



San Bernardino,
CA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

**OF THE CITY OF SAN
BERNARDINO WATER
DEPARTMENT
A COMPONENT UNIT OF
THE CITY OF SAN
BERNARDINO**

**for the Fiscal Year
Ended June 30, 2024**



CITY OF SAN BERNARDINO
MUNICIPAL WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF SAN BERNARDINO
Annual Comprehensive Financial Report
For Fiscal Year Ended June 30, 2024

PREPARED BY:
THE FINANCE AND ACCOUNTING DIVISION

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CITY OF SAN BERNARDINO
MUNICIPAL WATER DEPARTMENT

A COMPONENT UNIT OF THE CITY OF SAN BERNARDINO

Annual Comprehensive Financial Report

For Fiscal Year Ended June 30, 2024

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CITY OF SAN BERNARDINO
MUNICIPAL WATER DEPARTMENT

A COMPONENT UNIT OF THE CITY OF SAN BERNARDINO

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CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

CITY OF SAN BERNARDINO
WATER BOARD

TONI CALLICOTT
President

Commissioners
WAYNE HENDRIX
DAVID E. MLYNARSKI
RIKKE V. JOHNSON
THOMAS BRICKLEY



MIGUEL J. GUERRERO, P.E.
General Manager
ROBIN L. OHAMA
Deputy General Manager
STEVE R. MILLER
Director of Water Utility
KEVIN T. STEWART, P.E.
Director of Water Reclamation
JENNIFER L. SHEPARDSON
Director of Environmental &
Regulatory Compliance
CYNTHIA J. MOUSER
Director of Finance

“Trusted, Quality Service since 1905”

November 27, 2024

To the Water Board Commissioners & Ratepayers of the San Bernardino Municipal Water Department,

Introduction:

State law requires that every general-purpose government publish a complete set of audited financial statements within six months of the close of each fiscal year. This report is published to fulfill that requirement for the San Bernardino Municipal Water Department (“Department”) for the fiscal year ended June 30, 2024.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Lance, Soll & Lunghard, LLP has issued an unmodified opinion on the Department's financial statements for the year ended June 30, 2024. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (“MD&A”) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Department:

The San Bernardino Municipal Water Department and the Water Board of Commissioners (“Board”) were established on May 8th, 1905, by the Mayor and Common Council of the City of San Bernardino in accordance with the provisions specified in the City charter. The Board assembled for the first time on May 16th, 1905, to ensure water supply needs of the community are met by providing trusted, quality service to our customers. This service has grown through the years to include water supply, water reclamation, geothermal heating supply, sewer collection, and administrative support for the growing community.

The first water distribution system of San Bernardino included water supply for approximately six thousand citizens within a one square mile service area. Today, the Department's service area is approximately 50 square miles and the water supply distribution network now encompasses over 45,000 service connections and 750 miles of water mains. Although the number of connections has increased during the past one hundred years, our commitment to providing trusted, quality service remains the same.

1350 South “E” Street, San Bernardino, California 92408 P.O. Box 710, 92402 Phone: (909) 384-5141

FACSIMILE NUMBERS: Administration: (909) 453-6399 Customer Service: (909) 453-6396 Finance: (909) 453-6383 Engineering: (909) 453-6385
Corporate Yards: (909) 453-6389 Water Reclamation Plant: (909) 453-6395 Environmental & Regulatory Compliance: (909) 453-6391
Environmental Control: (909) 453-6394

The City of San Bernardino receives the majority of its water supply from an underground aquifer called the Bunker Hill Groundwater Basin which is part of the San Bernardino Basin. The water contained in the Bunker Hill Basin is replenished with rain and snowmelt that filters through our local San Bernardino Mountains. This local water supply ensures that San Bernardino Municipal Water Department customers receive high quality, relatively inexpensive water as compared to other communities. Many other communities in Southern California must import their water supplies from remote locations via the Colorado River and State Water Project systems which adds cost. Many water supplies imported from distant locations can be impacted by certain man-made and natural contaminants as the water is transported to the customer. Reliability of imported supplies is also impacted by drought conditions and environmental impacts.

The Department has operated the Water Reclamation Plant (WRP) since 1973. The WRP is a 33 million gallons per day (MGD) regional secondary treatment facility that provides trusted, quality wastewater treatment services for the City of San Bernardino, City of Loma Linda, East Valley Water District (until March 2024), San Bernardino International Airport, Patton State Hospital, and unincorporated areas of San Bernardino County. The WRP serves over 60,000 customers/connections, of which 38,000 are located within the City's boundaries.

The Sewer Collection section is responsible for maintaining more than 450 miles of sewer mains, several thousand maintenance holes, and lift stations. The system encompasses approximately 38,000 connections and conveys over 8 billion gallons of sewage annually to the Department's Water Reclamation Plant for treatment.

Fiscal Management:

The Board annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the Department's functions, including the Water Utility and Sewer Funds. The budget and reporting treatment applied to a fund is consistent with the accrual basis of accounting and the financial statement basis. Each year the Department adopts a balanced budget.

Local Economy:

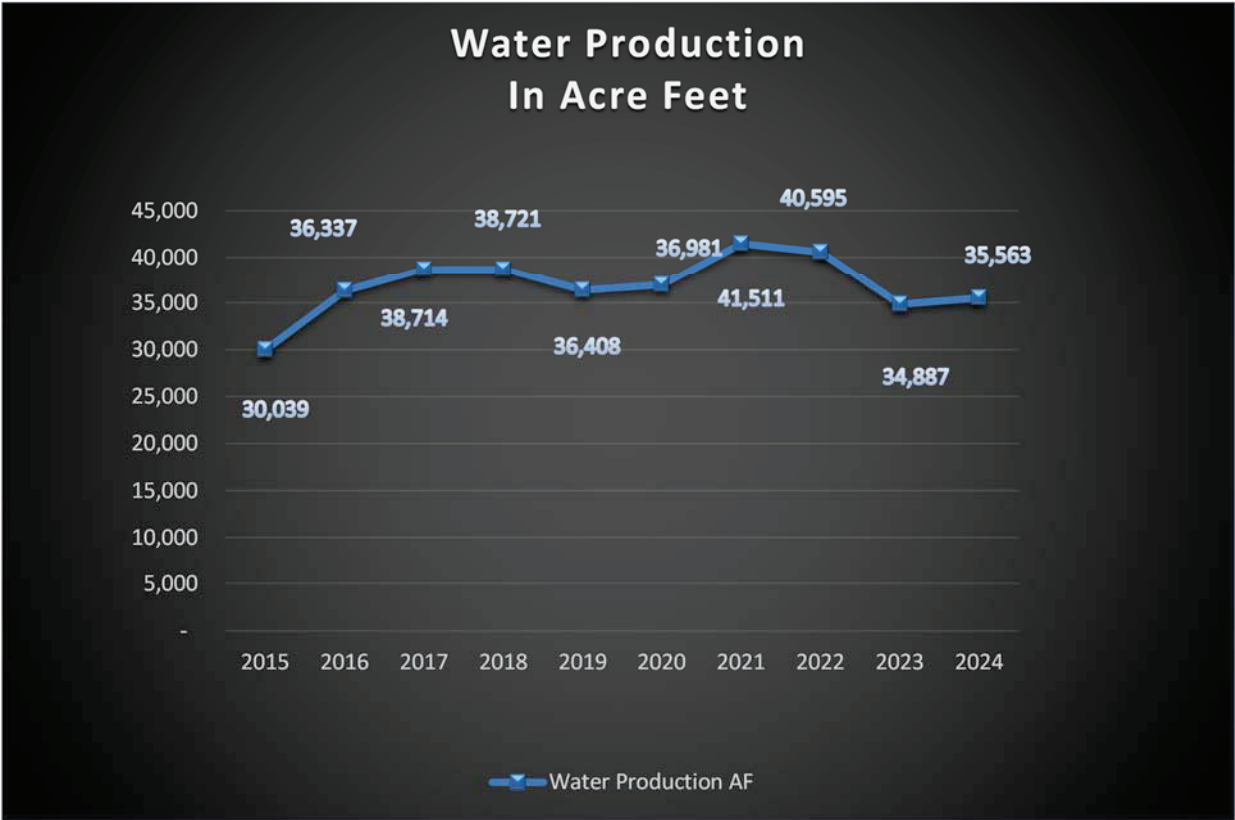
The Department's offices are located in the City of San Bernardino ("the City") in San Bernardino County. According to the California Department of Finance, San Bernardino's population as of June 30, 2024, was 226,541. The Water Department ("Department") has been able to maintain a positive economic outlook despite rising inflationary costs, a reduction in sewer revenue and drought regulations through the long-term financial planning. The Department is currently in the third year of a five-year rate increase that was approved by the Water Board in March 2022. These adopted rate increases have allowed the Department to maintain revenue stability while experiencing increased inflationary costs for goods and services. The City has received funds from the American Rescue Plan Act (ARPA) that will help stimulate economic growth in the area. The City has given the Department ARPA funds to fund the Department's Lead Service Lateral capital project. The Department has also received over \$9 million in grant funding from Federal Emergency Management Act (FEMA) and the Department of Water Resources for the Department's Steel Reservoir Seismic Retrofits capital project and installation of AMI meters throughout the Department's service area. Development within the City continues, which encourages economic growth within the city and creates new capital projects for the Department.

Per the Lowe Institute of Political Economy from Claremont McKenna College, in the Inland Empire, it is encouraging to see that the Logistics sector is starting to pick up economic activity. The sector was in a mini-slump after being the main driving force out of the Coronavirus recession. Most likely due to overly optimistic projections, employment in the logistics industry peaked by mid-2022 (seasonally adjusted) and since then had shown declines which were significant. Hence there were only two sectors in the Inland Empire that were holding up the economy: Health and Government. Given the current California budget situation, we do not think that the two sectors can be the main drivers in the future, and it is therefore good to see that the third largest employer, Logistics, is expanding again. The largest percentage increases in employment were seen in Private Education and Health Services (+3,900), Logistics (+2,800), and Government (+1,200). Since June 2023, Logistics employment is up by +1,500, after increasing by 50,500 from February 2020 to December 2022. This suggests that the industry, which is the

third largest employer for the Inland Empire, is gradually adjusting after perhaps over-hiring resulting from overly optimistic projections in the aftermath of the pandemic. Continuous gains in the sector signal the cooling-down's alleviation and provide prospects for sustained growth. Logistics, and Private Education and Health Services are still leading all industries in post pandemic job recoveries, both adding approximately 51,000 jobs since February 2020. This strong momentum has been preserved from the previous months and is projecting a positive outlook. The image is more promising, if and only if we look at the Year-to-Year Changes, meaning the percentage change from June 2023, Logistics has gained 1,500 jobs – small compared to its overall post-pandemic performances, but nevertheless at least a temporary reassuring sign of change from the backlashes it experienced that we have seen continually in the past months. Compared to a year ago (June 2023), the non-seasonally adjusted unemployment rate decreased from 4.8% (June 2023) to 4.7% (June 2024), meaning it basically remained unchanged.

