HUMBOLDT BAY MUNICIPAL WATER DISTRICT

EUREKA, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2023

O'CONNOR & COMPANY

TABLE OF CONTENTS

O'CONNOR & COMPANY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Humboldt Bay Municipal Water District
Eureka, California

Report on the Audit of the Financial Statements

Opinions
We have audited the accompanying financial statements of the business-type activities of Humboldt Bay Municipal Water District as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise Humboldt Bay Municipal Water District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Humboldt Bay Municipal Water District as of June 30, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Humboldt Bay Municipal Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

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

- Exercise professional 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 Humboldt Bay Municipal Water District’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Humboldt Bay Municipal Water District’s ability to continue as a going concern for a reasonable period of time.

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

<u>Required Supplementary Information</u>
Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis (pages 3-10) and the required supplemental information (pages 32-34) listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

<u>Report on Summarized Comparative Information</u>
We have previously audited Humboldt Bay Municipal Water District’s June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 21, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

O'Connor & Company

O’Connor & Company

Novato, California
November 14, 2024

The purpose of this section of the financial statements is to present management's discussion and analysis of the Humboldt Bay Municipal Water District's (District) financial performance during the fiscal year that ended on June 30, 2023. We recommend that readers review this in conjunction with the remainder of the financial statements.

INTRODUCTION AND BACKGROUND

We would first like to provide a brief overview of the District and the customers served which will provide a context for the financial statements and the discussion which follows.

The Regional Water System:
The District was formed in 1956 pursuant to the Municipal Water District Act of the California Water Code. The District completed construction of the regional water system in 1961, and service commenced to the Cities of Eureka and Arcata and two pulp mills on the Samoa Peninsula. Since the initial construction, several additions and improvements to the regional system have been made, and additional wholesale customers have joined the regional system. Since inception, this regional water system has efficiently and reliably served the municipal and industrial water needs of customers in the Humboldt Bay region.

The regional water system includes the following components: R.W. Matthews Dam (which forms Ruth Lake) and the Gosselin Power House, in Trinity County; and the following facilities in Humboldt County: 1) diversion works on the Mad River northeast of Arcata capable of supplying 75 million gallons per day, 2) treatment facilities, including the Lloyd L. and Barbara Hecathorn Turbidity Reduction Facility, 3) over 35 miles of pipeline infrastructure around the Humboldt Bay area to deliver water to the wholesale customers, and 4) extensive communication and control systems to operate and control the regional system including the John R. Winzler Operations and Control Center.

Customers Served and Associated Wholesale Water Contracts:
The District supplies domestic water to seven municipal agencies on a wholesale basis. The municipalities served by the District are the Cities of: Arcata, Blue Lake and Eureka, and the Community Services Districts of: Fieldbrook/Glendale, Humboldt, Manila and McKinleyville. Via the wholesale relationship, the District serves water to an estimated residential population of 94,000 (approximately 65% of the entire County), and to numerous businesses, industries and educational institutions.

The District provides retail water service to about 200 customers who reside outside the service territory of other water purveyors, but are located in close proximity to District facilities. Approximately 100 of these customers are located on the Samoa Peninsula. These residents have formed the Peninsula Community Services District to perform water, sewer, fire protection, parks, and recreation services. Once operational, the District retail customers located within Peninsula Community Services District's jurisdictional boundaries will cease being retail customers of the District. The financial impact on the District has not been analyzed. Currently there is no definitive date to transfer these District retail customers to the Peninsula CSD.

The District also has facilities to supply untreated water to customers on the Samoa Peninsula. The District was serving one wholesale industrial customer (pulp mill) until it ceased operations on October 15, 2008. Recently there is renewed interest in the industrial raw water that the District is able to supply to the Samoa Peninsula. There are several other entities involving aqua culture that are currently considering siting on the Samoa Peninsula due in part to the availability of the raw water from the District.

Ultimately, this increased economic and water dependent activity on the Samoa Peninsula is expected to revitalize the District's industrial water system albeit at a much lower consumption rate than experienced by the former pulp mills.

The District has long-term contracts in place with each of its seven wholesale municipal customers. These 20-year contracts were amended in early 2017 and have an effective date of July 1, 2017. These contracts will be in place until June 30, 2037, with an opportunity to extend them for another ten years.

These contracts define the terms and conditions by which the District provides water service to its customers. The contracts specify that all operating, maintenance and capital costs associated with the regional water system are paid for by the wholesale customers. The contracts also specify the way these costs are allocated among the wholesale customers. Furthermore, they specify that most revenues received by the District, other than those associated with wholesale water sales, are credited back to the wholesale customers, and thus offset the costs that the wholesale customers otherwise pay. For fiscal year 22-23 examples of such revenues which are credited back to the wholesale customers include the District's share of 1% property taxes, a portion of power sales from the hydro-electric facility, interest income, revenues associated with retail water service, and other miscellaneous revenues.

A summary of the current cost allocation provisions of the wholesale contract is as follows:

Type of Cost	Municipal Customers' Cost Share	Industrial Customer(s) Cost Share
Debt Service for Turbidity Reduction Facility	100%	0%
Operation, Maintenance and Capital Expenditures associated with drinking water treatment facilities (i.e., facilities associated with providing safe drinking water in accordance with federal and state requirements).	100%	0%
Operation, Maintenance and Capital Expenditures associated with all other aspects of the regional water supply, pumping and distribution system (other than power for pumping water). *Change in % due to pulp mill closure.	55% increased to 100% effective April 1, 2009*	45% decreased to 0% effective April 1, 2009*
Power Costs for Pumping Water	In proportion to actual power use.	n/a

Additionally, the wholesale contracts provide that "Additions to Reserves" may be charged to the wholesale customers should the District need to replenish its General Reserve level. During fiscal year 2022-23, the charges for additions to reserves to the wholesale customers was $350,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of several components: a) the Statements of Net Position, b) the Statements of Revenues, Expenses, and Changes in Net Position, and c) the Statements of Cash Flows. These financial statements present the District's financial position on an enterprise fund basis. An enterprise fund accounts for goods or services which are provided to outside parties – in the District's case, this is wholesale and retail water service.

BASIC FINANCIAL STATEMENTS

The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner like a private-sector business. These statements offer short- and long-term financial information about District activities.

The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

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 results of the District's operations over the past year and can be used to determine the District's general financial well-being and whether the District has recovered its costs through its water charges.

The final financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and the changes in cash resulting from operations and investments. It also provides answers to such questions as where cash came from, what was cash used for, and what was the change in cash balance during the reporting period.

There may be minor rounding differences between the following tables and the financial statements.

FINANCIAL HIGHLIGHTS

- The District's net position was $36,334,694 as of June 30, 2023, an increase of $2,008,331 compared to June 30, 2022.
- Revenues were $9,747,716, a decrease of $1,038,071 from FY 2021-22.
- Expenses were $7,739,385, an increase of $52,981 from FY 2021-22.

SINGLE AUDIT ACT REPORT

The District was not subject to the Single Audit Act for FY2022-23. This is a separate audit that focuses specifically on Federal funding sources when an agency expends/receives funds more than $750,000 over the course of a fiscal year. The Single Audit focuses specifically on auditing the funds spent/received from the Federal Government – for Humboldt Bay Municipal Water District, this includes funds allocated by FEMA for Hazard Mitigation Grants.

DISCUSSION AND ANALYSIS

Our analysis of the District begins with the Statements of Net Position on page 12 of the financial statements. The Statements of Net Position present information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. A summary of the District's Condensed Statements of Net Position is presented in Table 1 below.

