ (2,876,782)	\$ (6,544,923)	\$ (584,180)	\$ (9,185,823)	\$ (6,443,257)

June 30	2018	2017	2016	2015	2014
Operating Revenues	\$ 14,696,537	\$ 13,655,631	\$ 12,305,439	\$ 11,850,841	\$ 10,744,312
Operating Expenses	20,559,007	18,804,718	17,820,239	16,901,749	16,703,301
Operating Income (Loss)	(5,862,470)	(5,149,087)	(5,514,800)	(5,050,908)	(5,958,989)
Non-operating Revenues	5,317,638	9,797,819	14,416,430	27,703,303	8,482,186
Non-operating Expenses	1,937,435	1,555,468	1,214,952	1,335,646	1,535,497
Increase (Decrease) in Net Position	\$ (2,482,267)	\$ 3,093,264	\$ 21,316,749	\$ 21,316,749	\$ 987,700



Source: Victor Valley Wastewater Reclamation Authority

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Revenues by Source
Last Ten Fiscal Years

Operating Revenues						
June 30	Services Charges	Septage Receiving Facility Fees	ADM-FOG Tipping Fees	Pretreatment Permit Fees	Total Operating Revenues	
2023	\$ 20,784,188	\$ 912,752	\$ 773,982	\$ 56,023	\$ 22,526,945	
2022	18,939,509	870,748	166,202	58,275	20,034,734	
2021	16,417,028	675,042	28,855	46,600	17,167,525	
2020	14,592,947	633,420	181,788	49,600	15,457,755	
2019	13,706,977	614,617	274,186	53,600	14,649,380	
2018	13,711,083	621,154	311,600	52,700	14,696,537	
2017	12,719,827	649,362	234,160	52,282	13,655,631	
2016	11,645,881	604,958	-	54,600	12,305,439	
2015	11,260,317	538,367	-	52,157	11,850,841	
2014	10,695,640	390,682	-	48,672	11,134,994	
2013	10,422,378	197,688	-	46,600	10,666,666	

Non-Operating Revenues											
June 30	Connection Fees	Other Non-Operating Revenues	FEMA Reimbursement*	CalRecycle Grant	Title 16 Grant	Proposition 1 Grant	Proposition 84 Grant	Water Recycling Grant	CEC Grant	Loan Forgiveness	Total Non-Operating Revenues
2023	\$ 2,455,340	\$ 389,738	\$ -	\$ 699,150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,544,228
2022	2,635,922	230,184	-	-	-	-	-	-	-	-	2,866,106.00
2021	2,966,707	2,367,449	2,745,775	-	-	-	-	-	-	-	8,079,931
2020	2,302,221	271,102	536,624	-	-	-	-	-	-	-	3,109,947
2019	3,088,860	281,620	-	-	-	-	-	-	294,907	-	3,665,387
2018	2,882,239	67,532	-	-	16,994	916,729	-	442,399	991,745	-	5,317,638
2017	2,951,667	78,595	978,766	-	-	3,844,476	-	1,808,434	135,881	-	9,797,819
2016	1,146,089	69,906	2,396,510	-	1,899,930	4,189,343	3,000,000	1,714,652	-	-	14,416,430
2015	1,387,175	107,030	24,544,825	-	1,637,192	-	-	27,081	-	-	27,703,303
2014	1,524,577	204,545	6,256,569	-	105,813	-	-	-	-	-	8,091,504
2013	1,620,728	74,852	1,047,586	-	121,366	-	-	-	-	3,000,000	5,864,532

Operating Revenues			
June 30	Total Operating Revenues	Total Non-Operating Revenues	Total Revenues
2023	\$ 22,526,945	\$ 3,544,228	\$ 26,071,173
2022	20,034,734	2,866,106	22,900,840
2021	17,167,525	8,079,931	25,247,456
2020	15,457,755	3,109,947	18,567,702
2019	14,649,380	3,665,387	18,314,767
2018	14,696,537	5,317,638	20,014,175
2017	13,655,631	9,797,819	23,453,450
2016	12,305,439	14,416,430	26,721,869
2015	11,850,841	27,703,303	39,554,144
2014	11,134,994	8,091,504	19,226,498
2013	10,666,666	5,864,532	16,531,198

Source: Victor Valley Wastewater Reclamation Authority's Statement of Revenues, Expenses and Changes in Net Position