Strategic planning and collaboration are essential to the long-term reliability of water supplies in the San Bernardino region. The San Bernardino Municipal Water Department has invested in efforts to secure and produce new water supply, encourage water use efficiency, and minimize water system losses. In addition to this long-standing commitment to water efficiency, SBMWD works collaboratively with water agencies in the San Bernardino Valley to preserve local water resources, ensuring adequate supply for the future. SBMWD and partnering agencies are building a more resilient portfolio of local water resources through regional groundwater management, as well as the execution of projects such as recycled water recharge, critical infrastructure and water storage, direct installation or efficient irrigation and fixtures, and water conservation education programs.

For the Department, the goal of water use efficiency remains paramount. Efficient water use is the most cost-effective and immediate way to achieve long-term conservation goals. As such, the Department is committed to sharing information, programs, and incentives to encourage and support water use efficiency for our customers.



Major Initiatives:

Advanced Metering Infrastructure

The Department has been selected to receive a \$500,000 grant from the U.S. Bureau of Reclamation to start phase one of the Department's Advanced Metering Infrastructure (AMI) project. In addition to this grant, the Department was also awarded a \$2 million grant by the CA Department of Water Resources Urban and Multibenefit Drought Relief Grant Program. The first phase of the AMI project will install and connect approximately one quarter of the Department's water meters to an advanced communications network to gather water consumption data in real time. This water use data will reduce water waste by enabling the Department to identify and notify customers of leaks and abnormally high-water use more quickly.

Regional Recycled Water

The Department continues to develop its recycled water project. Construction of the Tertiary Treatment System commenced in 2023 and completion is expected in late 2024. This initial phase will produce up to 2 million gallons per day (MGD) for treatment plant use and irrigation. At the same, the Department is working with its regional partners to develop a regional recycled water system that involves connecting recycled water systems in the region and will provide flexibility to deliver produce recycled water where it is most needed in the San Bernardino Basin. The Department has formed a recycled water coalition with San Bernardino Valley, East Valley Water District, and City of Redlands. The coalition will work collaboratively to mitigate water quality impacts that may arise from recycled water activity.

Long Term Financial Planning:

As part of the Department's Strategic Plan, long-term financial plans were developed for all three of the Department's enterprises: Water, Sewer Treatment and Sewer Collection. These financial plans assisted the Department with a cost of service study for all three enterprises. A cost of service/rate study conducted in FY 21-22 recommended an increase to the Department's water and sewer rates. As a result of the study, the water Board adopted a four-year rate increase for the water and sewer funds with the first adjustment effective April 1, 2022. The remaining increases are effective annually on July 1 starting July 1, 2022 through July 1, 2025. These newly adopted rate structures and increases will allow for better revenue stability for the Department as costs increase and drought is a major concern for the State.

The Department's financial plan includes the revision of the existing Reserve Policy. The Department's current Reserve policy was revised and adopted by the Board in September 2021.

- Operating Reserve: This reserve is established to ensure adequate cash flow is available to meet day-to-day expenses. The target balance is 45 days of the operating expenses budgeted for each respective fund.
- Rate Stabilization Reserve: This reserve is established to offset revenue risk associated with low service demands years. The minimum target balance for each fund is twenty percent (20%) of their respective budgeted sales.
- Emergency Replacement Reserve: The purpose of this reserve is to minimize the impact of unforeseen capital asset and operating expenses. The target balance for each fund shall be two percent (2%) of the total recorded value of capital assets as of the previous fiscal year.
- Capital Replacement Reserve: The Capital Replacement Reserve was set up in order to provide funding support of the Department's capital program. The basis for calculating the target balance for this reserve is a rolling five-year average of the Department's Capital Improvement Program projects, excluding those with external funding. The target balance will be assessed on an annual basis as part of the budgeting process.

The Department has begun working on expanding and updating the previous strategic plan.

Debt Administration:

The Department's outstanding debt as of June 30, 2024 consists of one Revenue Bond in the Water Utility Fund, and one Revenue Bond in the Sewer Utility Fund, as shown in the table below:

Water Fund Long-Term Debt Activity	
Year of Issuance/Description	Use of Proceeds
2016 California Municipal Finance Authority Revenue Bond	Funding for facility construction, seismic retrofit of reservoirs and other capital improvement projects.

Sewer Fund Long-Term Debt Activity	
Year of Issuance/Description	Use of Proceeds
2016 California Municipal Finance Authority Revenue Bond	Funding for primary influent flow equalization project, facility construction, and recycled water project.

Relevant Financial Policies:

Internal Control Structure

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

Major Initiatives and Key Values:

The activities of the Board and Department staff are driven by our key value statements as outlined below:

1. Provide the highest level of customer service to our community.
2. Responsibly establish necessary rates in the most cost-effective manner.
3. Provide the highest quality water and wastewater services.
4. Provide responsible stewardship of our resources and our environment.
5. Require ethical business practices.
6. Foster a strong, positive organizational culture and promote staff development.

Awards and Acknowledgements:

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the Department for its annual comprehensive financial report for the fiscal year ended June 30, 2022. To be awarded a Certificate of Achievement, the Department must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current annual comprehensive financial report continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report was accomplished by the combined efforts of Department staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the service of the Department's customers. The contributions made by Andrea Parker, Senior Accountant, Garrett Van Leuven, Senior Accountant, Rob Medina, Accountant I, and Dustin Andolsen, Finance Manager deserve special recognition. We would also like to thank and recognize the members of the Board for their continued support in planning and implementation of the Department's fiscal policies.

Respectfully submitted,

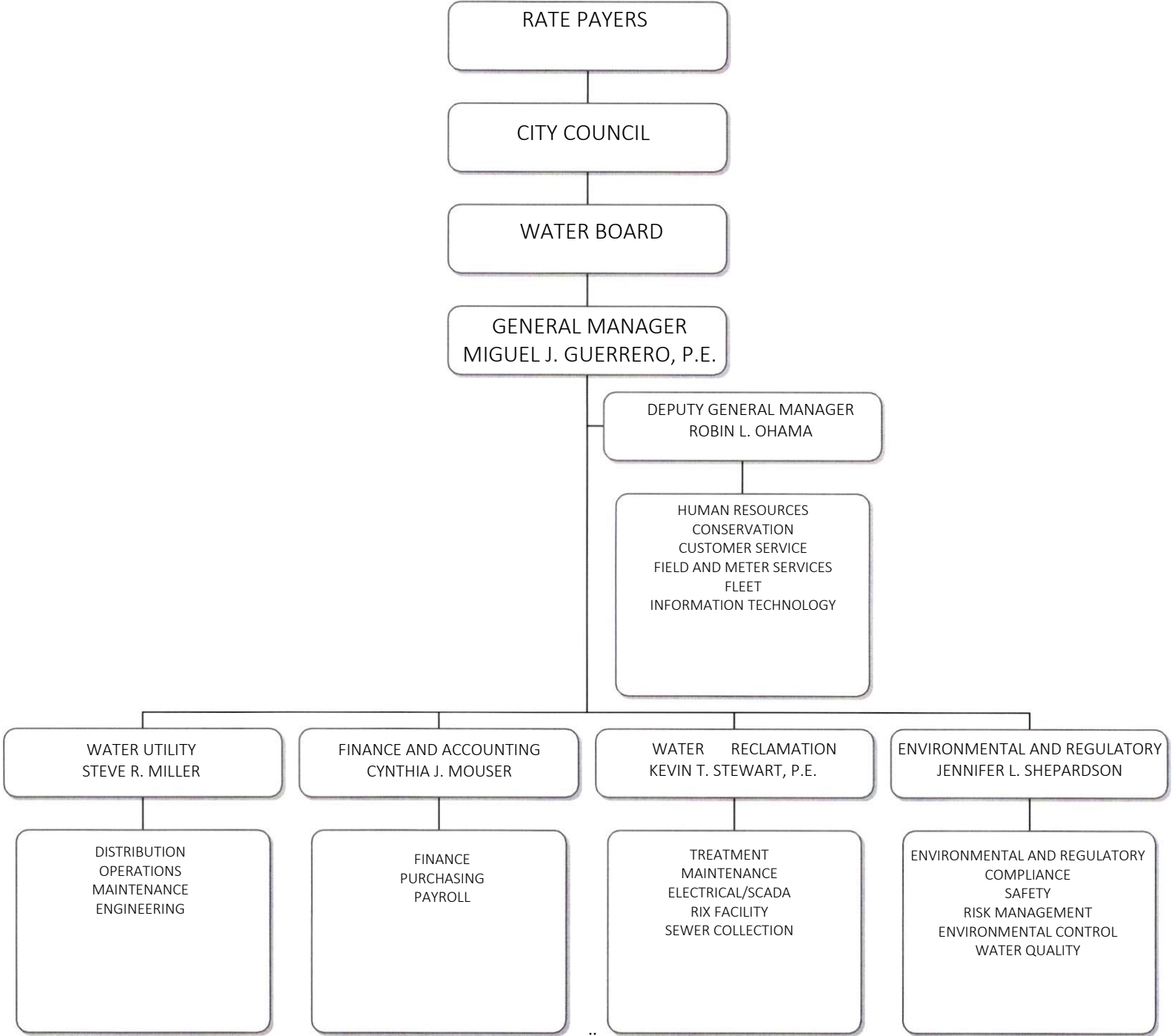


Miguel J. Guerrero, P.E., General Manager



Cynthia J. Mouser, Director of Finance

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT



City of San Bernardino Municipal Water Department

Mayor the City of San Bernardino

Helen Tran

Water Board

Toni Callicott, President

Wayne Hendrix, P.E., Vice President

David E. Mlynarski, Commissioner

Rikke V. Johnson, Commissioner

Thomas Brickley, Commissioner

Administration

Miguel J. Guerrero, P.E., General Manager

Robin L. Ohama, Deputy General Manager

Steve R. Miller, Director of Water Utility

Kevin T. Stewart, P.E., Director of Water Reclamation

Cynthia J. Mouser, Director of Finance

Jennifer L. Shepardson, Director of Environmental & Regulatory Compliance

Mission Statement

To meet the needs of the community by providing sustainable, high quality water supply and wastewater services in the most professional, environmentally responsible, and cost-effective manner possible.