TABLE 1

CONDENSED STATEMENTS OF NET POSITION

			Change	
ASSETS	**FY 2022-2023**	**FY 2021-2022**	**$**	**%**
Current Assets	$ 9,211,596	$ 9,221,837	$ (10,241)	-0.11%
Restricted Cash & Investments	6,224,802	5,876,079	348,723	5.93%
Land, Property & Equipment (net Accum. Depr.)	27,972,022	27,800,720	171,302	0.62%
Total Assets	43,408,420	42,898,636	509,784	1.19%
Deferred Outflows of Resources	2,127,303	973,874	1,153,429	118.44%
LIABILITIES				
Current Liabilities	1,154,236	1,807,102	(652,866)	-36.13%
Post-Retirement Health Benefits Obligation	2,271,571	2,593,559	(321,988)	-12.41%
Net Pension Liability	4,126,146	1,808,936	2,317,210	128.10%
Long-term Debt	-	273,668	(273,668)	-100%
Total Liabilities	7,551,953	6,483,265	1,068,688	16.48%
Deferred Inflows of Resources	1,649,076	3,062,882	(1,413,806)	-46.16%
NET POSITION				
Net Investment in Capital Assets	27,698,354	26,979,715	718,639	2.66%
Restricted (for debt service)	820,413	794,985	25,428	3.20%
Restricted (for capital projects)	4,830,848	4,547,232	283,616	6.24%
Restricted funds	1,606,645	908,608	698,037	76.82%
Unrestricted	1,378,434	1,095,823	282,611	25.79%
TOTAL NET POSITION	$ 36,334,694	$ 34,326,363	$2,008,331	5.85%

As can be seen from the table above, the net position as of June 30, 2023 was $36,334,694, an increase of $2,008,331 as compared to June 30, 2022.

The largest portion of the District's net position is its investment in capital assets called property and equipment (e.g., land, buildings, equipment, and water system infrastructure), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide water services to its wholesale and retail customers, and consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to satisfy these liabilities.

The Statements of Revenues, Expenses, and Changes in Net Position (page 13) present information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes or earned but unused vacation leave).

A summary of the District's Condensed Statements of Revenues, Expenses, and Changes in Net Position is presented in Table 2.

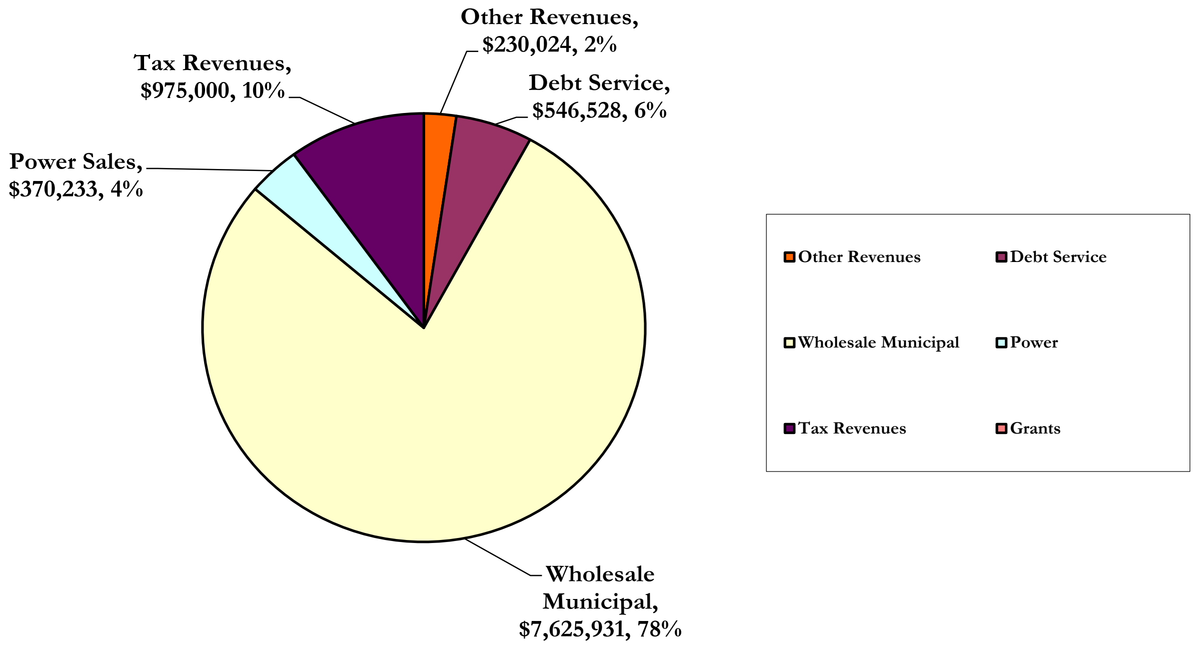
TABLE 2
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

			Change	
	FY 2022-2023	**FY 2021-2022**	**$**	**%**
REVENUES				
***Operating:**				
Water Sales	$ 7,625,931	$ 7,967,964	$ (342,033)	-4.29%
Power Sales	370,233	423,988	(53,755)	-12.68%
SRF Debt Service Receipt	546,528	79,361	467,167	588.66%
Other Operating	-	1,171,201	(1,171,201)	-100.00%
***Non-Operating:**				
Taxes	975,000	1,133,337	(158,337)	-13.97%
Interest Income	230,024	9,936	220,088	2215.06%
Total Revenues	9,747,716	10,785,787	(1,038,071)	-9.62%
EXPENSES				
Operating expense	6,611,234	6,604,486	6,748	0.10%
Non-operating expense	30,425	12,888	17,537	136.07%
Depreciation	1,429,352	1,410,651	18,701	1.33%
Less Reimbursements	(331,626)	(341,621)	9,995	-2.93%
Total Expenses	7,739,385	7,686,404	52,981	-0.69%
Change in Net Position	2,008,331	3,099,383	(1,091,052)	-35.20%
Beginning Net Position	34,326,363	31,226,980	3,099,383	9.93%
Ending Net Position	$ 36,334,694	$ 34,326,363	$2,008,331	5.85%

While the Statements of Net Position show the changes in financial position, the Statements of Revenues, Expenses, and Changes in Net Position explain the nature and source of these changes. As shown in Table 2, the change in net position increased by $2,008,331, compared with the prior year. The changes in revenues and expenses which contributed to this change in net position are reflected in the above line-item detail.

As a supplement to the Statements of Revenues, Expenses, and Changes in Net Position, Chart 1 presents operating, and non-operating revenues earned in FY 2022-23 by category along with the proportionate share of the total revenue each category represents. The total revenues reflected in Chart 1 are $9,747,716. The municipal customer receipts of $546,528 for repayment of the District's SRF Loan for the Turbidity Reduction Facility, which is further described in the subsequent Long-Term Debt section and the grant funding receipts of $0, are associated with repayment of long-term debt and special funding respectively and not current operations. The major fluctuations in revenues and expenses relate to the decreased grant funding and related expenditures. The power revenue decreased this year due to PG&E equipment failure.

Chart 1 Revenues Received by Category for FY 2022-23



Total Revenues $9,747,716

PROPERTY AND EQUIPMENT

The District has invested approximately $75,941,426 in a broad range of infrastructure for the regional water system. Table 3 presents a summary of the District's property and equipment. The total increase in the current year property and equipment in the amount of $171,302 is mostly attributable to the large capital assets currently under construction.