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Expenses by Function
Last Ten Fiscal Years

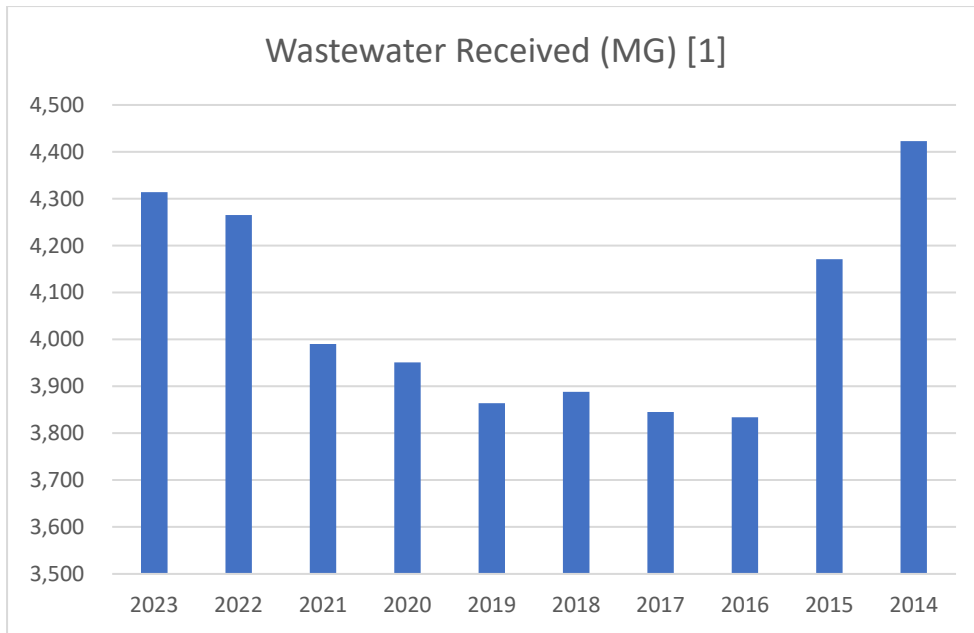
June 30	Operating Expenses						Total Operating Expense	Total Non-Operating Expenses	Combined Expenses
	Personnel	Maintenance	Operations	Administration	Depreciation and Amortization				
2023	\$ 5,918,603	\$ 3,147,505	\$ 4,535,689	\$ 2,844,351	\$ 11,555,695	\$ 28,001,843	\$ 946,112	\$ 28,947,955	
2022	7,522,816	2,481,215	3,971,404	2,924,297	11,327,026	28,226,758	1,219,005	29,445,763	
2021	5,951,923	1,905,014	3,481,013	2,181,361	11,225,596	24,744,907	1,086,729	25,831,636	
2020	5,988,422	1,808,505	3,176,174	2,478,592	11,565,945	25,017,638	2,735,887	27,753,525	
2019	5,011,708	1,880,448	2,928,704	2,162,267	11,519,264 ^[1]	23,502,391	1,255,633 ^[1]	24,758,024	
2018	4,813,879	1,654,791	2,877,169	1,783,254	9,429,914 ^[1]	20,559,007	1,937,435 ^[1]	22,496,442	
2017	4,435,790	1,936,625	2,444,093	2,087,840	7,900,370	18,804,718	1,555,468	20,360,186	
2016	5,090,845	1,892,127	2,359,892	1,831,796	6,645,579	17,820,239	1,214,952	19,035,191	
2015	4,610,511	1,902,719	1,865,289	1,734,702	6,788,528	16,901,749	1,335,646	18,237,395	
2014	4,475,438	1,647,896	2,183,544	1,784,021	6,612,402	16,703,301	1,535,497	18,238,798	
2013	4,386,713	1,377,024	2,169,317	2,044,400	5,760,766	15,738,220	1,356,772	17,094,992	

Note: ^[1] Per prior year adjustment

Source: Victor Valley Wastewater Reclamation Authority's Statement of Revenues, Expenses and Changes in Net Position

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Revenue Base
Last Ten Fiscal Years

June 30	Wastewater Received (MG) ^[1]
2023	4,314
2022	4,265
2021	3,990
2020	3,951
2019	3,864
2018	3,888
2017	3,845
2016	3,834
2015	4,171
2014	4,423



Note: ^[1] MG = Million Gallons

Source: Victor Valley Wastewater Reclamation Authority

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Principal Customers
Last Ten Fiscal Years