Organization

The City of San Bernardino Municipal Water Department was formed in 1905 under the Charter of the City of San Bernardino and is governed by the Water Board who are appointed by the Mayor of the City of San Bernardino. The most recent Charter, approved by voters in November 2016, gave the Water Board “Responsibility to oversee and manage the City’s water supply, recycled water, wastewater collection and treatment functions in accordance with State Law.” The Department operated three enterprise funds: the Water Utility Enterprise Fund, the Sewer Utility Enterprise Fund and the Sewer Collection Utility Enterprise Fund. Water service encompasses the City, with the exception of the east end, which is served by East Valley Water District. Sewer treatment service encompasses all of the City of San Bernardino, the City of Loma Linda, the former Norton Air Force Base, Patton State Hospital, and portions of the City of Highland serviced by East Valley Water District. Sewer collection service is provided within the City of San Bernardino boundaries.



INDEPENDENT AUDITORS' REPORT

To the Water Board
City of San Bernardino Municipal Water Department
San Bernardino, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of City of San Bernardino Municipal Water Department (the "Department") a component unit of the San Bernardino, California (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department of the City, as of June 30, 2024, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Department and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2024, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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



To the Water Board
City of San Bernardino Municipal Water Department
San Bernardino, California

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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 and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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



To the Water Board
City of San Bernardino Municipal Water Department
San Bernardino, California

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2024, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control over financial reporting and compliance.

Lance, Solt & Loughard, LLP

Irvine, California
November 27, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of San Bernardino Municipal Water Department (Department) is a water, sewer collection and treatment utility responsible for delivering high quality, economically priced water, sewer treatment and sewer collections services to a quarter of a million customers in and around the City of San Bernardino, California. This section of the Department's annual financial report presents management's analysis of the Department's financial performance during the fiscal year that ended on June 30, 2024. Please read it in conjunction with the basic financial statements which follow this section.

All amounts in the Management's Discussion and Analysis within text areas are in thousands unless otherwise noted.

Financial Highlights:

- The Department's overall net position increased by \$4.8 million or 1.4%.
- Operating revenues increased \$3.7 million or 4.2% from the prior fiscal year. Water consumption was moderately down approximately 1.8% in FY24 from FY23 which lead to only a modest increase in Water revenues, despite a rate increase on July 1, 2023. Sewer revenues increased due to a rate increase effective July 1, 2023.
- Operating expenses increased \$16.0 million, 18.2% increase from the prior fiscal year. The most significant increases were noted in the categories of depreciation, pension expense, and personnel increases. The department revised its capital asset categories which accelerated depreciation on several asset categories drastically increasing depreciation expense. Personnel expenses continue to increase due to inflation, rising costs in benefits, and salary adjustments per Department MOU's.
- Net loss before capital contributions was \$3.1 million.
- The Department's current ratio (the ability to pay short-term obligations) was 4.4.
- Cash available (the ability to cover current expenses with cash) was 558 days.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the Department's basic financial statements. The Department's basic financial statements are comprised of two components: the Financial Statements and the Notes to the Basic Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves. Information providing citywide financial results is available in the City's Comprehensive Annual Financial Report.

Required Financial Statements

The financial statements of the Department report information about the Department using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position (page 13) includes all of the Department's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the Department and assessing the liquidity and financial flexibility of the Department. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. (page 14) This statement measures the success of the Department's operations over the past year and can be used to determine whether the Department has successfully recovered all its costs through its user fees and other charges,

profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows (pages 15-16). The primary purpose of this statement is to provide information about the Department's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to questions such as "where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period?"

Financial Analysis of the Department

Our analysis of the Department begins on page 5 of the financial statements. One of the most important questions to ask about the Department's finances is "Whether the Department, as a whole, is better off or worse off as a result of the year's activities?" The Statement of Net Position, and the Statement of Revenues, Expenses and Changes in Net Position report information about the Department's activities in a way that will help answer this question. These two statements report the net position of the Department and changes in them. Measuring the change in the Department's net position - the difference between assets and liabilities - is one way to measure financial health or financial position. Over time, increases or decreases in the Department's net position are indications of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and zoning and new or changed government legislation.

Water Utility Fund

To begin our analysis, a summary of the Water Utility Fund's Statement of Net Position is presented in Table A-1.

TABLE A-1
Condensed Statement of Net Position - Water Utility
(amounts expressed in thousands of dollars)

	2024	2023	\$ Change	% Change
Current and noncurrent assets	\$ 119,269	\$ 118,112	\$ 1,157	1.0%
Capital assets	213,546	207,158	6,388	3.1%
Total assets	332,815	325,270	7,545	2.3%
Deferred outflows of resources	10,266	11,981	(1,715)	-14.3%
Current liabilities	16,031	14,898	1,133	7.6%
Noncurrent liabilities	129,021	126,673	2,348	1.9%
Total liabilities	145,052	141,571	3,481	2.5%
Deferred inflows of resources	7,471	9,220	(1,749)	-19.0%
Net investment in capital assets	180,169	172,417	7,752	4.5%
Restricted	2,414	1,152	1,262	109.5%
Unrestricted	7,975	12,891	(4,916)	38.1%
Total net position	\$ 190,558	\$ 186,460	\$ 4,098	2.2%

The table highlights, the Water Utility total net position increased 2.2% or \$4.1 million in fiscal year 2024. The favorable increase in net position is primarily related to the increase in total capital assets (\$6.4 million).

TABLE A-2
Condensed Statement of Revenues, Expenses and Changes in Net Position - Water Utility
(amounts expressed in thousands of dollars)

	2024	2023	\$ Change	% Change
Operating revenue	\$ 45,985	\$ 44,092	\$ 1,893	4.3%
Capital contributions	5,130	5,976	(846)	-14.2%
Other nonoperating revenue	8,764	3,222	5,542	172.0%
Total revenues	59,879	53,290	6,589	12.4%
Operating expenses	\$ 53,997	\$ 46,711	7,286	15.6%
Nonoperating expenses	1,784	1,842	(58)	-3.1%
Total expenses	55,781	48,553	7,228	14.9%
Change in net position	4,098	4,737	(639)	13.5%
Net position at the Beginning of the Year	186,460	181,723	4,737	2.6%
Total net position	\$ 190,558	\$ 186,460	\$ 4,098	2.2%

Total revenues increased by 12.4% or \$6.6 million. Capital grant revenue increased from the prior year due the FEMA grant monies being used for projects as intended. Investment income outperformed the prior year due to better market performance resulting in an increase in investment revenue. Water operating revenues also reflect a modest increase due to a rate increase effective July 1, 2023. Total expenses increased 14.9% or \$7.2 million. Significant variances were due to increased depreciation expense. The department revised its capital asset categories which accelerated depreciation drastically increasing depreciation expense.

TABLE A-3
Capital Assets - Water Utility
(amounts expressed in thousands of dollars)

	2024	2023	\$ Change	% Change
Land and easements	\$ 5,860	\$ 5,989	\$ (129)	-2.2%
Construction in progress	25,803	14,799	11,004	74.4%
Wells and pumping	105,767	102,740	3,027	2.9%
Distribution	185,239	166,022	19,217	11.6%
Right -of-use assets	402	402	-	100.0%
Plant and facilities	6,943	8,627	(1,684)	-19.5%
Other capital assets	11,377	43,996	(32,619)	-74.1%
Total capital assets	341,391	342,575	(1,184)	-0.3%
Less: accumulated depreciation	(127,846)	(135,417)	7,571	-5.6%
Total capital assets, net	\$ 213,545	\$ 207,158	\$ 6,387	3.1%

Total capital assets, net increased by 3.1% or \$6.4 million in fiscal year 2024. The Water fund capitalized \$4.3 million in various capital projects completed and placed in service during FY2024. The increase is also attributed to an increase in Construction in progress (CIP) expenditures related to Reservoir Seismic upgrades (\$3.3 million), SBMWD Administration Facility (\$2.8 million), and the Mountain Pressure Zone Main Replacement project (\$2.1 million). The department Additional information on capital assets is presented in Note 3 of the Notes to the Basic Financial Statements.

TABLE A-4
Long-term Debt - Water Utility
(amounts expressed in thousands of dollars)

	2024	2023	\$ Change	% Change
Bonds Payable	\$ 42,125	\$ 43,120	\$ (995)	-2.3%
Bond Premium	4,414	4,612	(198)	-4.3%
Leases and subscriptions	12	183	(171)	-93.4%
Compensated Absences	1,545	1,338	207	15.5%
Total long-term debt	<u>\$ 48,096</u>	<u>\$ 49,253</u>	<u>\$ (1,157)</u>	<u>-2.3%</u>

Total long-term debt decreased by 2.3% or \$1.1 million due to annual debt service payments. Additional information on long-term debt is presented in Note 4-6 of the Notes to Basic Financial Statements.

Sewer Utility Fund

TABLE B-1
Condensed Statement of Net Position - Sewer Utility
(amounts expressed in thousands of dollars)

	2024	2023	\$ Change	% Change
Current and noncurrent assets	\$ 111,716	\$ 118,392	\$ (6,676)	-5.6%
Capital assets	118,822	103,118	15,704	15.2%
Total assets	230,538	221,510	9,028	4.1%
Deferred outflow of resources	9,653	11,468	(1,815)	-15.8%
Current liabilities	14,302	6,374	7,928	124.4%
Noncurrent liabilities	64,543	64,433	110	0.2%
Total liabilities	78,845	70,807	8,038	11.4%
Deferred inflow of resources	3,742	5,272	(1,530)	-29.0%
Net investment in capital assets	95,673	79,192	16,481	20.8%
Restricted	2,152	1,069	1,083	101.3%
Unrestricted	59,779	76,638	(16,859)	-22.0%
Total net position	<u>\$ 157,604</u>	<u>\$ 156,899</u>	<u>\$ 705</u>	<u>0.4%</u>

The table above highlights, the Sewer Utility net position increased 0.4% or \$0.7 million in fiscal year 2024. The total net position slightly increased as a result of current year operations. There was an increase Capital Assets due to the completion of the Blower Decentralization project totaling \$15 million but an offsetting increase to current liabilities for several large payments relating to current construction projects.