TABLE 3
PROPERTY AND EQUIPMENT

	FY 2022-2023	FY 2021-2022	Change $	Change %
Buildings (includes land)	$ 8,662,869	$4,769,938	$3,892,931	81.61%
Equip - Auto/Mobile/Office/Radio/Tools	3,346,385	3,137,219	209,166	6.67%
Water System Infrastructure (excludes land)	62,351,580	62,227,187	124,393	0.20%
Total Property and Equipment	74,360,834	70,134,344	4,226,490	6.03%
Less Accumulated Depreciation	(47,969,404)	(46,540,053)	(1,429,351)	3.07%
Add Projects in Progress	1,580,592	4,206,429	(2,625,837)	-62.42%
Total Property & Equipment (net of depr)	$ 27,972,022	$27,800,720	$171,302	0.62%

LONG-TERM DEBT

At June 30, 2023 year-end, the District has one long-term note payable outstanding for a total amount of $273,668. This is the SRF Loan used to finance the Turbidity Reduction Facility. The SRF loan carries no interest (i.e., zero percent), and has a repayment term of 20 years. The initial SRF loan balance at its inception in 2004 was $10,946,736. The debt service for the SRF Loan is paid in its entirety by the District's wholesale municipal customers in accordance with the wholesale water contracts (via Price Factor 1).

DESCRIPTION OF CURRENTLY KNOWN FACTS OR CONDITIONS THAT MAY HAVE A SIGNIFICANT EFFECT ON THE FINANCIAL POSITION OR RESULTS OF OPERATIONS

Pulp Mill Closure

On October 15, 2008 (FY2008-09), the District's only industrial customer, Evergreen Pulp, shut down its pulp mill. The pulp mill was sold on February 6, 2009, to Samoa Acquisition Corporation (SAC). The District had an interim agreement with the new owner until April 30, 2009. The District shut off the water supply to the mill on May 1, 2009. This industrial property was acquired by the Humboldt Bay Harbor Recreation and Conservation District for development. The Humboldt Bay Harbor Recreation and Conservation District has worked with the Humboldt County Redevelopment Agency to market the viability of this property over the past years. Nordic Aquafarms is currently in the permitting process for the development of a land-based seafood production facility. This will allow the District to again begin selling raw industrial water to the Samoa Peninsula.

In 2022 the County of Humboldt established an Enhanced Infrastructure Financing District (EIFD) on the Samoa Peninsula which encompasses approximately 2,243 acres located Southwest of the 255 Bridge outside of Eureka, CA. The Samoa Peninsula EIFD (the "EIFD") was created to facilitate infrastructure projects that create jobs, enhance the quality of life for visitors and residents, support existing and emerging industries, and help mitigate the impacts of climate change.

The EIFD facilitates the improvement of public infrastructure by leveraging property tax increment generated within the EIFD area.

Ultimately, this increased economic and water dependent activity on the Samoa Peninsula is expected to help revitalize the District's industrial water system albeit at a much lower consumption rate than experienced by the former pulp mills. Although the quantities will be significantly less than prior pulp-mill usage, the District looks forward to utilizing its industrial water system that has been idle for almost 10-years.

While previous pulp mills had been paying 45% of the District's operation, maintenance, and capital expenditure costs associated with all aspects of the regional water supply except for the drinking water treatment facilities, (for 2008-09, the mill's contribution to the cost of the regional water system would have been approximately $1.1 million), due to the significantly less raw water that is anticipated to be needed by the new operations, this contribution by new businesses is anticipated to be significantly less.

Under the terms of the District's Ordinance 16 contracts, costs were shifted to the remaining wholesale customers (seven municipal agencies) beginning April 1, 2009. Whereas the municipalities had previously been paying 55% of costs, currently they now pay 100%.

Since the closure of the mill in 2009, the District has been diligent in searching for possible new customers or uses for the water that has been available. While there is current development interest activity on the Peninsula; it is anticipated to take several more years to complete infrastructure upgrades and construction.

Capital Improvement Program

The District has implemented a substantial capital improvement program (CIP) given the age of its infrastructure (50 years). Mechanisms to finance CIP projects include pursuing grant funding, issuing new long-term debt, and working with wholesale municipal customers to increase revenues through water rates.

The following infrastructure projects have been completed or are in process:

1. The Ranney Collector #3 Rehabilitation project. For financing purposes this was bundled with the Techite Pipeline Replacement project. Total projected funding needs of $5,165,000 were met using a combination of Federal Emergency Management Agency (FEMA) grant funding, reserve funds, advance charges collected from the municipal customers, and bank loans.
2. The Emergency Intertie project was a multijurisdictional project led by the District. The project partners were: HBMWD, the City of Arcata, the City of Eureka and the McKinleyville Community Services District. This project installed new water transmission interconnections between the agencies to allow for water supply redundancy in the event of a supply line disruption. A State of California Department of Public Health Proposition 50 grant in the amount of $3,648,550 was received for this project. The construction was completed during FY2014-15 and the assets created via this construction project were transferred to the respective agencies in accordance with the terms and conditions of the Special Facilities Agreement (May 3, 2013).
3. The next significant infrastructure project was the replacement of the 1MG domestic reservoir roof. This tank has been in service for almost fifty years and was showing signs of stress and corrosion. This project replaced the entire roof and repainted the reservoir to extend its' life another 40-50 years. This project was completed in FY2017-18. Funding for this project was a combination of advance charges collected from the municipal customers and by the District through water rates.
4. The replacement of the District's pipeline that crosses over the Mad River to serve the City of Blue Lake and the Fieldbrook-Glendale Community Services District was the next large CIP project. The completed project total was $2,025,510. These funds were provided through the award of a State of California Department of Water Resources Proposition 84 grant via the North Coast Integrated Regional Water Management Plan, as well as the receipt of a FEMA Hazard Mitigation grant. This project was completed early FY2018-19.
5. The removal of the Surge Tower for the industrial line was completed in late FY 2018-19. This large tower had lost some of its structural integrity and it was feared that should the tower fall or collapse, due to its proximity to both the industrial and domestic water lines, significant damage and loss of service to municipal customers and their residents would occur. While this project was originally estimated to cost $960,000, due to a revision of the project upon realization that the tower did not need to be replaced only removed, the final cost for this project was $256,343 and was mostly (75%) funded by another FEMA Hazard Mitigation grant.
6. The relocation of the District's 12kV Switchgear Project has been a large multi-year CIP project and was completed in 2023. This project was mostly funded by a FEMA Hazard Mitigation Grant, with a final cost estimate of $3,574,000.
7. The Ranney Collector #2 Rehabilitation Project (similar to the Ranney Collector #3 Rehabilitation) is anticipated to be completed early 2024 and will be funded with Integrated Regional Water Management (IRWM) grant funds and advance charges collected from the municipal customers. The estimated cost is $2,799,000
8. The 3-Tank Seismic Retrofit Project is a large CIP project for seismic upgrades for all three of the Districts large storage tanks. This project is expected to begin in 2024 with an anticipated cost of $7,000,000. This project will be funded using a combination of FEMA Hazard Mitigation Grant funds and advanced charges.
9. The Turbidity Reduction Facility (TRF) Emergency Generator Project will install a larger generator and fuel tank to provide full power to the TRF in the event of a power loss. This project is funded using a combination of FEMA Hazard Mitigation Funds and advanced charges. This project is anticipated to be completed in 2025 at a cost of $2,000,000.
10. The District is currently collecting funds for an On-site Chlorine Generation Project. This project will allow the District to switch from using chlorine gas to treat drinking water to an onsite hypochlorite treatment. Construction for this project is expected to begin in 2025 with an anticipated cost of $1,400,000. This project will be funded entirely from advance charges collected from the municipal customers.