June 30	2023		2022		2021	
	Wastewater Received (MG) ^[1]	Percentage of Total	Wastewater Received (MG) ^[1]	Percentage of Total	Wastewater Received (MG) ^[1]	Percentage of Total
San Bernardino County	233	6%	236	6%	219	6%
Apple Valley	702	16%	727	17%	638	16%
Hesperia	813	19%	808	19%	766	19%
Victorville	2,566	60%	2,494	59%	2,367	59%
Principal Customers Total	4,314	100%	4,265	100%	3,990	100%
Total Water Received	4,314	100%	4,265	100%	3,990	100%

June 30	2020		2019		2018	
	Wastewater Received (MG) ^[1]	Percentage of Total	Wastewater Received (MG) ^[1]	Percentage of Total	Wastewater Received (MG) ^[1]	Percentage of Total
San Bernardino County	214	5%	218	6%	222	6%
Apple Valley	629	16%	643	17%	653	17%
Hesperia	731	19%	707	18%	703	18%
Victorville	2,377	60%	2,296	59%	2,310	59%
Principal Customers Total	3,951	100%	3,864	100%	3,888	100%
Total Water Received	3,951	100%	3,864	100%	3,888	100%

June 30	2017		2016		2015	
	Wastewater Received (MG) ^[1]	Percentage of Total	Wastewater Received (MG) ^[1]	Percentage of Total	Wastewater Received (MG) ^[1]	Percentage of Total
San Bernardino County	220	6%	219	6%	233	6%
Apple Valley	645	17%	644	17%	672	16%
Hesperia	695	18%	694	18%	697	17%
Victorville	2,285	59%	2,277	59%	2,569	62%
Principal Customers Total	3,845	100%	3,834	100%	4,171	100%
Total Water Received	3,845	100%	3,834	100%	4,171	100%

June 30	2014		2013	
	Wastewater Received (MG) ^[1]	Percentage of Total	Wastewater Received (MG) ^[1]	Percentage of Total
San Bernardino County	287	7%	306	7%
Apple Valley	611	14%	650	14%
Hesperia	752	17%	799	17%
Victorville	2,576	58%	2,739	58%
Principal Customers Total	4,226	96%	4,494	96%
Total Water Received	4,423	100%	4,494	100%

Note: ^[1] MG = Million Gallons

Source: Victor Valley Wastewater Reclamation Authority

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Revenue Rate
Last Ten Fiscal Years

June 30	Service Charges (\$/MG) ^[1]	Connection Fees (\$/EDU) ^[2]
2023	\$ 4,768	\$ 4,679
2022	4,414	4,679
2021	4,087	4,679
2020	3,784	4,679
2019	3,503	4,000
2018	3,503	4,000
2017	3,274	4,000
2016	3,004	4,000
2015	2,756	4,000
2014	2,528	3,750

High Strength Surcharge Rates (\$/LB) ^[3]			
June 30	BOD ^[4]	TSS ^[5]	NH3 ^[6]
2023	\$ 0.6064	\$ 0.3127	\$ 5.3597
2022	0.6175	0.3212	4.9618
2021	0.5000	0.2876	4.5942
2020	0.3685	0.2470	4.1368
2019	0.3685	0.2470	4.1368
2018	0.3323	0.2262	3.9800
2017	0.3679	0.2124	3.5430
2016	0.2701	0.2333	2.6887
2015	0.2989	0.2336	2.9252
2014	0.2318	0.2057	2.9118

- Note:** ^[1] MG = Million Gallons
^[2] EDU = Equivalent Dwelling Unit (245 gallons/day or 20 fixture units)
^[3] LB = Pounds
^[4] BOD = Biochemical Oxygen Demand
^[5] TSS = Total Suspended Solids
^[6] NH3 = Ammonia