TABLE B-2
Condensed Statement of Revenues, Expenses and Changes in Net Position - Sewer Utility
(amounts expressed in thousands of dollars)

	2024	2023	\$ Change	% Change
Operating revenue	\$ 47,385	\$ 45,544	\$ 1,841	4.0%
Capital contributions	2,725	2,637	88	3.3%
Other nonoperating revenue	2,121	1,251	870	-69.5%
Total revenues	52,231	49,432	2,799	5.7%
Operating expenses	50,351	41,597	8,754	21.0%
Nonoperating expenses	1,175	1,234	(59)	-4.8%
Total expenses	51,526	42,831	8,695	20.3%
Change in net position	705	6,601	(5,896)	-89.3%
Net position at the Beginning of the Year	156,899	150,298	6,601	4.4%
Total net position	\$ 157,604	\$ 156,899	\$ 705	0.4%

During fiscal year 2024, total revenues for the Sewer Utility increased 5.7% or \$2.8 million, from the prior year, primarily due to a sewer rate increase as approved by the Board effective July 1, 2023. This increase was offset by increased operating expenditures due to increased depreciation expense. The department revised its capital asset categories which accelerated depreciation drastically increasing depreciation expense.

TABLE B-3
Capital Assets - Sewer Utility
(amounts expressed in thousands of dollars)

	2024	2023	\$ Change	% Change
Land and easements	\$ 17,603	\$ 17,603	\$ -	0.0%
Construction in progress	31,343	34,558	(3,215)	-9.3%
Pumping	3,958	4,065	(107)	-2.6%
Buildings, plants and stores	181,029	160,649	20,380	12.7%
Field and office equipment	13,510	17,799	(4,289)	-24.1%
Pipelines	27,019	22,921	4,098	17.9%
Total capital assets	274,462	257,595	16,867	6.5%
Less: accumulated depreciation	(155,640)	(154,477)	(1,163)	0.8%
Total net assets	\$ 118,822	\$ 103,118	\$ 15,704	15.2%

Total capital assets increased by 15.2% or \$15.7 million in fiscal year 2024, primarily due to the capitalization of the Blower Decentralization project totaling \$15 million and expenditures for various sewer capital projects. More information relating to capital assets can be found in Note 3 of the Notes to the Basic Financial Statements.

TABLE B-4
Long-term Debt - Sewer Utility
(amounts expressed in thousands of dollars)

	<u>2024</u>	<u>2023</u>	<u>\$ Change</u>	<u>% Change</u>
Bonds Payable	29,740	30,510	(770)	-2.5%
Bond Premium	144	150	(6)	-4.0%
Compensated absences	617	586	31	5.3%
Total long-term debt	<u>\$ 30,501</u>	<u>\$ 31,246</u>	<u>\$ (745)</u>	<u>-2.4%</u>

During the year, the Sewer Utility's long-term debt decreased 2.4% or \$0.7 million which can be attributed to the annual debt service payments. Additional information on long-term debt is presented in Note 4-6 of the Notes to Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The Service Area (Service Area) economy served by the Department continues to grow and develop. Development in the City has increased as San Bernardino is one of the remaining affordable areas in the Inland Empire. The City has also received funds from the American Recovery Act that will help stimulate economic growth in the area. The City has encumbered for the Department, approximately \$5 million from the American Recovery Act funds, to fund the Department's Lead Service Lateral capital project. Additionally, the Department was approved for a State Revolving Funds loan from the State Water Resource Control Board in May of 2022 and a federal grant from the Bureau of Reclamation and FEMA for designated capital projects. Development within the City continues, which has resulted in several new projects for the Department.

The Department adopted a balanced budget for Fiscal Year 2023-2024. The Fiscal Year 2023-2024 budget takes into consideration rising operational expenses, inflation, and funding our capital program to address aging infrastructure. Additional details regarding the Department's budget can be found on the Department's website. Questions or requests for information regarding the Adopted Budget should be directed to the Finance Department.

The Department completed a rate study and a cost-of-service study for the water, sewer treatment, and sewer collection utilities. As a result of the study the water Board adopted a four-year rate increase for the water and sewer funds effective April 1, 2022. The remaining increases are effective annually starting July 1, 2022, through July 1, 2025. These newly adopted rate structures and increases will allow for better revenue stability for the Department as costs increase and drought is a major concern for the State.

Contacting the Department's Director of Finance

This financial report is designed to provide our customers and creditors with a general overview of the Department's finances and to demonstrate the Department's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Department's finance department at (909) 453-6009.

BASIC FINANCIAL STATEMENTS

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CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Statement of Net Position
June 30, 2024

	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and investments	\$ 48,160,342	\$ 75,368,083	\$ 123,528,425
Receivables:			
Accounts, net	6,244,581	5,768,588	12,013,169
Accrued interest	291,396	420,761	712,157
Leases	211,681	-	211,681
Due from other entities	3,364,521	163,653	3,528,174
Inventories	1,539,878	-	1,539,878
Prepaid expenses	400,305	609,278	1,009,583
Total current assets	60,212,704	82,330,363	142,543,067
Noncurrent:			
Leases Receivable, Noncurrent	3,266,445	-	3,266,445
Investment in joint venture - RIX	-	20,499,132	20,499,132
Restricted assets:			
Net OPEB asset	2,414,089	2,151,996	4,566,085
Cash and cash equivalents:			
Restricted for capital	13,174,240	6,734,909	19,909,149
Investments:			
Restricted for consent decree	24,448,652	-	24,448,652
Accrued interest - consent decree	154,306	-	154,306
Prepaid Insurance - consent decree	15,598,893	-	15,598,893
Capital Assets:			
Land and easements	5,869,462	17,603,413	23,472,875
Construction in progress	25,803,315	31,343,003	57,146,318
Capital assets - being depreciated/amortized, net	181,872,892	69,875,533	251,748,425
Total noncurrent assets	272,602,294	148,207,986	420,810,280
Total assets	332,814,998	230,538,349	563,353,347
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related	8,605,096	8,172,240	16,777,336
OPEB-related	1,660,608	1,480,319	3,140,927
Total deferred outflows of resources	10,265,704	9,652,559	19,918,263
LIABILITIES			
Current liabilities:			
Accounts payable	7,287,693	9,166,781	16,454,474
Related parties payable	-	1,618,820	1,618,820
Accrued compensation	682,914	644,533	1,327,447
Claims payable	5,986,529	1,103,624	7,090,153
Due to other governments	1,267,358	-	1,267,358
Current portion of compensated absences	1,235,913	468,521	1,704,434
Current portion of bonds, leases, and subscriptions	1,061,994	810,000	1,871,994
Accrued interest	822,516	489,591	1,312,107
Total current liabilities	18,344,917	14,301,870	32,646,787
Noncurrent liabilities:			
Consumer deposits	3,516,927	-	3,516,927
Compensated absences	308,978	149,156	458,134
Unearned revenue - consent decree	40,201,851	-	40,201,851
Bonds, leases and subscription payable	45,488,919	29,073,537	74,562,456
Net pension liability	37,190,712	35,319,937	72,510,649
Total noncurrent liabilities	126,707,387	64,542,630	191,250,017
Total liabilities	145,052,304	78,844,500	223,896,804
DEFERRED INFLOWS OF RESOURCES			
Pension-related	40,752	38,702	79,454
OPEB-related	4,154,415	3,703,413	7,857,828
Lease-related	3,275,876	-	3,275,876
Total deferred inflows of resources	7,471,043	3,742,115	11,213,158
NET POSITION			
Net investment in capital assets	180,168,996	95,673,321	275,842,317
Restricted for postemployment benefits	2,414,089	2,151,996	4,566,085
Unrestricted	7,974,270	59,778,976	67,753,246
Total net position	\$ 190,557,355	\$ 157,604,293	\$ 348,161,648

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2024

	Water	Sewer	Interfund Eliminations	Total
OPERATING REVENUES				
Sales and service charges	\$ 45,656,974	\$ 46,224,150	\$ (644,713)	\$ 91,236,411
Other operating revenues	328,116	1,161,283	-	1,489,399
Total operating revenues	45,985,090	47,385,433	(644,713)	92,725,810
OPERATING EXPENSES				
Administration and customer service	9,038,195	6,828,593	(193,790)	15,672,998
Utility administration	1,706,977	670,292	(5,513)	2,371,756
Sewer collection and lift stations	-	2,827,657	-	2,827,657
Plant operations	11,385,172	13,804,430	(311,989)	24,877,613
Maintenance	3,330,387	4,845,501	(106,841)	8,069,047
Environmental control	-	892,576	-	892,576
Distribution	6,444,793	-	-	6,444,793
Engineering and water quality	3,074,606	2,030,808	(26,580)	5,078,834
General, administration and overhead	6,884,987	7,040,440	-	13,925,427
Depreciation and amortization	12,131,463	11,411,059	-	23,542,522
Total operating expenses	53,996,580	50,351,356	(644,713)	103,703,223
Operating income (loss)	(8,011,490)	(2,965,923)	-	(10,977,413)
NONOPERATING REVENUES (EXPENSES)				
Investment income	2,544,768	1,521,068	-	4,065,836
Rental income	358,472	-	-	358,472
Noncapital grant funds	5,566,773	-	-	5,566,773
Interest expense and fiscal charges	(1,783,831)	(1,175,040)	-	(2,958,871)
Gain (loss) on disposal of capital assets	85,041	599,981	-	685,022
Other	206,697	-	-	206,697
Total nonoperating revenues (expenses)	6,977,920	946,009	-	7,923,929
Income (loss) before capital contributions	(1,033,570)	(2,019,914)	-	(3,053,484)
CAPITAL CONTRIBUTIONS				
Acquisition fees	2,152,064	-	-	2,152,064
Capacity fees	2,063,310	2,012,611	-	4,075,921
Capital contributions	914,811	712,553	-	1,627,364
Total capital contributions	5,130,185	2,725,164	-	7,855,349
Change in net position	4,096,615	705,250	-	4,801,865
Net position-beginning	186,460,740	156,899,043	-	343,359,783
Net position-ending	\$ 190,557,355	\$ 157,604,293	\$ -	\$ 348,161,648