11. The Collector Mainline Redundancy Pipeline Project will construct a redundant pipeline between the Ranney Collectors and the TRF in case of earthquake or other pipeline failure. Phase 1 of this project began in 2022. Due to new (potential seismic) information gained during the geotechnical investigation in phase 1, a revised scope-of-work has been submitted to FEMA. The District is currently waiting for approval of this SOW from FEMA.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have a question about this report or need additional financial information, contact the Business Manager or General Manager at Humboldt Bay Municipal Water District, 828 Seventh Street, Eureka, California, 95501.

BASIC FINANCIAL STATEMENTS

Humboldt Bay Municipal Water District
STATEMENTS OF NET POSITION
June 30, 2023
(With Comparative Totals for June 30, 2022)

ASSETS	2023	2022
Current assets:		
Cash and investments	$ 7,619,603	$ 6,746,186
Restricted cash and investments:	6,224,802	5,876,079
Total cash and investments	13,844,405	12,622,265
Accounts receivable	683,804	907,353
Grants receivable	780,766	1,458,116
Inventory	61,578	62,466
Prepaid items	65,845	47,716
Total current assets	15,436,398	15,097,916
Capital assets:		
Non-depreciable assets	2,952,564	5,578,401
Depreciable assets (net of depreciation)	25,019,458	22,222,319
Total assets	43,408,420	42,898,636
DEFERRED OUTFLOWS		
Deferred outflows related to pensions	2,077,292	888,450
Deferred outflows related to OPEB	50,011	85,424
Total deferred outflows	2,127,303	973,874
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	370,508	327,525
Compensated absences	340,450	757,386
Accrued expenses	169,610	174,854
Total current liabilities	880,568	1,259,765
Long-term liabilities:		
Due within one year	273,668	547,337
Due in more than one year	-	273,668
Other post-employment benefits	2,271,571	2,593,559
Net pension liability	4,126,146	1,808,936
Total long-term liabilities	6,671,385	5,223,500
Total liabilities	7,551,953	6,483,265
DEFERRED INFLOWS		
Deferred inflows related to pensions	103,489	1,598,062
Deferred inflows related to OPEB	1,545,587	1,464,820
	1,649,076	3,062,882
Net position:		
Invested in capital assets, net of related debt	27,698,354	26,979,715
Restricted for debt service	820,413	794,985
Restricted for capital projects	4,830,848	4,547,232
Restricted funds	1,606,645	908,608
Unrestricted	1,378,434	1,095,823
Total net position	$ 36,334,694	$ 34,326,363

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

Humboldt Bay Municipal Water District
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	2023	2022
Operating revenues:		
Municipal customer water sales	$ 7,253,439	$ 7,608,421
Retail customer water sales	372,492	359,543
Debt service receipts	546,528	79,361
Total water sales	8,172,459	8,047,325
Power sales	370,233	423,988
Other operating revenues	-	1,171,201
Total operating revenues	8,542,692	9,642,514
Operating expenses:		
Salaries and benefits	3,335,113	3,857,421
Employee retirement contributions	270,171	553,549
Power and pumping	931,100	783,204
Engineering	191,473	83,066
Materials and supplies	376,810	126,287
Repairs and maintenance	398,331	236,894
Auto and travel expenses	77,879	57,435
Insurance	120,389	122,866
Legal and accounting fees	63,098	69,256
Professional assistance	473,382	304,798
Tax and license	208,265	225,733
Training	33,951	36,073
Other operating expenses	131,272	147,904
Depreciation	1,429,352	1,410,651
Total operating expenses before reimbursements	8,040,586	8,015,137
Reimbursements for services and costs	(331,626)	(341,621)
Total operating expenses	7,708,960	7,673,516
Operating income (loss)	833,732	1,968,998
Non-operating revenues (expenses):		
Tax revenues	975,000	1,133,337
Interest revenues	230,024	9,936
Interest expense	(30,425)	(12,888)
Total non-operating revenues (expenses)	1,174,599	1,130,385
Income (loss) before contributions	2,008,331	3,099,383
Change in net position	2,008,331	3,099,383
Net position, beginning of period	34,326,363	31,226,980
Net position, end of period	$ 36,334,694	$ 34,326,363

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

Humboldt Bay Municipal Water District
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	2023	2022
Cash flows from operating activities:		
Receipts from customers	$ 9,097,867	$ 9,127,344
Payments to suppliers	(2,980,208)	(2,307,114)
Payments to employees	(4,599,477)	(4,246,277)
Net cash provided (used) by operating activities	1,518,182	2,573,953
Cash flows from non-capital financing activities:		
Taxes and assessments	975,000	1,133,337
Net cash provided (used) by non-capital financing activities	975,000	1,133,337
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,600,653)	(3,017,844)
Receipts of capital grants	677,350	1,415,370
Interest expense	(30,425)	(12,888)
Payment on current portion of bonds	(547,337)	(627,463)
Net cash provided (used) by capital and related financing activities	(1,501,065)	(2,242,825)
Cash flows from investing activities:		
Interest earned	230,024	9,936
Net cash provided by investing activities	230,024	9,936
Net increase (decrease) in cash and cash equivalents	1,222,141	1,474,401
Cash and cash equivalents - beginning of period	12,622,265	11,147,864
Cash and cash equivalents - end of period	$ 13,844,405	$ 12,622,265
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:		
Operating income (loss)	$ 833,732	$ 1,968,998
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,429,352	1,410,651
Changes in certain assets and liabilities:		
Accounts receivable	223,549	(856,791)
Inventory	888	(2,926)
Prepaid items	(18,129)	(1,113)
Accounts payable	42,983	(109,559)
Accrued expenses	(5,244)	21,230
Compensated absences	(416,936)	349,416
Deferred outflows	(1,153,429)	63,504
Deferred inflows	(1,413,806)	1,749,545
Net pension liability	2,317,210	(1,601,216)
Other post-employment benefits	(321,988)	(417,786)
Net cash provided (used) by operating activities	$ 1,518,182	$ 2,573,953

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Humboldt Bay Municipal Water District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

This summary of significant accounting policies of the District is presented to assist in understanding the financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of financial statements.

A. Reporting Entity

The District has no oversight responsibility over any other governmental unit and is not included in any other governmental "reporting entity" as defined in GASB pronouncements. The Board of Directors are elected by the public and have the decision-making authority to levy taxes, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Nature of Activities

The District is a state-authorized special purpose government established to provide water services to the Humboldt Bay region. It was formed in 1956 under the provisions of the Municipal Water District Act of 1911. The District provides retail water service to residential customers, and it contracts with seven municipal agencies for the purchase of treated domestic water for resale.

C. Basis of Presentation

The financial statements required by GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 63, include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

The District utilizes an enterprise fund, which is a proprietary fund type. Proprietary funds are used to account for activities like those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds account for goods or services that are provided to outside parties. In accordance with the business-type activities reporting model, the District prepares its statement of cash flows using the direct method.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured. The basis of accounting refers to the timing of the recognition of revenues and expenditures in the accounts and their reporting in the financial statements.

Proprietary fund types are accounted for on an economic resources' measurement focus using the accrual basis of accounting in which revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus/Basis of Accounting (concluded)

The principal operating revenues of the District are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is District practice to first use specifically designated restricted resources before unrestricted resources.

E. Allowance for Doubtful Accounts

The District evaluates the collectability of water sales and grants receivable in order to determine the allowance for doubtful accounts. As of June 30, 2023, the District determined that the various receivables are fully collectible and recorded $0 for the allowance for doubtful accounts. Based on historical experience, the District does not expect amounts to become uncollectible, however if they are, they will be charged to operations as a bad debt expense. The impact of any bad debt expense recorded in the future is expected to be immaterial to the financial statements.

F. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

G. Fair Value Hierarchy

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy consisting of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, that can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability. The valuation method used for rental properties is the Leased Fee Market method, which is dependent on the income generated from the rental properties.

The District's holdings in the Humboldt County Treasurer's Investment Pool, LAIF, PARS and cash in banks were not subject to the fair value hierarchy.

The District's investment policy has been to invest idle cash in demand deposits, time deposits and the Humboldt County Treasurer's Investment Pool, Cal Trust, and LAIF. Investments are reported at fair value. The County Pool is operated in accordance with applicable state laws and regulations, and the reported value of the District's investment in the County Pool is the same as the fair value of the pool shares.

State statutes authorize the District to invest in obligations of the U.S. Treasury, Federal Agency obligations, commercial paper, the LAIF and other instruments. The Loan and Installment Agreement underlying the issuance of Loans and Installment Purchase Agreements authorize permitted investments consistent with the State of California Government Code but broader in scope than the District's usual investment practices.

The District accounts for cash equivalents in its various investment accounts at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capital Assets

Capital assets are defined as assets with an initial cost of $5,000 and projects costing $5,000 or more. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Assets that individually may be below threshold amounts are capitalized if collectively they are above the threshold amount.

Additions to and replacements of capital assets are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction, when significant. The costs of betterments or repairs that extend the life of a capital asset are added to capital accounts.

Depreciation of all exhaustible capital assets is charged as an expense against operations, with accumulated depreciation reflected in the statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Dam, pipeline, buildings, water collection system, South Bay extension, Fieldbrook extension, Blue Lake extension, Lindley extension, Essex diversion, hydro plant penstock and piping	40 Years
Pump station and related facilities	10 - 40 Years
Hydro plant turbine and generators	20 Years
Tools and shop equipment, office equipment, pipeline connections, and hydro switchgear and controls	10 Years
Radio communication system and computers	5 Years
Vehicles	5 - 10 Years
Supplemental construction - except valves	40 Years
Supplemental construction - valves	20 Years

I. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

J. Investments

The District's adopted investment policy seeks to promote the safety of principal, provide adequate liquidity for operational needs, earn market rates of return on investments consistent with liquidity needs and investment quality, and conform to legal requirements.

The District follows the authority governing investments for municipal governments set forth in the California Government Code, Sections 53601 through 53686. The Code authorizes the District to invest in obligations of the U.S. Treasury in the form of notes, bonds, bills or instruments for which the faith and credit of the United States are pledged for payment. The District may also invest in registered treasury notes, or bonds of the State of California and commercial paper of "prime" quality as defined by California Government Code Section 53635 and as rated by Standard and Poor's Corporation or Moody's Commercial Paper Record.

The District's investment policy states that the District will structure its portfolio to meet cash requirements for ongoing operations thereby avoiding the need to sell securities prior to their maturity. The policy does not place formal limits on investment maturities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, the District recognizes deferred outflows and inflows of resources.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period.

L. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net Investment in Capital Assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted Net Position - net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by creditors, grantors, laws, or regulations. The District has restricted net position for debt service, advance charges related to capital projects per contracts, and for revenue credits to the seven municipal customers per Ordinance 16.

Unrestricted Net Position - consists of all other net position that does not meet the definition of “net investment in capital assets” or “restricted net position” and is available for general use by the District.

Net Position Flow Assumption
Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are applied. It is the government’s policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

M. Property Taxes

The lien date for secured property taxes is March 1 of each year. Taxes are levied as of July 1 on all secured real property and are due and payable November 1 and February 1 of the following fiscal year. Humboldt County is responsible for assessing, collecting, and distributing property taxes in accordance with enabling legislation.

Since the passage of California Proposition 13, beginning with fiscal year 1978-79, taxes are based either on a 1% rate applied to the 1975-76 assessed value of the property, or on 1% of the sales price of the property on sales transactions and construction which occur after the 1975-76 assessment. Assessed values on properties (exclusive of increases related to sales transactions and improvements) can rise at a maximum of 2% per year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

M. Property Taxes (concluded)

The amount collected by the County is distributed in accordance with State law to the various public agencies. Therefore, the District does not levy a specific tax rate but receives a share of the property tax revenue based on State formula. The District's tax rate is $1.00/$100 of assessed value, the maximum allowable under Proposition 13.

During fiscal year 1993-94, an alternate method of property tax allocation (the "Teeter Plan") was adopted by the County. Under this plan, the county auditor/controller distributes 100 percent of current secured taxes billed to taxing entities during the current year, whether collected or not. The District recognizes property tax revenues (including tax increment revenues) to the extent of each year's tax allocation received or to be received within 60 days after the end of each fiscal year.

N. Restricted Assets

Assets that are restricted as to withdrawal or use for other than current operations, for the liquidation of long-term debts or for expenditure in the acquisition or construction of capital assets are separately reported as restricted assets and not as current assets.

O. Pension

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS' audited financial statements are publically available reports that can be obtained.

P. Prior Year Information

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's prior year financial statements from which this selected financial data was derived.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENT

Cash, cash equivalents, and investment at June 30, 2023, consist of the following:

	2023	2022
Cash:		
Demand accounts	$ 1,784,812	$ 4,005,316
State Treasurer's Pool (LAIF)	-	1,688
CalTrust	5,834,689	2,727,359
County investment pool	102	11,823
Total	$ 7,619,603	$ 6,746,186

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENT (continued)

	2023	2022
Restricted cash:		
U.S. Bank demand accounts	$ 754,447	$ 749,574
Public Agency Retirement Services	928,275	906,479
State Treasurer's Pool (LAIF)	452,459	443,054
CalTrust	2,937,925	2,640,605
County investment pool	1,151,696	1,136,367
Total	$ 6,224,802	$ 5,876,079

The U.S. Bank commercial checking account balances are carried at cost. One of the U.S. Bank money market accounts is restricted for servicing the Safe Drinking Water State Revolving Fund (SRF) loan (see Note 7). The District transfers funds quarterly from a fund in the Humboldt County Treasurer's Investment Pool to the restricted U.S. Bank money market account. U.S. Bank, acting as a fiscal agent, administers the semiannual loan payments for a total annual payment of $547,337.

Restricted cash and cash equivalents include restrictions imposed by creditors, grantors, laws, regulations, and designations imposed by the Board of Directors. Restricted cash and cash equivalents in the Humboldt County Treasurer's Investment Pool are as follows:

	2023	2022
Restricted for debt service	$ 820,413	$ 794,985
Restricted for municipalities	331,283	341,382
Total restricted cash in County Pool	$ 1,151,696	$ 1,136,367

Custodial Credit Risk - Deposits

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

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to $250,000 by the FDIC. The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors.

All monies in the Humboldt County Treasurer's Pool are not evidenced by specific securities; and therefore, are not subject to custodial credit risk. The average number of days to maturity for investments in the County Pool is 644 days.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENT (concluded)

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2023:

Investment Type	Level 1	Level 2	Exempt	Uncategorized	Total
Demand Accounts	$ -	$ -	$ 2,539,259	$ -	$ 2,539,259
State Treasurer's Pool (LAIF)	-	-	452,459	-	452,459
CalTrust	-	8,772,614	-	-	8,772,614
Public Agency Retirement Svcs	-	-	928,275	-	928,275
County investment pool	-	-	1,151,798	-	1,151,798
Total Investments	$ -	$8,772,614	$5,071,791	$ -	$ 13,844,405

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable from customers at June 30, 2023, consist of the following:

Property tax	$ 682,788
Retiree health insurance	1,016
Total accounts receivable	$ 683,804

NOTE 4 - LAND

Land at June 30, 2023, consists of land and land rights of the Humboldt Bay Municipal Water District, including lands located in both Humboldt and Trinity Counties. There were no changes in land during the year ended June 30, 2023.