Source: Victor Valley Wastewater Reclamation Authority

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

June 30	State Revolving Fund Loans	Advances from Member Agencies	Lease Payable	California Edison	Cal PERS Side Fund	Total Debt	Debt per Capita	As a Share of Personal Income
2023	\$ 69,101,227	\$ -	\$ 180,861	\$ -	\$ -	\$ 69,282,088	*	*
2022	72,001,979	51,627	-	-	-	72,053,606	*	*
2021	75,891,118	-	150,555	7,255	-	76,048,928	*	*
2020	79,715,210	-	246,388	22,491	-	79,984,089	268.79	0.60%
2019	83,736,020	-	339,222	39,744	-	84,114,986	283.01	0.62%
2018	87,698,996	-	429,152	57,171	-	88,185,319	297.55	0.74%
2017	81,478,053	-	-	83,387	-	81,561,440	278.81	0.72%
2016	52,619,607	-	-	223,062	-	52,842,669	180.72	0.48%
2015	29,773,664	-	-	107,376	-	29,881,040	102.55	0.28%
2014	25,844,065	-	-	-	670,612	26,514,677	93.12	0.27%

* Data not available

Source: Victor Valley Wastewater Reclamation Authority
California Department of Finance

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Demographic and Economic Statistics
Last Ten Calendar Years

Dec 31	Population in Service Area	Personal Income (In Millions)	Personal Income per Capita ²	Unemployment Rate ²
2023	*	*	*	*
2022	312,230	*	*	3.70%
2021	311,085	*	\$ 49,493	4.90%
2020	297,573	\$ 13,340	44,831	9.20%
2019	297,219	13,648	45,920	3.80%
2018	296,369	11,948	40,316	4.00%
2017	292,534	11,306	38,648	5.60%
2016	292,399	10,992	37,592	6.80%
2015	291,392	10,581	36,311	7.50%
2014	284,741	9,772	34,320	8.10%

*Data not available

Service Area Population by Cities

Dec 31	Apple Valley ¹	Victor Valley ¹	Hesperia ¹
2023	*	*	*
2022	74,996	137,193	100,041
2021	76,160	134,700	100,225
2020	74,350	127,170	96,053
2019	74,391	126,432	96,393
2018	73,464	126,543	96,362
2017	72,891	124,516	95,127
2016	74,701	123,565	94,133
2015	74,656	123,510	93,226
2014	71,396	121,168	92,177

*Data not available

Note 1: The Authority also serves the County of San Bernardino, No. 42 (Oro Grande), No.64 (Spring Valley Lake), and Mojave Narrows. The population in the service area represents most of the population in the area that the Authority serves.

Note 2: Personal income for the service area is calculated by multiplying the population in the service area by Personal Income Per Capita.

¹ California Department of Finance and U.S. Census Bureau

² State of California Employment Development Department (Data shown is for the County)

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Principal Employers
Current Year and Nine Years Ago

<i>June 30, 2023</i>	
Employer	Business Category
Leading Edge	Aviation
Southern California Aviation	Aviation
Victorville Aerospace	Aviation
TXI Cement	Cement
Robar Enterprises	Cement/Steel
Goodyear	Distribution
Lowe's Home Improvement Warehouse	Distribution
Newell Rubbermaid	Distribution
Walmart Distribution Center	Distribution
Apple Valley Unified School District	Education
Hesperia Unified School District	Education
Victor Elementary School District	Education
Victor Valley College	Education
Victor Valley Union High School District	Education
City of Hesperia	Government
City of Victorville	Government
County of San Bernardino	Government
Hesperia Recreation and Park District	Government
Town of Apple Valley	Government
Stater Bros.	Grocery
WinCo Foods	Grocery
Desert Valley Hospital / Medical Group	Health
St. Mary Medical Center	Health
Victor Valley Community Hospital	Health
Nutro Foods	Pet Food Processing
Arizona Pipeline Company	Pipe Fabricator
Federal Correction Complex Victorville	Prison
In-N-Out	Restaurant
Wood Grill Buffett	Restaurant
K-Mart	Retail
Target Stores, Inc	Retail
The Home Depot	Retail
Walmart Store	Retail
Double Eagle Transportation	Trucking / Repairs
Verizon	Utility – telephone