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

Statement of Cash Flows

For the Year Ended June 30, 2024

	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 46,693,240	\$ 47,059,249	\$ 93,752,489
Payments to suppliers and service providers	(20,293,287)	(16,330,373)	(36,623,660)
Payments to employees for salaries and benefits	(17,119,600)	(14,646,995)	(31,766,595)
Net cash provided by (used for) operating activities	9,280,353	16,081,881	25,362,234
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Consent Decree Insurance Drawdowns	953,693	-	953,693
Operating grants and contributions	2,178,256	-	2,178,256
Net cash provided by (used for) noncapital financing activities	3,131,949	-	3,131,949
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	4,215,374	2,012,611	6,227,985
Acquisition and construction of capital assets	(18,211,579)	(37,392,635)	(55,604,214)
Principal paid on capital debt	(1,165,862)	(770,000)	(1,935,862)
Interest paid on capital debt	(2,002,197)	(1,197,491)	(3,199,688)
Proceeds from sales of assets	692,452	9,498,161	10,190,613
Net cash provided by (used for) capital and related financing activities	(16,471,812)	(27,849,354)	(44,321,166)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	2,380,585	2,100,552	4,481,137
Leasing activities	281,211	-	281,211
Purchase of investments	(882,942)	-	(882,942)
Net cash provided by (used for) investing activities	1,778,854	2,100,552	3,879,406
Net increase (decrease) in cash and cash equivalents	(2,280,656)	(9,666,921)	(11,947,577)
Cash and cash equivalents-beginning	63,615,238	89,678,112	153,293,350
Cash and cash equivalents-ending	\$ 61,334,582	\$ 80,011,191	\$ 141,345,773
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
Cash and investments	\$ 48,160,342	\$ 75,368,083	\$ 123,528,425
Restricted cash and investments	13,174,240	6,734,909	19,909,149
Less: amounts not meeting definition of cash equivalents	-	(2,091,801)	(2,091,801)
Total cash and cash equivalents	\$ 61,334,582	\$ 80,011,191	\$ 141,345,773

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Statement of Cash Flows
For the Year Ended June 30, 2024

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS)			
TO NET CASH PROVIDED BY (USED FOR)			
OPERATING ACTIVITIES			
Operating income (loss)	\$ (8,011,490)	\$ (2,965,923)	\$ (10,977,413)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation/amortization expense	12,131,463	11,411,059	23,542,522
Residual nonoperating revenue and expenses	206,697	-	206,697
(Increase) decrease in accounts receivable	550,067	(326,184)	223,883
(Increase) decrease in inventories	(93,455)	-	(93,455)
(Increase) decrease in prepaid items	(80,281)	(69,470)	(149,751)
(Increase) decrease in net OPEB asset	(1,676,307)	(1,558,218)	(3,234,525)
Increase (decrease) in accounts payable	4,961,106	7,619,651	12,580,757
Increase (decrease) in accrued liabilities	57,523	75,494	133,017
Increase (decrease) in deposits payable	(48,614)	415,302	366,688
Increase (decrease) in compensated absences	206,653	32,025	238,678
Increase (decrease) in claims and judgments	(1,064,922)	(200,602)	(1,265,524)
Increase (decrease) in net pension liability	2,141,913	1,648,747	3,790,660
Total adjustments	17,291,843	19,047,804	36,339,647
Net cash provided by (used for)			
operating activities	<u><u>\$ 9,280,353</u></u>	<u><u>\$ 16,081,881</u></u>	<u><u>\$ 25,362,234</u></u>
SCHEDULE OF NON-CASH NONCAPITAL, CAPITAL, AND INVESTING ACTIVITIES			
Unrealized gain/(loss) on fair value of investments	\$ 392,014	\$ 1,019,113	\$ 1,411,127
Unrealized gain/(loss) on investments in joint ventures	-	709,450	709,450
Contributions of capital assets	914,811	712,553	1,627,364
Amortization on bond discount/(premium)	(197,638)	(6,404)	(204,042)

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Operations of the Reporting Entity

The San Bernardino Municipal Water Department (Department) is governed under the Charter of the City of San Bernardino (City). A Water Board appointed by the Mayor and approved by City Council, has Charter defined powers, with full authority for administration of the water utility and delegated authority for the sewer treatment utility. The Department has served the community since 1905.

B. Basis of Accounting and Measurement Focus

The Department reports its activities as enterprise funds, which are used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Department is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses are recognized on an accrual basis. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flow takes place.

Operating revenues, such as charges for services (water sales, sewer services and water services) result from exchange transactions associated with the principal activity of the Department. Exchange transactions are those in which each party receives and gives up equal values. Nonoperating revenues, such as property taxes and investment income, result from nonexchange transactions or ancillary activities in which the Department gives (receives) value without directly receiving (giving) equal value in exchange.

When both restricted and unrestricted resources are available for use, the Department uses restricted resources and then unrestricted resources.

The major funds of the Department are described below:

- **Water Utility Fund** – The Water Utility Enterprise Fund (Water Utility) is used to account for the operations of the Department's water system and related revenues.
- **Sewer Utility Fund** – The Sewer Utility Enterprise Fund (Sewer Utility) is used to account for the operations of the City's wastewater treatment system and collection system and related revenues.

Administrative and engineering services are provided by the Water Utility to the Sewer.

C. Financial Reporting

The Department's basic financial statements are presented in conformance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" (GASB No. 34). This statement established revised financial reporting requirements for state and local governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reports.

GASB Statement No. 34 and its related GASB pronouncements provide for a revised view of financial information and restructure the format of financial information provided prior to its adoption. A statement of net position replaces the balance sheet and reports assets, liabilities, and the difference between them as net position, not equity. A statement of revenues, expenses and changes in net position replaces both the income statement and the statement of changes in retained earnings and contributed capital. GASB Statement No. 34 also requires that the statement of cash flows be prepared using the direct method. Under the direct method, cash flows from operating activities are presented by major categories.

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Investments

For the purpose of the statement of cash flows, cash and cash equivalents include highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit and investment contracts that are reported at cost as they are not transferable and have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value and any gains or losses realized upon the liquidation of investments.

3. Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in markets that are inactive.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the Department's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the Department's own data.

4. Accounts Receivable

Customer or trade receivables are shown net of an allowance for uncollectible accounts based on historical and management estimates. Transactions between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables / payables" or "advances to/from" other funds. All interfund transactions are eliminated for financial reporting.

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Inventory

Materials and supplies inventory consist primarily of water meters, pipes and pipefittings for construction and repair to the Department's water transmission and distribution system and items necessary for maintenance at the sewer treatment facilities. Inventory is valued at cost using a weighted average method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

Water inventory is stated at its purchase cost using the first in, first out method. Inventory is recorded when purchased and expensed at the time the inventory is consumed.

6. Prepaid Expense and Deposit

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

7. Capital Assets and Intangible Right-to-Use Assets

Capital assets acquired or constructed are capitalized at historic cost. Department policy has set the capitalization threshold for reporting capital assets at \$5,000 and a life expectancy of at least 3 years. Overhead is capitalized at the rate of 28.9% of labor and benefits, 10% of material and supplies and 2% of significant contracts. Intangible right-to-use assets are defined by the Department as assets with an estimated useful life in excess of 3 years and with an initial, individual value of \$5,000 or more. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Source of supply plant	8 to 50 years
Disposal plant and interceptor lines	35 to 50 years
Other facilities (shops, leasehold & yards)	5 to 25 years
Tools, office equipment & communications	4 to 20 years
Computer equipment	3 to 5 years
Automotive and fleet equipment	3 to 15 years
Intangible right-to-use assets	Shorter of the useful life of the underlying asset or the term of the arrangement

8. Compensated Absences

Department policy is to permit employees to accumulate a limited amount of earned vacation and sick leave. Various negotiation groups have different sell-back and cash out options. Additionally, cash out options upon retirement or death of the employee vary based on the negotiation group. Employees' vacation and sick leave benefits are recognized as a liability of the Department.

9. Restricted Assets and Amounts Payable from Restricted Assets

Amounts shown as restricted assets have been restricted by bond indentures or are to be used for specified purposes based on contract provisions, such as bonded debt service. Certain liabilities which are currently payable have been classified as current liabilities payable from restricted assets since assets have been restricted for their payment.

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the Department. 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.

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

Valuation Date (VD)	June 30, 2022
Measurement Date (MD)	June 30, 2023
Measurement Period (MP)	July 1, 2022 to June 30, 2023

11. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Department's plan (OPEB Plan), the assets of which are held by US Bank in an irrevocable trust, and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined time limits. For this report, the following timeframes are used:

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

12. Deferred Outflows/Inflows

In addition to assets, the Statement of Net Position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The Department has two items that qualify for reporting in this category: the deferred outflows related to pensions and OPEB.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and will not be recognized as inflow of resources (revenue) until that time. The Department has three items that qualify for reporting in this category, of which two relate to deferred inflows related to pensions and OPEB. Lastly, leases related items for the amount of the lease receivable plus any lease payments related to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term.

13. Interfund Eliminations

The interfund eliminations column represents entries made to eliminate interfund income and expenditure transactions between the water utility fund and the sewer utility fund for the purposes of consolidated financial statements.

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets.
- **Restricted Net Position** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

15. Capital Contributions

Contributions in aid of construction represent cash and utility plant additions contributed to the Department by property owners or developers desiring services that require capital expenditures or capacity commitment. In accordance with Governmental Accounting Standards Board Statement No. 33, the capital contributions are recorded on the Statement of Revenues, Expenses and Changes in Net position.

16. Budgetary Policies

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

17. Leases

Lessee: The Department is a lessee for a noncancellable lease of a building. The Department recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the statement of net position. The Department recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Department initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the Department determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Department uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Department uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Department is reasonably certain to exercise.