NOTE 5 - PROPERTY AND EQUIPMENT

Changes in property and equipment during the year ended June 30, 2023, are as follows:

	Balance at 07/01/22	Additions	Deletions	Balance at 6/30/23
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 1,371,972	$ -	$ -	$ 1,371,972
Construction in progress	4,206,429	865,616	3,491,453	1,580,592
Total capital assets, not being depr.	5,578,401	865,616	3,491,453	$ 2,952,564
Capital assets, being depreciated:				
Buildings and improvements	3,397,966	3,931,003	38,072	$7,290,897
Equipment	3,137,219	209,166	-	3,346,385
Water System Infrastructure	45,978,324	38,396	-	46,016,720
Ruth Lake Infrastructure	10,893,965	85,997	-	10,979,962
District No. U-1	5,354,898	-	-	5,354,898
Total capital assets, being depreciated	68,762,372	4,264,562	38,072	72,988,862
Total accumulated depreciation	(46,540,053)	(1,429,351)	-	(47,969,404)
Total capital assets being depr. - net	22,222,319	2,835,211	38,072	25,019,458
Capital assets - net	$27,800,720	$ 3,700,827	$ 3,529,525	$27,972,022

Total depreciation expense charged to operations for the year ended June 30, 2023, was $1,429,352. All capital assets are depreciable except land and projects in progress.

NOTE 6 - COMPENSATED ABSENCES

Compensated absences consist of estimates of future obligations relating to accumulated unpaid vacation and sick leave compensation. There are predetermined limits to the amount of vacation and sick leave hours that can be accumulated by an employee. The District will pay the employee at the end of each calendar year for any excess vacation time accumulated that year.

Upon retirement, an employee will receive compensation for unused accumulated vacation. The employee also has the option under the District's California Public Employees' Retirement System (CalPERS) contract to convert 100% of the unused sick leave accrual to CalPERS service credit, or to receive a 35% cash payment and convert the remainder to CalPERS service credit. However, if an employee with less than ten years of employment terminates or retires, the unused accumulated sick leave is not eligible for compensation or CalPERS service credit conversion. Compensated absences payable as of June 30, 2023 was $340,450.

NOTE 7 - LONG-TERM NOTES PAYABLE

The following is a summary of changes in long-term debt as of June 30, 2023:

	Balance at 07/01/22	Increase	Decrease	Balance at 6/30/23	Current
California Safe Drinking Water State Revolving Fund (SRF) Note	$ 821,005	$ -	$ 547,337	$ 273,668	$ 273,668
Compensated absences	757,386	-	416,936	340,450	-
Net pension liability	1,808,936	2,317,210	-	4,126,146	-
Other post-employment benefits	2,593,559	-	321,988	2,271,571	-
Total	$ 5,980,886	$2,317,210	$1,286,261	$ 7,011,835	$ 273,668

California Safe Drinking Water State Revolving Fund (SRF) Note

The District has a loan with the California Department of Water Resources (acting on behalf of the California Department of Health Services) under the provisions of the California SRF Law of 1997. The proceeds of the SRF loan were used to finance the construction of the Turbidity Reduction Facility. The loan, which matures in January of 2024, carries no interest, and has a repayment term of 20 years. The District pays $547,337 annually in two semiannual payments. A U.S. Bank money market account is restricted for servicing the loan. The debt service for the loan is paid in its entirety by the District's municipal customers. Future debt service on the loan is:

Year Ending June 30	Principal	Interest	Total
2024	$ 273,668	$ -	$ 273,668
Total	$ 273,668	$ -	$ 273,668

Net position restricted for debt service for the year ended June 30, 2023 was $820,413.

NOTE 8 - WHOLESALE WATER CONTRACTS

The District is primarily a wholesale water provider. The District's Ordinance 16 as amended in June 2006 and June 2016 establishes rates, charges, and conditions of service for water sales to the municipal water customers. The costs of constructing, operating, maintaining, repairing, and replacing the water treatment facilities and maintaining reasonable reserves are allocated among the municipal customers.

The District has long-term contracts with its seven municipal wholesale customers governing wholesale rates, charges and conditions of service. These seven contracts were recently amended including a new twenty-year term with a ten-year renewal option.

NOTE 8 - WHOLESALE WATER CONTRACTS (concluded)

The new contracts were effective July 1, 2017, and include the following seven municipal wholesale customers:

- City of Arcata
- City of Blue Lake
- City of Eureka
- Fieldbrook-Glendale Community Services District
- Humboldt Community Services District
- McKinleyville Community Services District
- Manila Community Services District

The District lost its last large industrial customer in February 2009. Beginning April 1, 2009, all costs for the regional water system associated with operation, maintenance, and capital expenditure were shifted to the seven municipal customers. Whereas the municipalities had previously been paying 55% of costs, they currently pay 100%.

The rate structure is based on "Price Factor" formulas which proportionally allocates the operating, maintenance and capital costs of the District to each of the wholesale customers. Municipal customers are billed monthly for water usage based on their share of such operating, maintenance, and capital costs.

Most revenues received by the District, other than those associated with wholesale water sales, are credited back to the wholesale municipal customers. These revenues include property tax revenues, a portion of power sales, interest income, retail water service revenues and other miscellaneous revenues. The revenue credit is applied ratably monthly during the year. The seven wholesale municipal customers are initially billed based on the District's approved budget, with the costs spread out evenly across the fiscal year. At year-end, the budgeted costs are reconciled with actual costs.

Any underpayments or overpayments are divided into monthly installments and applied to the municipalities' billing during the following year. As of June 30, 2023, the municipal customers overpaid $23,577 for operating, maintenance, and capital costs. Overpayments in the amount of $23,577 were credited to the municipalities' 2023/2024 billings. At June 30, 2023, total net position restricted for credits to the municipalities was $23,577.

The municipal water customers may be charged in advance to fund future capital projects. For the year ended June 30, 2023, the municipal customers had balances in advance charges of $5,296,400 for improvement projects.

Additions to the District's general reserves may be charged to the wholesale customers should the District need to replenish its general reserve level. For the year ended June 30, 2023, the District charged the wholesale customers $350,000.

During the fiscal year ended June 30, 2016, the contracts with the municipal customers were amended. District's Ordinance 16 included a provision that limits capital expenditures. Based on the District's development and implementation of its Capital Improvement Plan (CIP), this limit was no longer practical. To address this and to reduce the need for large fluctuations in costs to the municipalities, the limit on capital expenditures was replaced with a quinquennial update for the Capital Improvement Plan beginning in 2017. This process includes providing a copy to the individual municipalities no later than February 28 for their use in their own budget planning, analysis, and updates of water rates. An additional change with the amended contracts includes revising the schedule for the quinquennial revision of the Peak Rate Allocation to commence again on July 1, 2017 (to address revenue changes in 2016 in the Manila Community Services District).

NOTE 9 - DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are (until paid or made available to the employee or other beneficiary) placed in trust for the benefit of the participants or their beneficiaries and are not the assets of the District.

Effective January 1, 2013, the District contributes $50 per month for each employee who is not currently participating in the deferred compensation program. For fiscal year 2022-23, the District will provide a contribution match of up to $100 per month for employees who are participating in the deferred compensation program. The District has a fiduciary responsibility to the participating employees in the administration of the plan, but is not liable for losses arising from depreciation or other declines in the value of the plan assets.

NOTE 10 - PENSION PLAN

A. General Information about the Pension Plan

Plan Description
All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost Sharing Multiple-Employer Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all others).

Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and District 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.

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 the Plan are applied as specified by the Public Employees' Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous 1st Tier	Miscellaneous PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 – 63	52 - 67
Monthly benefits, as a % of annual salary	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.750%
Required employer contribution rates	10.320%	7.470%

NOTE 10 - PENSION PLAN (continued)

A. General Information about the Pension Plan (concluded)

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund, if applicable. The dollar amounts are billed on a monthly basis. The District's required contribution for the unfunded liability was $291,132 for the fiscal year ended June 30, 2023.

Contributions
Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

The District's contributions to the plan recognized as a part of pension expense for the year ended June 30, 2023 were $574,390.

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

As of June 30, 2023, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of $4,126,146.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, 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, 2020 rolled forward to June 30, 2021, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

Proportion - June 30, 2021	0.0953%
Proportion - June 30, 2022	0.0882%
Change – Increase (Decrease)	-0.0071%

For the year ended June 30, 2023, the District recognized pension expense of $281,426. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 10 - PENSION PLAN (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 647,631	$ -
Changes in assumptions	422,810	-
Differences between actual and expected experience	82,861	55,497
Net differences between projected and actual earnings on plan investments	755,800	-
Change in employer's proportion	168,190	-
Differences between the employer's actual contributions and the employer's proportionate share of contributions	-	47,992
Total	$ 2,077,292	$ 103,489

$647,631 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2024	$ 372,606
2025	317,741
2026	173,553
2027	462,272
2028	-
Thereafter	-

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	6.90%(1)
Mortality	Derived from CalPERS Membership Data for all Funds(2)

(1) Net of pension plan investment expenses, including inflation.

(2) The mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 80% of scale MP 2020.

NOTE 10 - PENSION PLAN (continued)

D. Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected PERF cash flows. Using historical returns on all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class[a]	New Strategic Allocation	Real Return[a, b]
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100.00%	

[a] An expected inflation of 2.30% used for this period

[b] Figures are based on the 2021 Asset Liability Management study.

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

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Discount Rate -1% 5.90%	Current Discount Rate 6.90%	Discount Rate +1% 7.90%
$ 6,336,696	$ 4,126,146	$ 2,307,412

NOTE 10 - PENSION PLAN (concluded)

E. Pension Plan Fiduciary Net Position

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

F. Payable to the Pension Plan

The District did not have an outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

G. Pension Rate Stabilization Program

Establishment of a Section 115 Irrevocable Trust (Pension Trust) for the purpose of assisting with stabilizing the unfunded CalPERS pension liability was approved by the Board of Directors in January 2018. This trust was founded in May 2018 with an initial deposit of $600,000. The Pension Trust, managed by Public Agency Retirement Services (PARS), is considered a "Pension Rate Stabilization Program," and is designed to prefund rising pension costs and address the District's net pension liability. The Pension Trust should help mitigate long-term pension investment volatility, while providing the District with increased local control of assets and investment flexibility to create a more actuarially sound pension plan. The District intends to make annual contributions to the trust.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS

A. Plan Description

The District provides a defined benefit healthcare plan (the "Retiree Health Plan"). The District shoulders a certain percentage of eligible retirees' actual costs subject to a maximum of $640 per month. The duration of retiree benefits provided by the District depends on the date an employee was hired by the District. For all full-time regular employees hired by the District prior to July 8, 2004, the District will pay the medical costs premium during the life of a retiree subject to a maximum of $640 per month. For all full-time regular employees hired by the District after July 8, 2004, the District will pay 100% of the medical cost premium during retirement, subject to a maximum of $640 per month, for a maximum of 10 years or until the retiree reaches age 65, whichever comes first.

All health plan participants are on a group plan rate. In addition to the District's actual costs, the District is required to recognize an implicit subsidy since the District allows its retirees to participate in the plan. The difference between the group plan rate that the retiree must pay and the actual or estimated individually rated premium for the retiree is the implicit rate subsidy (because the retiree continues to participate in the group plan, an implicit rate subsidy exists on the part of the employer).

B. Funding Policy

The District's Board of Directors will not be funding the plan in the current year but will follow a pay-as-you-go approach. The Board will review the funding requirements and policy annually.

Membership of the District as of the valuation date consisted of the following:

Active plan members	30
Inactive employees or beneficiaries currently receiving benefit payments	12
Total	42

Contribution
As of June 30, 2023, the District has accumulated $-0- in an irrevocable trust toward this liability.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (continued)

C. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2022.

D. 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.

Discount rate	4.13%
Inflation	2.50%
Aggregate salary increases (individual salary increases based on CalPERS)	3.0%
Retirement age	50 to 75
Mortality rate	Based on Muni 20 Year Rate Index
Healthcare cost trend rate	10% in 2024, decreasing to 3.9% by 2076.

E. Discount Rate

The cash flows of the OPEB plan were projected to future years, assuming that the District will contribute an amount so that the assets always exceed expected benefits to retirees. Under that projection, the plan assets are projected to be adequate to pay all benefits to retirees in all future years, so the discount rate has been set equal to the long-term expected rate of return on investments, 4.13%.

The long-term expected rate of return on OPEB investments was determined using Muni 20 Year Rate Index expected long-term mean rate of return.

F. Change in the Net OPEB Liability

	Total OPEB Liability June 30, 2022	Total OPEB Liability June 30, 2023
Service cost	$ 113,476	$ 83,532
Interest	66,768	107,488
Benefit payments, including refunds of employee contributions	(124,097)	(98,046)
Differences between expected and actual experience	-	(393,112)
Change in assumptions	(473,933)	(21,850)
Net change in total OPEB liability	(417,786)	(321,988)
Total OPEB liability – beginning of year	3,011,345	2,593,559
Total OPEB liability – end of year	$ 2,593,559	$ 2,271,571

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

The net OPEB Liability of the District, as well as what the District's net OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) or one percentage point higher (5.13%) follows:

Plan's Net OPEB Liability/(Asset)		
Discount Rate - 1% (3.13%)	Current Discount Rate (4.13%)	Discount Rate + 1% (5.13%)
$ 2,509,746	$ 2,271,571	$ 1,979,995

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (concluded)

G. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate (concluded)

The following presents the Net OPEB Liability (NOL) as well as what the NOL would be if it were calculated using healthcare cost trend rates that are 1-percentage-point higher or lower than the current healthcare cost trend rates, as of June 30, 2023.

Plan's Net OPEB Liability/(Asset)		
1% Decrease	Healthcare Cost Trend Rates	1% Increase
$ 1,948,661	$ 2,271,571	$ 2,449,500

H. OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2023, the District recognized OPEB income of $107,762. On June 30, 2023, the District reported deferred inflows of resources from OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ -	$ -
Differences between actual and expected experience	-	517,584
Changes in assumptions	50,011	1,028,003
Net differences between projected and actual earnings on OPEB plan investments	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-
Total	$ 50,011	$ 1,545,587

$0 reported as deferred outflows of resources related to contributions after measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024.

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

Fiscal Year Ended	
6/30/24	$ (305,552)
6/30/25	(318,512)
6/30/26	(328,510)
6/30/27	(334,195)
6/30/28	(130,110)
Thereafter	(78,697)

Additional information relating to the District's Retiree Health Plan and required OPEB disclosures can be obtained from the District's publicly available Comprehensive Annual Financial Report that may be obtained by contacting the Business Manager or General Manager at Humboldt Bay Municipal Water District, 828 Seventh Street, Eureka, California 95501-1114.