<i>June 30, 2014</i>	
Employer	Business Category
Leading Edge	Aviation
Southern California Aviation	Aviation
Victorville Aerospace	Aviation
TXI Cement	Cement
Robar Enterprises	Cement/Steel
Goodyear	Distribution
Newell Rubbermaid	Distribution
Wal-Mart Distribution Center	Distribution
Apple Valley Unified School District	Education
Hesperia Unified School District	Education
Victor Elementary School District	Education
Victor Valley College	Education
Victor Valley Union High School District	Education
City of Hesperia	Government
City of Victorville	Government
County of San Bernardino	Government
Hesperia Recreation and Park District	Government
High Desert Law & Justice Center	Government
Town of Apple Valley	Government
Albertson's Supermarket	Grocery
Stater Bros.	Grocery
WinCo Foods	Grocery
Apple Valley Christian Care Centers	Health
Desert Valley Hospital / Medical Group	Health
St. Mary Medical Center	Health
Victor Valley Community Hospital	Health
Nutro Foods	Pet Food Processing
Arizona Pipeline Company	Pipe Fabricator
Federal Correction Complex Victorville	Prison
In-N-Out	Restaurant
McDonald's	Restaurant
Red Robin	Restaurant
Wood Grill Buffett	Restaurant
Best Buy	Retail
K-Mart	Retail
Lowe's Home Improvement	Retail
Target Stores, Inc	Retail
Walmart Store	Retail
Double Eagle Transportation	Trucking / Repairs
Verizon	Utility – telephone

Note: Total number of employees for each employer is confidential per 20 CFR Part 603.

Source: Victor Valley Economic Development Authority

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Investment in Capital Assets
Last Ten Fiscal Years

June 30	2023	2022	2021	2020	2019
Land	\$ 617,484	\$ 617,484	\$ 617,484	\$ 619,003	\$ 779,136
Land Improvements	9,711,868	9,711,868	9,711,868	9,738,124	9,738,124
Plant Buildings	225,919,431	223,819,429	218,813,949	218,901,596	218,514,351
Interceptor Lines	69,170,246	69,170,246	69,170,246	69,200,504	69,200,504
Office Equipment	953,024	953,024	937,772	1,064,592	1,064,592
Trucks/Auto	750,580	1,050,242	1,143,825	861,825	861,825
Construction in Progress (1)	3,411,809	2,348,166	4,424,689	1,943,175	2,596,294
Accumulated Depreciation	(153,166,838)	(141,642,058)	(130,804,496)	(120,387,018)	(108,821,073)
Total	\$ 157,367,604	\$ 166,028,401	\$ 174,015,337	\$ 181,941,801	\$ 193,933,753

June 30	2018	2017	2016	2015	2014
Land	\$ 779,136	\$ 779,136	\$ 779,136	\$ 779,136	\$ 650,136
Land Improvements	9,738,124	9,738,124	9,630,803	9,421,375	7,792,390
Plant Buildings	218,162,852	133,494,901	132,421,707	131,778,715	131,601,527
Interceptor Lines	67,544,012	62,653,035	27,606,672	27,606,672	27,606,672
Office Equipment	775,612	766,585	766,585	530,213	530,213
Trucks/Auto	841,568	911,116	911,116	911,116	911,116
Construction in Progress (1)	2,301,965	82,908,664	79,877,599	42,492,810	11,960,240
Accumulated Depreciation	(97,337,355)	(86,958,289)	(79,302,192)	(72,656,613)	(65,868,085)
Total	\$ 202,805,914	\$ 204,293,272	\$ 172,691,426	\$ 140,863,424	\$ 115,184,209

Notes to Schedule

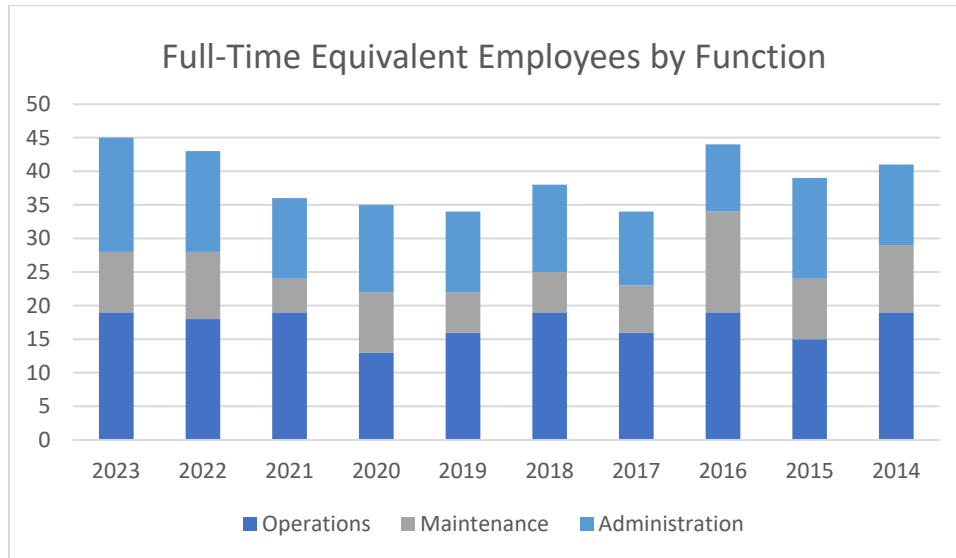
- (1) Construction in progress significantly increased in Fiscal Years 2015, 2016, and 2017 due to the construction of Upper Narrows Pipeline and Subregional Water Reclamation Plants in Hesperia and Apple Valley.
- (2) Construction in progress significantly decreased in Fiscal Year 2018 due to the completion of Subregional Water Reclamation Plants in Hesperia and Apple Valley.