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Department monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease assets and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The Department is a lessor for various noncancellable leases of land. The Department recognizes a lease receivable and a deferred inflow of resources in the statement of net position.

At the commencement of a lease, the Department initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Department determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Department uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Department monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

18. Subscription-Based Information Technology Arrangements

The Department is a subscriber for a noncancellable subscription of information technology services. The Department recognizes subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The Department recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a subscription, the Department initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to subscriptions include how the Department determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The Department uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the Department uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments that the Department is reasonably certain to exercise.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Department monitors changes in circumstances that would require a remeasurement of its subscriptions and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

NOTE 2: CASH AND INVESTMENTS

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

	Water Utility	Sewer Utility	Total
Cash and investments	\$ 48,160,342	\$ 75,368,083	\$ 123,528,425
Restricted investments:			
Restricted for Consent Decree	24,448,652	-	24,448,652
Proceeds from bond issuances	13,174,240	6,734,909	19,909,149
Total cash and investments	<u>\$ 85,783,234</u>	<u>\$ 82,102,992</u>	<u>\$ 167,886,226</u>

Cash and investments at June 30, 2024, consisted of the following:

	Water Utility	Sewer Utility	Total
Cash on hand	\$ 7,000	\$ -	\$ 7,000
Deposits with financial institutions	23,038,529	23,057,394	46,095,923
Investments	25,114,813	52,310,689	77,425,502
Restricted investments	37,622,892	6,734,909	44,357,801
Total cash and investments	<u>\$ 85,783,234</u>	<u>\$ 82,102,992</u>	<u>\$ 167,886,226</u>

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

The table below identifies the investment types that are authorized by the Department and Consent Decree (see note 12) in accordance with the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. Due to its long-term nature, the Consent Decree has been explicitly exempted from maximum maturity requirements of the California Government Code, which limits maturity of most investments to five years. All other aspects of the Consent Decree investment policy are consistent with the City's investment policy.

Investment Type*	Maximum Maturity		Maximum % of Portfolio	Maximum % of Portfolio
	Department	Consent Decree		
US treasury	5 years	5 years	None	None
US agency	5 years	5 years	None	None
Bankers acceptances	180 days	180 days	40%	40%
Commercial paper	270 days	270 days	25%	25%
Negotiable CDs	5 years	5 years	30%	30%
Medium-term notes	5 years	5 years	30%	30%
Money market mutual funds	N/A	N/A	20%	20%
Mortgage pass through	5 years	5 years	20%	20%
Local Agency Investment Fund	N/A	N/A	\$40,000,000	\$40,000,000
Guaranteed investment	N/A	N/A	None	None

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

B. Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. Investments authorized for funds held by bond trustee include, U.S. Treasury Obligations, U.S. Government Sponsored Enterprise Securities, the California Local Agency Investment Fund, Guaranteed Investment Contracts, Commercial Paper, Local Agency Bonds, Banker's Acceptance and Money Market Mutual Funds. There are no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed or the maximum maturity of an investment, except for the maturity of Banker's Acceptance which are limited to one year.

C. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty 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 that a financial institution secure deposit made by a state or local governmental unit by pledging securities in an undivided collateral pool held by a depository regulated under state law.

The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Department's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

For investment identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

D. Investment in State Investment Pool

The Department is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Department's investment in this pool is reported in the accompanying financial statements at amounts based upon the Department's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not rated by a nationally recognized statistical rating organization, but as stated previously, it is regulated by the California Government Code, and is therefore exempt from rating requirements.

E. Interest Rate Risk

Interest rate risk is the possibility that fluctuations in market interest rates will adversely affect the fair value of an investment. The longer the maturity of an investment, the greater the sensitivity of its fair value will be to changes in market interest rates. One method that the Department uses to manage its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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

Investment Type	Maturities				Total
	Less than 12 months	13-24 months	25-60 months	More than 60 months	
U.S. Agency Securities	\$ 2,564,975	\$ 4,678,498	\$ 597,987	\$ -	\$ 7,841,460
U.S. Treasuries	-	4,295,766	19,115,084	-	23,410,850
Medium Term Corporate Notes	-	193,586	4,175,743	-	4,369,329
Non - U.S. Government and Supranational Bonds	1,471,803	1,380,820	817,159	-	3,669,782
Asset Backed Securities	13,363	235,516	1,626,917	-	1,875,796
Money Market Funds	320,597	-	-	-	320,597
Local Agency Investment Fund	35,937,688	-	-	-	35,937,688
Consent Decree:					
U.S. Treasuries	-	-	11,453,594	-	11,453,594
U.S. Agency Asset Backed Securities	144,538	144,736	3,532,939	156,845	3,979,058
U.S. Agency Collateralized Mortgage Obligations	-	-	-	47,925	47,925
U.S. Agency Securities	-	969,594	-	-	969,594
Corporate Notes	1,438,117	1,045,097	2,089,552	-	4,572,766
Certificates of Deposit	-	701,397	-	-	701,397
Bank Note	-	-	352,471	-	352,471
Asset Backed Securities	-	265,351	2,106,496	-	2,371,847
Investments with Fiscal Agent:					
Money Market Funds	19,909,149	-	-	-	19,909,149
Total Investments	<u>\$ 61,800,230</u>	<u>\$ 13,910,361</u>	<u>\$ 45,867,942</u>	<u>\$ 204,770</u>	<u>\$ 121,783,303</u>

F. Credit Risk

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

Investment Type	Minimum Rating	Rating	Total
U.S. Agency Securities	None	AA+	\$ 7,841,460
U.S. Treasuries	Exempt	Exempt	23,410,850
Medium Term Corporate Notes	AA-	AA+	4,369,329
Non - U.S. Government and Supranational Bonds	AA	AAA	3,669,782
Asset Backed Securities	AA-	AAA	1,875,796
Money Market Funds	None	AAA	320,597
Local Agency Investment Fund	Not Rated	Not Rated	35,937,688
Consent Decree:			
U.S. Treasuries	No Limit	Exempt	11,453,594
U.S. Agency Asset Backed Securities	No Limit	AA+	3,979,058
U.S. Agency Collateralized Mortgage Obligations	AA	AA+	47,925
U.S. Agency Securities	No Limit	AA+	969,594
Corporate Notes	A+	AAA	4,572,766
Certificates of Deposit	A	AA-	701,397
Bank Note	A	A+	352,471
Asset Backed Securities	AA	AAA	2,371,847
Investments with Fiscal Agent:			
Money Market Funds	AA+	AA+	19,909,149
Total Investments			<u>\$ 121,783,303</u>

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

G. Fair Value Measurement

The Department categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The Department has the following recurring fair value measurements as of June 30, 2024:

Investment Type	Level 1	Level 2	Total
U.S. Agency Securities	\$ -	\$ 7,841,460	\$ 7,841,460
U.S. Treasuries	-	23,410,850	23,410,850
Medium Term Corporate Notes	-	4,369,329	4,369,329
Non - U.S. Government and Supranational Bonds	-	3,669,782	3,669,782
Asset Backed Securities	-	1,875,796	1,875,796
Consent Decree:			
U.S. Treasuries	11,453,594	-	11,453,594
U.S. Agency Asset Backed Securities	-	3,979,058	3,979,058
U.S. Agency Collateralized Mortgage Obligations	-	47,925	47,925
U.S. Agency Securities	-	969,594	969,594
Corporate Notes	-	4,572,766	4,572,766
Bank Note	-	352,471	352,471
Asset Backed Securities	-	2,371,847	2,371,847
Subtotal - investments subject to fair value	<u>\$ 11,453,594</u>	<u>\$ 53,460,878</u>	64,914,472
Investments not subject to fair value			56,868,831
Total investments			<u>\$ 121,783,303</u>

NOTE 3: CAPITAL ASSETS

A. Water Utility Fund

Capital asset activity for the water utility for the fiscal year ended June 30, 2024:

	Balance July 1, 2023	Adjustments	Additions	Deletions	Transfers	Balance June 30, 2024
Capital assets, not being depreciated or amortized:						
Land and easements	\$ 5,989,563	\$ -	\$ -	\$ (120,101)	\$ -	\$ 5,869,462
Construction-in-progress	14,799,410	-	15,286,659	-	(4,282,754)	25,803,315
Total capital assets, not being depreciated or amortized:	<u>20,788,973</u>	<u>-</u>	<u>15,286,659</u>	<u>(120,101)</u>	<u>(4,282,754)</u>	<u>31,672,777</u>
Capital assets, being depreciated or amortized:						
Water rights, wells, and pumping	102,739,627	8,531,901	651,756	(6,165,875)	-	105,757,409
Distribution system	166,022,296	18,739,814	1,746,360	(5,552,058)	4,282,754	185,239,166
Buildings, plants, and stores	8,626,939	(686,829)	-	(997,497)	-	6,942,613
Field and office equipment	43,995,713	(26,594,071)	1,441,615	(7,465,951)	-	11,377,306
Lease assets	155,243	-	-	-	-	155,243
Subscription assets	246,706	-	-	-	-	246,706
Total capital assets, being depreciated or amortized:	<u>321,786,524</u>	<u>(9,185)</u>	<u>3,839,731</u>	<u>(20,181,381)</u>	<u>4,282,754</u>	<u>309,718,443</u>
Less: accumulated depreciation and amortization:						
Water rights, wells, and pumping	(50,904,993)	(3,866,004)	(5,142,327)	5,808,038	-	(54,105,286)
Distribution system	(62,374,262)	(233,875)	(5,807,450)	5,550,618	-	(62,864,969)
Buildings, plants, and stores	(3,140,038)	89,648	(256,415)	983,423	-	(2,323,382)
Field and office equipment	(18,816,711)	4,010,231	(767,410)	7,361,173	-	(8,212,717)
Lease assets	(95,534)	-	(47,768)	-	-	(143,302)
Subscription assets	(85,802)	-	(110,093)	-	-	(195,895)
Total accumulated depreciation and amortization:	<u>(135,417,340)</u>	<u>-</u>	<u>(12,131,463)</u>	<u>19,703,252</u>	<u>-</u>	<u>(127,845,551)</u>
Total capital assets, being depreciated or amortized, net	<u>186,369,184</u>	<u>(9,185)</u>	<u>(8,291,732)</u>	<u>(478,129)</u>	<u>4,282,754</u>	<u>181,872,892</u>
Total accumulated depreciation and amortization:	<u>\$ 207,158,157</u>	<u>\$ (9,185)</u>	<u>\$ 6,994,927</u>	<u>\$ (598,230)</u>	<u>\$ -</u>	<u>\$ 213,545,669</u>

* During the year, certain adjustments were made to correct beginning balance classifications. The net effect on total capital balance reclassifications was \$0.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 3: CAPITAL ASSETS (CONTINUED)

* During the year, certain adjustments were made to correct beginning balance classifications. The net effect on total capital balance reclassifications was \$0.