NOTE 12 - RISK MANAGEMENT

The District 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 risk of loss is variable as to the deductible amount per occurrence. Liability losses up to $1 million and property losses up to $50,000, are covered through a pooled self-insurance program, administered by the Association of California Water Agencies - Joint Powers Insurance Authority (ACWA-JPIA). Through participation in ACWA-JPIA, the District is covered by commercial liability insurance for losses of more than $1 million, up to an insured maximum of $60 million. Separately, the District insures for property damage more than the pooled limit of $1 million, with commercial insurance for losses up to $100 million.

The ACWA-JPIA began operations on October 1, 1979, and has continued without interruption since that time. The District is one of approximately two hundred and eighty-eight districts participating in the pool. The responsibilities of the ACWA-JPIA and the District are as follows:

Responsibilities of the ACWA-JPIA:

a. Provide insurance coverage as necessary.
b. Assist members in obtaining insurance coverage for risks not included within the coverage of the ACWA-JPIA.
c. Assist each member's designated risk manager with the implementation of the risk management function.
d. Provide loss prevention and safety consulting services to members as required.
e. Provide claims adjusting and subrogation services for claims covered by the ACWA-JPIA's joint protection programs.
f. Provide loss analysis and control to identify high exposure operations and to evaluate proper levels of self-retention and deductibles.
g. Review members' contracts to determine sufficiency of indemnity and insurance provisions when requested.
h. Conduct risk management audits to review the participation of each member in the programs.
i. The ACWA-JPIA shall have such other responsibilities as deemed necessary by the Board of Directors and Executive Committee (of the ACWA-JPIA).

Responsibilities of the District:

a. The governing board of each member district shall appoint a representative and at least one alternate representative to the Board of Directors.
b. Each member shall appoint an employee of the member to be responsible for the risk management function within that member and serve as a liaison between the member and the ACWA-JPIA as to risk management.
c. Each member shall maintain an active safety officer and/or committee and shall consider all recommendations of the ACWA-JPIA concerning unsafe practices.
d. Each member shall maintain its own set of records, including a loss log, in all categories of risk covered by the joint protection program to ensure accuracy of the ACWA-JPIA's loss reporting system.
e. Each member shall pay its deposit premium and premium adjustments within thirty days of the invoice date.
f. Each member shall provide the ACWA-JPIA with such other information or assistance as may be necessary for the ACWA-JPIA to carry out the joint protection programs.
g. Each member shall cooperate with and assist the ACWA-JPIA, and any insurer of the ACWA-JPIA, in all matters and covered claims and will comply with all bylaws, rules and regulations adopted by the Board of Directors and Executive Committee of the ACWA-JPIA.

There have been no significant reductions in insurance coverage from the prior year. The amounts of settlements have not exceeded the insurance coverage in each of the past three fiscal years.

NOTE 13 - CONTINGENCIES

The District receives, on a cost-reimbursement basis, federal and state funds to carry out a variety of projects and studies. As a recipient of federal and state funds, the District is responsible for maintaining an internal control structure that ensures compliance with all laws and regulations related to these programs. All federal and state program expenditures are subject to financial and compliance audits by the awarding agency. Such audits could result in claims against the District for disallowed costs or noncompliance with contract provisions. No provision has been made for any liabilities which may arise from noncompliance or questioned costs since the amounts, if any, cannot be determined at this time. The District is still in litigation with Van Duzen Investments, LLC and Steve Morris Logging and Construction regarding logging on District property. The outcome of this litigation cannot be determined at this time.

NOTE 14- SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

Humboldt Bay Municipal Water District

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) MISCELLANEOUS

June 30, 2023

Last 9 years*

Measurement Date, June 30	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.0882%	0.09530%	0.08080%	0.07880%	0.07720%	0.07640%	0.07490%	0.07300%	0.07880%
Proportion share of the net pension liability	$4,126,146	$1,808,936	$3,410,152	$3,155,817	$2,907,930	$3,011,029	$2,602,142	$2,002,310	$1,969,634
Covered - employee payroll	$2,332,340	$2,239,553	$2,156,138	$2,049,579	$1,963,789	$1,901,128	$1,730,351	$1,746,146	$1,692,541
Proportionate share of the net pension liability as a percentage of covered-employee payroll	176.91%	80.77%	158.16%	153.97%	148.08%	158.38%	150.38%	114.67%	116.37%
Plan fiduciary net position as a percentage of the total pension liability	74.56%	88.26%	76.74%	77.37%	77.39%	75.66%	76.58%	80.90%	80.51%

NOTES TO SCHEDULE

Changes in Benefit Terms:
None

Changes in Assumptions:

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. 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, combined with risk estimates, and 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. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

* Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Humboldt Bay Municipal Water District
SCHEDULE OF CONTRIBUTIONS - MISCELLANEOUS
June 30, 2023
Last 10 years*

	Miscellaneous Plan									
Fiscal Year Ending June 30	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution (actuarially determined)	$ 647,631	$ 574,390	$ 526,893	$ 475,220	$ 477,614	$ 434,427	$ 408,926	$ 386,697	$ 253,791	$ 229,022
Contributions in relation to the actuarially determined contributions	(647,631)	(574,390)	(526,893)	(475,220)	(477,614)	(434,427)	(408,926)	(386,697)	(253,791)	(229,022)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered - employee payroll	$2,610,161	$2,332,340	$2,239,553	$2,156,138	$2,049,579	$1,963,789	$1,901,128	$1,730,351	$1,746,146	$1,692,541
Contributions as a percentage of covered-employee payroll	24.81%	24.63%	23.53%	22.04%	23.30%	22.12%	21.51%	22.35%	14.53%	13.53%

Humboldt Bay Municipal Water District

SCHEDULE OF CHANGE IN THE NET OPEB LIABILITY

AND RELATED RATIOS

For the Year Ended June 30, 2023

Total OPEB Liability	2023	2022	2021	2020	2019	2018
Service cost	$ 83,532	$ 113,476	$ 149,761	$ 141,025	$ 132,814	$ 122,984
Interest	107,488	66,768	118,022	118,649	119,775	122,441
Benefit payments, included refunds of employee contributions	(98,046)	(124,097)	(128,964)	(172,574)	(177,041)	(155,236)
Differences between expected and actual experiei	(393,112)	-	(310,304)	-	-	-
Change in assumptions	(21,850)	(473,933)	(1,168,795)	66,621	64,777	100,904
Net change in total OPEB liability	(321,988)	(417,786)	(1,340,280)	153,721	140,325	191,093
Total OPEB liability - beginning of year	2,593,559	3,011,345	4,351,625	4,197,904	4,057,579	3,866,486
Total OPEB liability - end of year	$2,271,571	$2,593,559	$3,011,345	$4,351,625	$4,197,904	$4,057,579
Plan Fiduciary Net Position						
Net investment income	$ -	$ -	$ -	$ -	$ -	$ -
Contributions						
Employer	-	-	-	-	-	-
Benefit payments, included refunds of employee contributions	-	-	-	-	-	-
Implicit rate subsidy fulfilled	-	-	-	-	-	-
Administrative expense	-	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-	-
Plan fiduciary net position - beginning of year	-	-	-	-	-	-
Plan fiduciary net position - end of year	$ -	$ -	$ -	$ -	$ -	$ -
District's net OPEB liability - end of year	$2,271,571	$2,593,559	$3,011,345	$4,351,625	$4,197,904	$4,057,579
Covered-employee payroll	$2,894,534	$2,568,480	$2,464,853	$2,183,531	$2,080,167	$2,073,759
Net OPEB liability as a percentage of covered-employee payroll	78.48%	100.98%	122.17%	199.29%	201.81%	195.66%

The schedules present information to illustrate changes in the District's changes in the net OPEB liability over a ten year period when the information is available.