Source: Victor Valley Wastewater Reclamation Authority

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Full-Time Equivalent Employees by Function
Last Ten Fiscal Years

June 30	2023	2022	2021	2020	2019
Operations	19	18	19	13	16
Maintenance	9	10	5	9	6
Administration	17	15	12	13	12
Total	45	43	36	35	34

June 30	2018	2017	2016	2015	2014
Operations	19	16	19	15	19
Maintenance	6	7	15	9	10
Administration	13	11	10	15	12
Total	38	34	44	39	41



Source: Victor Valley Wastewater Reclamation Authority

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Operating and Capital Indicators (Facts and Figures)
June 30, 2023

Throughout the last three years Victor Valley Wastewater Reclamation Authority (the Authority) has identified areas in which to improve its operational reliability and efficiency, financial policies and procedures and capital improvement plans. Part of our ongoing effort is to track those improvements and make sure that when change occurs that it is incorporated into our organizational structure. Benchmarking is a measurement tool used to track the Authority's progress toward achieving its goals. The process encourages transparency, innovation and accountability. Not surprisingly, the Authority has received numerous awards at both local and state levels recognizing its achievements in wastewater treatment and financial reporting. These analyses are included in the Authority's Annual Comprehensive Financial Report and used for financial planning purposes related to budget and evaluating financing options.

Benchmarking is akin to a self-evaluation. It is an excellent tool to build credibility, but it is also important given the Authority's increasing role as a part of the broader water solution locally and statewide. The California Water Plan Update 2005 sets forth statewide goals and provides that sustainability of our water supplies to 2030 will require three actions:

1. Use water efficiently
2. Protect water quality
3. Manage water in ways that protect and restore the environment

The Authority is actively pursuing these three goals within its service areas and within its organizational culture. To attain these goals, the Capital Improvement Plan (CIP) includes three elements in each project to improve and meet (1) the capacity, (2) performance efficiency and (3) regulatory needs for wastewater treatment for its Member Agencies.

As any good steward of our limited resources would do, we have conducted a benchmarking analysis to identify areas where the Authority could improve its operation. The primary objective is to create a performance measurement system to evaluate and improve the Authority's operational efficiency. The manual "Benchmarking, Performance Indicators for Water and Wastewater Utilities: 2017 Annual Survey Data and Analysis Report" was utilized as an industry-standard reference. The manual is published by the American Water Works Association (AWWA), a national organization dedicated to promoting sound water policy.

We have used information from the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers (CPI-U) to adjust for inflation. The CPI-U is 8.2% for 2021 and 1.4% for 2020. We have adjusted the AWWA wastewater performance data with 2021 CPI-U.

Four indices were chosen which provide a broad perspective on the operational efficiency of the Authority. These include:

1. **Sewer Overflow Rate:** the purpose of this indicator is to provide a measure of collection system piping condition and the effectiveness of routine maintenance by quantifying the number of sewer overflows per 100 miles of collection piping ^[1]:
 - a. Reporting Period: Year ended June 30, 2023.

Source: ^[1] State Water Resources Control Board,
California Integrated Water Quality System Project (CIWQS)

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Operating and Capital Indicators (Facts and Figures)
June 30, 2023

2. Million Gallons per Day (mgd) of Wastewater Processed per Employee:

This is a measure of employee productivity and includes all staff ^[1] and ^[2].

- a. Reporting Period: Year ended June 30, 2023

3. Operations and Maintenance Cost per Million Gallons Processed:

This represents the total operations and maintenance costs (without depreciation) divided by the volume processed during the year ^[1] and ^[3].