B. Sewer Utility Fund

Capital asset activity for the sewer utility for the fiscal year ended June 30, 2024:

	Balance July 1, 2023	Adjustments*	Additions	Deletions	Transfers	Balance June 30, 2024
Capital assets, not being depreciated or amortized:						
Land and easements	\$ 17,603,413	\$ -	\$ -	\$ -	\$ -	\$ 17,603,413
Construction-in-progress	34,557,818	-	26,071,255	-	(29,286,070)	31,343,003
Total capital assets, not being depreciated or amortized:	52,161,231	-	26,071,255	-	(29,286,070)	48,946,416
Capital assets, being depreciated or amortized:						
Pumping	4,065,094	9,768,993	-	(9,876,030)	-	3,958,057
Pipelines	21,319,336	3,045,033	1,683,924	-	970,302	27,018,595
Buildings, plants, and stores	160,649,219	(8,418,302)	7,869,675	(7,387,277)	28,315,768	181,029,083
Field and office equipment	19,399,679	(4,395,724)	2,480,334	(3,973,991)	-	13,510,298
Total capital assets, being depreciated or amortized:	205,433,328	-	12,033,933	(21,237,298)	29,286,070	225,516,033
Less: accumulated depreciation and amortization:						
Pumping	(4,402,604)	1,529,612	(55,446)	17,673	-	(2,910,765)
Pipelines	(10,020,136)	(311,716)	(508,765)	-	-	(10,840,617)
Buildings, plants, and stores	(128,956,168)	(588,912)	(9,734,590)	7,342,221	-	(131,937,449)
Field and office equipment	(11,097,850)	(628,984)	(1,112,258)	2,887,423	-	(9,951,669)
Total accumulated depreciation and amortization:	(154,476,758)	-	(11,411,059)	10,247,317	-	(155,640,500)
Total capital assets, being depreciated or amortized, net	50,956,570	-	622,874	(10,989,981)	29,286,070	69,875,533
Total accumulated depreciation and amortization:	\$ 103,117,801	\$ -	\$ 26,694,129	\$ (10,989,981)	\$ -	\$ 118,821,949

* During the year, certain adjustments were made to correct beginning balance classifications. The net effect on total capital balance reclassifications was \$0.

NOTE 4: LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2024, are as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Current Portion	Long-term Portion
Water Utility						
Bonds payable						
2016 Water Revenue Bond	\$ 43,120,000	\$ -	\$ 995,000	\$ 42,125,000	\$ 1,050,000	\$ 41,075,000
Premium	4,611,557	-	197,638	4,413,919	-	4,413,919
Total bonds payable	47,731,557	-	1,192,638	46,538,919	1,050,000	45,488,919
Leases	59,878	-	47,884	11,994	11,994	-
Subscriptions	122,978	-	122,978	-	-	-
Total Water Utility	\$ 47,914,413	\$ -	\$ 1,363,500	\$ 46,550,913	\$ 1,061,994	\$ 45,488,919
Sewer Utility						
Bonds payable						
2016 Sewer Revenue Bond	\$ 30,510,000	\$ -	\$ 770,000	\$ 29,740,000	\$ 810,000	\$ 28,930,000
Premium	149,941	-	6,404	143,537	-	143,537
Total Sewer Utility	\$ 30,659,941	\$ -	\$ 776,404	\$ 29,883,537	\$ 810,000	\$ 29,073,537

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

A. 2016 Water Revenue Bonds

On November 3, 2016, the Water Utility issued \$48,225,000 Water Revenue Bonds to finance the acquisition and construction of certain water system capital improvements and to refund outstanding obligations. The Water Revenue Bonds have interest rates ranging from 3% to 5% with maturities through August 2046. The bonds are secured by revenues pledged for the payment of debt service. In addition, a provision that in the event of default, the bond trustee may take whatever action, at law or in equity, as may appear necessary or desirable to collect the payments of the debt.

Debt service requirements on the 2016 Water Revenue Bond are as follows:

Year Ending June 30	Principal	Interest	Total
2025	\$ 1,050,000	\$ 1,944,388	\$ 2,994,388
2026	1,100,000	1,890,638	2,990,638
2027	1,160,000	1,834,138	2,994,138
2028	1,215,000	1,774,763	2,989,763
2029	1,280,000	1,712,388	2,992,388
2030-2034	7,300,000	7,659,688	14,959,688
2035-2039	9,055,000	5,901,106	14,956,106
2040-2044	11,585,000	3,366,900	14,951,900
2045-2047	8,380,000	593,763	8,973,763
Totals	<u>\$ 42,125,000</u>	<u>\$ 26,677,772</u>	<u>\$ 68,802,772</u>

The Water Utility Fund is required to maintain net revenues adequate to cover 110% of annual debt service. Net Revenues means the Revenues for the Fiscal Year less Operation and Maintenance Costs for such Fiscal Year. Debt service coverage for the Water Utility Fund for the year ended June 30, 2024, was as follows:

Gross revenue	\$ 45,985,090
Operating expenses	(53,996,580)
Add back: depreciation/amortization expense	12,131,463
Non-operating income	8,761,751
Less: gain on disposal	(85,041)
Net revenues	<u>\$ 12,796,683</u>
Annual debt service	<u>\$ 2,990,513</u>
Actual coverage ratio	<u>4.28</u>

B. 2016 Sewer Revenue Bonds

On December 8, 2016, the Sewer Utility issued \$34,445,000 of Sewer Treatment Revenue Bonds to finance the acquisition and construction of additional capital improvements to the sewer utility. The Sewer Treatment Revenue Bonds have interest rates ranging from 3% to 5% with maturities through August 2046. The bonds are secured by revenues pledged for the payment of debt service. In addition, a provision that in the event of default, the bond trustee may take whatever action, at law or in equity, as may appear necessary or desirable to collect the payments of the debt.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

Debt service requirements on the 2016 Sewer Revenue Bond are as follows:

Year Ending June 30	Principal	Interest	Total
2025	\$ 810,000	\$ 1,154,775	\$ 1,964,775
2026	855,000	1,113,150	1,968,150
2027	895,000	1,069,400	1,964,400
2028	935,000	1,033,000	1,968,000
2029	965,000	1,003,897	1,968,897
2030-2034	5,345,000	4,488,641	9,833,641
2035-2039	6,470,000	3,360,600	9,830,600
2040-2044	7,905,000	1,928,100	9,833,100
2045-2047	5,560,000	339,600	5,899,600
Totals	<u>\$ 29,740,000</u>	<u>\$ 15,491,163</u>	<u>\$ 45,231,163</u>

The Sewer Utility Fund is required to maintain net revenues adequate to cover 110% of annual debt service. Gross revenue is defined as Operating Revenue combined with non-operating revenue. Debt service coverage for the Sewer Utility Fund for the year ended June 30, 2024, was as follows:

Gross revenue	\$ 47,385,433
Operating expenses	(50,351,356)
Add back: depreciation/amortization expense	11,411,059
Non-operating income	2,121,049
Less: gain on disposal	(599,981)
Net revenues	<u>\$ 9,966,204</u>
Annual debt service	<u>\$ 1,964,275</u>
Actual coverage ratio	<u>5.07</u>

NOTE 5: LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

A. Leases Receivable and Deferred Inflows of Resources

The Department leases land to various companies for installation of cellular towers and fiberoptic communications. The terms range from 27 months to 268 months as of the contract commencement date. The Department also leases land to Little League International to operate a sports complex. The term is 231 months as of the contract commencement date. Some leases have extension options ranging from 6 months to 20 years. As of June 30, 2024, the value of the lease receivable is \$3,478,126. The value of the deferred inflow of resources as of June 30, 2024, was \$3,275,876, and the Department recognized lease revenue of \$279,500 during the fiscal year. The amount of revenues recognized during the fiscal year for variable and other payments not previously included in the measurement of the lease receivable was \$78,972.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 5: LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS
(CONTINUED)

The principal and interest payments that are expected to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2025	\$ 211,681	\$ 52,942	\$ 264,623
2026	220,658	49,755	270,413
2027	231,942	46,412	278,354
2028	243,636	42,896	286,532
2029	253,024	39,202	292,226
2030-2034	1,384,886	134,768	1,519,654
2035-2039	613,849	52,257	666,106
2040-2044	318,450	9,856	328,306
Totals	<u>\$ 3,478,126</u>	<u>\$ 428,088</u>	<u>\$ 3,906,214</u>

B. Leases Payable and Lease Assets

On July 1, 2021, the Department entered into a 39-month lease as lessee for the use of a 397 Modular office. An initial lease liability was recorded in the amount of \$155,243. As of June 30, 2024, the value of the lease liability is \$11,994. The Department is required to make monthly fixed payments of \$4,000. The lease has an interest rate of 0.3080%. The value of the lease asset as of June 30, 2024 is \$155,243 with accumulated amortization of \$143,302.

Future principal and interest requirements to maturity for each lease liability are as follows:

Year Ending June 30	Principal	Interest	Total
2025	<u>\$ 211,681</u>	<u>\$ 52,942</u>	<u>\$ 264,623</u>

C. Subscription-Based Information Technology Arrangements

The Department had entered into various subscriptions as the subscriber for the use of software as a service. An initial subscription liability was recorded in the amount of \$240,706 during the prior fiscal year. The terms of these subscriptions ranged from 21 to 33 months. As of June 30, 2024, the total value of the subscription liability was paid in full. The value of the subscription assets as of June 30, 2024 is \$246,706, with an accumulated amortization of \$195,093.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 6: COMPENSATED ABSENCES

Compensated absences represent the amount of the accumulated vacation, which is expected to be liquidated with future resources. The water utility fund, sewer utility fund and sewer collection fund liquidate 100 percent of the compensated absences for business-type activities. There is no fixed payment schedule for unpaid compensated absences; see Note 1 for additional information.