- a. Reporting Period: Year ended June 30, 2023

4. Debt Ratio: It quantifies the utilities level of indebtedness ^[3].

- a. Reporting Period: Fiscal Year 2022-2023

The performance indicators are analyzed, comparing to wastewater facilities that are nationwide, West States Region V, and serving a population size of 100,001 to 500,000.

There are significant regional variations due to population, regulatory complexity and the cost of living associated with wastewater treatment. Region V States consist of AK, AS, CA, GU, HI, MT NM, OR, WA, CAN-AB, CAN-BC, CAN-MB, CAN-NT, CAN-NU, CAN-SK, CAN-YT.

Source: ^[1] Actual inflow data measured by the Authority, and data provided by Member Agencies and other users

^[2] Based on actual employee numbers as of June 30, 2023

^[3] The Authority's Audited Financial Statements June 30, 2023.



VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Operating and Capital Indicators (Facts and Figures)
June 30, 2023

Sewer Overflow Rate

Nationwide

	Top Quartile	Median	Bottom Quartile	VWRA June 30, 2023
Sewer Overflow Rate	0.6	1.0	3.7	0

West States Region IV

	Top Quartile	Median	Bottom Quartile	VWRA June 30, 2023
Sewer Overflow Rate	0.6	3.2	4.1	0

Population 100,001-500,000

	Top Quartile	Median	Bottom Quartile	VWRA June 30, 2023
Sewer Overflow Rate	0.3	1.1	2.6	0

The Authority's Sewer Overflow Rate is 0. The Authority had zero (0) reported spills during year ended June 30, 2023. The Authority has completed the construction of a permanent interceptor to replace the temporary bypass line that was completed during 2011 to divert the wastewater flow from a damaged interceptor. In addition, the Authority is finished constructing the Sub-regional wastewater treatment plant each in Apple Valley and Hesperia. The Capital Improvement Plan requires multi-million-dollar funding to address the construction needs.



VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Operating and Capital Indicators (Facts and Figures)
June 30, 2023

Million Gallons per Day of Wastewater Processed per Employee

Nationwide

	Top Quartile	Median	Bottom Quartile	VWRA June 30, 2023
MGD Wastewater processed per employee	0.31	0.19	0.16	0.24

West States Region IV

	Top Quartile	Median	Bottom Quartile	VWRA June 30, 2023
MGD Wastewater processed per employee	0.20	0.18	0.13	0.24

Population 100,001-500,000

	Top Quartile	Median	Bottom Quartile	VWRA June 30, 2023
MGD Wastewater processed per employee	0.24	0.19	0.15	0.24

For the amount of wastewater processed per employee, the Authority places at the median quartile nationwide, but places at the top quartiles of the regional and population levels.

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Operating and Capital Indicators (Facts and Figures)
June 30, 2023

Operations and Maintenance Cost per Million Gallons Processed

Nationwide

	Top Quartile	Median	Bottom Quartile	VWRA June 30, 2023
O&M Cost per MG Processed	\$1,965	\$2,796	\$3,222	\$3,812

West States Region IV

	Top Quartile	Median	Bottom Quartile	VWRA June 30, 2023
O&M Cost per MG Processed	\$2,151	\$3,969	\$6,522	\$3,812

Population 100,001-500,000

	Top Quartile	Median	Bottom Quartile	VWRA June 30, 2023
O&M Cost per MG Processed	\$1,264	\$2,522	\$3,977	\$3,812

The Authority is performing between the median and the top quartile in the Region V category however lower than the median quartile in the national and the population category. Unfortunately, the numbers generated as indices in the AWWA Benchmarking analysis did not differentiate basis upon level of treatment or regulatory requirements. There were also significant differences in personnel costs in the Midwest and South which may have skewed the National Results.

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Operating and Capital Indicators (Facts and Figures)
June 30, 2023

Debt Ratio

Nationwide

	Top Quartile	Median	Bottom Quartile	VWRA June 30, 2023
Debt Ratio (%)	38	56	63	45.38

West States Region IV

	Top Quartile	Median	Bottom Quartile	VWRA June 30, 2023
Debt Ratio (%)	21	22	27	45.38

Population 100,001-500,000

	Top Quartile	Median	Bottom Quartile	VWRA June 30, 2023
Debt Ratio (%)	22	31	54	45.38

The Authority's debt ratio is below the median quartile when compared to all categories.

Average Cost per Employee

A final analysis is needed to determine how the Authority's personnel cost compares to southern California agencies. The results indicate that the Authority's median per employee cost was approximately \$146,131, showing that the Authority's personnel cost was one of the highest.

Financial and Statistical Summary of Selected Wastewater Agencies – Year Ended June 30, 2023							
Wastewater Agencies	Arrowhead	Inland Empire	Big Bear RWA	VWRA	Orange County San. Dist.	Encina WA	Leucadia WD
Cost of Services	\$ 7,889,965	\$ 7,160,432	\$ 54,521,000	\$ 12,817,560	\$ 2,767,122	\$ 4,137,498	\$ 112,771,582
Positions	56	49	362	45	15	19	647
Average personnel cost per position	\$ 142,162	\$ 146,131	\$ 150,610	\$ 170,901	\$ 184,475	\$ 217,763	\$ 174,299

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Operating and Capital Indicators (Facts and Figures)
June 30, 2023

Sources: The Authority's cost of services and personnel cost are actual for the fiscal year ended June 30, 2023, while data for other agencies are from their budgets for June 30, 2023.

Discussion

As the data above indicates, the Authority's performance seems to be at average or better. There is always room for improvement which is why the Authority routinely evaluates its performance efficiency to reduce costs and considers alternatives to costly upgrades to address regulatory requirements. The Authority has an approved CIP which is designed to address capacity issues within the interceptor system. These projects include Sub-regional facilities and interceptor upgrades. The Authority is also uniquely positioned in the High Desert to address potable water shortages through improved use of reclaimed water. The Authority is not unique in this respect, the Little Hoover Commission produced a report in January 2009 dealing with the California water situation and organizational challenges. The report states, in pertinent part:



EC Inspector Confined Space Entry

And while implementation of the Federal Clean Water Act and the state's Porter-Cologne Water Quality Control Act, the two key laws governing water quality, have made profound improvements in wastewater treatment discharges, wastewater remains a critical statewide problem. Local governments, representing small, poor communities as well as larger, richer urban areas, are struggling to pay for upgrades needed to protect the state's waters and ensure they are safe to swim in, fish in or drink. An EPA report noted that California would need to spend more than \$18 billion to properly upgrade and expand wastewater treatment.

The Authority is aggressively pursuing funds to meet the needs of the Member Agencies and the State Regulatory Agencies and to ensure that the communities it serves continue to have reliable wastewater treatment and a source of reclaimed water. The first key step is obvious: to manage the assets the Authority currently operates as efficiently as possible. The second step is to incorporate elements of sustainable land use planning, which are exemplified within the Ahwahnee Water Principles, specifically Water Principle 7-Water Recycling.

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Operating and Capital Indicators (Facts and Figures)
June 30, 2023

The reuse of “waste” water portfolios and create a drought proof supply of water to meet landscape irrigation, industrial and commercial needs. Furthermore, since reuse began in 1929 in California, not on single health problem has been reported. The Authority will continue to partner with the Member Agencies to promote the local reuse of wastewater while actively seeking the resources to provide reliable wastewater treatment services.



In addition to this benchmarking analysis, the Authority will be preparing itself for the future through a strategic planning and continuous improvement process. All managerial staff has reviewed a book entitled, “Managing the Water and Wastewater Utility” with the goal of producing a Business Plan to help guide the Authority as issues arise. The purpose is to continuously create an organization which proactively recognizes problems and addresses them early rather than reacting to them once they have occurred and responding to the fallout. The book states the goals of this process will be to:

1. Respond to external threats to the utility;
2. Seize opportunities presented by technological, financial, or political change to the advantage of the customers we serve;
3. Maximize the quality of customer service within available resources;
4. Cut costs, while providing excellent customer service;
5. Maintain or improve the safety and quality of employee work life; and
6. Create an organization that will continuously improve and revitalize itself in response to an ever-changing world.

Through a process of self-evaluation and creative problem solving, the Authority intends to meet the needs of the Member Agencies while serving the broader community. It would assist the Authority in this process if any of the Member Agencies conduct their own benchmarking analysis and they would be willing to share it with us in confidence. This approach would ensure that our effort mirrors theirs such that comparable results are generated. The ultimate goal is to plan and create an organization capable of responding to our local issues and needs, while keeping in mind the broader policy issues, which may impact our ability to execute our goals locally.