	Balance July 1, 2023	Net Change	Balance June 30, 2024	Current Portion	Long-term Portion
Water Utility Fund	\$ 1,338,238	\$ 206,653	\$ 1,544,891	\$ 1,235,913	\$ 308,978
Sewer Utility Fund	585,652	32,025	617,677	468,521	149,156
Total	<u>\$ 1,923,890</u>	<u>\$ 238,678</u>	<u>\$ 2,162,568</u>	<u>\$ 1,704,434</u>	<u>\$ 458,134</u>

NOTE 7: PENSION PLAN

The Department is considered to be part of the City of San Bernardino PERS pension plan, therefore all related information included in this note refers to the City as a whole unless specifically indicating otherwise. All qualified permanent and probationary employees are eligible to participate in the Department's Miscellaneous Plan, an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Additional disclosures and required supplementary information regarding the City's plan can be found in the City's audited financial statements.

A. 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. The Plans' provisions and benefits in effect at the measurement date, are summarized as follows:

	Miscellaneous		
	Prior to October 3, 2011	On or after October 4, 2011	On or after January 1, 2013
Hire date			
Benefit formula	2.7% @ 55	2% @ 55	2% @ 60
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	10%	10%	10%
Required employer contribution rates	35%	35%	35%

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 7: PENSION PLAN (CONTINUED)

B. Employees Covered

As of the June 30, 2022 valuation date, the following employees were covered by the benefit terms of the Plan:

	City-Wide	Department
Inactive employees or beneficiaries currently receiving benefits	1,567	172
Inactive employees entitled to but not yet receiving benefits	1,096	36
Active employees	671	259
Total	3,334	467

C. Contribution Description

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution 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 employer 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. Plan contributions for the year equaled \$7,744,386.

D. Actuarial Methods and Assumptions used to determine Total Pension Liability

The June 30, 2022 valuation was rolled forward to determine the June 30, 2023 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount rate	6.90%
Inflation	2.30%
Salary increases	Varies by entry age and services
Mortality rate table	Derived using CalPERS’ membership data for all funds
Post-retirement benefit increase	The lesser of contract COLA or 2.30% until purchasing power protection allowance floor on purchasing power applies, 2.30% thereafter

The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the *2021 CalPERS Experience Study and Review of Actuarial Assumptions*. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

E. Long-Term Expected Rate of Return

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

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 7: PENSION PLAN (CONTINUED)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

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

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

² Figures are based on the 2021 Asset Liability Management study

F. Discount Rate

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

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 7: PENSION PLAN (CONTINUED)

G. Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB Statement No. 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

The EARSL for the plan for the measurement period ending June 30, 2023 is 2.2 years, which was obtained by dividing the total service years of 7,412 (the sum of remaining service lifetimes of the active employees) by 3,334 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members’ probability of decrementing due to an event other than receiving a cash refund.

H. Changes in Net Pension Liability

The following table shows the Department’s proportionate share of the net pension liability of the City’s plan over the measurement period:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at 6/30/2023 (Measurement Date 6/30/2022)	\$ 234,951,657	\$ 164,809,826	\$ 70,141,831
Balance at 6/30/2024 (Measurement Date 6/30/2023)	242,663,139	170,152,490	72,510,649
Net changes during 2023-2024	\$ 7,711,482	\$ 5,342,664	\$ 2,368,818

The net pension liability of the plan is measured as of June 30, 2023, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation of June 30, 2022 rolled forward to June 30, 2023, using standard update procedures. The proportion of the net pension liability was based on a projection of the Department’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Department’s proportionate share of the net pension liability for the plan as of June 30, 2024 and 2023 was 36 percent.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 7: PENSION PLAN (CONTINUED)

I. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 6.90 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
Plan's Net Pension Liability			
-Department Allocation			
(36%)	<u>\$ 103,521,332</u>	<u>\$ 72,510,649</u>	<u>\$ 46,943,027</u>

J. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2024, the Department recognized pension expense of \$11,783,510.

As of June 30, 2024, the Department reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 7,744,386	\$ -
Differences between expected and actual experience	985,694	79,454
Changes in assumptions	319,405	-
Net difference between projected and actual earnings on pension plan investments	<u>7,727,851</u>	<u>-</u>
Total	<u>\$ 16,777,336</u>	<u>\$ 79,454</u>

The \$7,744,386 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. That and 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,	Deferred Outflows/ (Deferred Inflows) of Resources
2025	\$ 2,395,482
2026	872,803
2027	5,478,790
2028	<u>206,421</u>
Total	<u>\$ 8,953,496</u>

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 7: PENSION PLAN (CONTINUED)

K. Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Annual Comprehensive Financial Report closing and final reconciled reserves.

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The Department provides health benefits to all qualifying retirees and their spouses in accordance with Memorandums of Understanding under various labor agreements. The other post-employment benefits plan is a single-employer plan administered by the Department.

B. Employees Covered

Employees are eligible for retiree health benefits if they retire from the Department on or after age 50 with at least 10, 12, or 15 years of service, depending on bargaining unit, and are eligible for a PERS pension. As of the June 30, 2022 valuation date, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees electing medical coverage	221
Active employees waiving medical coverage	35
Retirees electing medical coverage	132
Retirees with only non-medical OPEB coverage	25
Total	<u>413</u>

C. Contributions

The contribution requirements of plan members and the Department are established and may be amended by the Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as may be determined annually by the Board. The Department has established an irrevocable trust to which pre-funding contributions are made. For the fiscal year ended June 30, 2024, the Department's contributions were \$1,783,630, which include the implicit subsidy of \$580,575.

D. Net OPEB Liability/(Asset)

The Department's net OPEB liability/(asset) was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation dated June 30, 2022 that was rolled forward to determine the June 30, 2023 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal
Discount Rate	6.25%
Inflation	2.50%
Mortality	Based on assumptions for Public Agency Miscellaneous members published in the 2021 CalPERS Experience Study. These tables include generational mortality improvement using 80% of scale MP-2020.
Healthcare Trend Rate	6.8% for not Medicare eligible and 5.4% for Medicare eligible for FY 2023, gradually decreasing over several decades to an ultimate rate of 3.9% in FY 2076 and later years.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return
Fixed income	40%	1.47%
Global Equity	60%	4.82%
Assumed long-term rate of inflation	-	2.75%
Expected long-term net rate of return	-	6.25%
Total	100%	

E. Discount Rate

The discount rate used to measure the total OPEB liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that the Department's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

F. Changes in the Net OPEB Liability/(Asset)

The changes in the net OPEB liability/(asset) are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)
Balance at 6/30/2023 (Measurement Date 6/30/2022)	\$ 33,106,372	\$ 35,328,118	\$ (2,221,746)
Changes for the year			
Service cost	809,659	-	809,659
Interest	2,066,543	-	2,066,543
Differences between expected and actual experience	71,864	-	71,864
Employer contributions	-	2,331,720	(2,331,720)
Net investment income	-	2,970,846	(2,970,846)
Benefit payments	(1,702,700)	(1,702,700)	-
Administrative expense	-	(10,161)	10,161
Net changes	1,245,366	3,589,705	(2,344,339)
Balance at 6/30/2024 (Measurement Date 6/30/2023)	\$ 34,351,738	\$ 38,917,823	\$ (4,566,085)

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

The following presents the net OPEB liability/(asset) of the Department if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2023:

	Discount Rate -1% (5.25%)	Current Discount Rate (6.25%)	Discount Rate +1% (7.25%)
Net OPEB Liability/(Asset)	\$ 177,681	\$ (4,566,085)	\$ (8,468,502)

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

The following presents the net OPEB liability of the Department if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2023:

	1% Decrease	Current Rate	1% Increase
Net OPEB Liability/(Asset)	\$ (9,044,973)	\$ (4,566,085)	\$ 1,014,604

I. Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expenses.

The recognition period differs depending on the source of the gain or loss. The net difference between projected and actual earnings on OPEB plan investments are amortized over 5 years, while all other deferred outflows and inflows are amortized over the average expected remaining service life of plan participants.

J. OPEB Income and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2024, the Department recognized OPEB income of \$1,446,918. As of fiscal year ended June 30, 2024, the Department reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	\$ 1,783,630	\$ -
Differences between expected and actual experience	94,664	5,156,242
Changes in assumptions	-	2,701,586
Net difference between projected and actual earnings on OPEB plan investments	1,262,633	-
Total	\$ 3,140,927	\$ 7,857,828

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The \$1,783,630 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the subsequent fiscal year. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Year Ended June 30,	Deferred Outflows/ (Deferred Inflows) of Resources
2025	\$ (1,957,124)
2026	(1,970,133)
2027	(783,069)
2028	(1,092,921)
2029	(709,508)
Thereafter	12,224
Total	<u>\$ (6,500,531)</u>

NOTE 9: JOINT VENTURES

A. Colton/San Bernardino Regional Tertiary Treatment and Water Reclamation Authority

On August 2, 1994, the City of San Bernardino, through the Department formed a joint powers authority with the City of Colton to construct, operate, use, and maintain tertiary wastewater treatment, disposal, and water reclamations systems, including the Regional Rapid Infiltration and Extraction Facility (RIX). This authority is governed by a separate board consisting of four members: two appointed by the City of San Bernardino through the Department's BOWC and two appointed by the City Council of the City of Colton. Construction of RIX was administered by the Santa Ana Watershed Project Authority and was completed during 1996. Administration and operation were turned over at that time. The cities of San Bernardino and Colton each have a measurable equity interest in the net position of RIX in proportion to its contributions, which are based on an 80% / 20% split, respectively. Substantially all of the assets of RIX are in the form of capital assets. Annual revenues (in the form of contributions from the two member cities) are equal to annual expenses. The Department's equity interest in this joint venture has been reported as an investment in joint venture in the accompanying statement of net position. Below are the most currently available condensed audited financial statements of RIX as of June 30, 2024. The RIX complete financial statements may be obtained at City of San Bernardino Municipal Water Department at: 1350 South E. Street, San Bernardino, California 92418.

Assets	\$ 27,455,218
Liabilities	<u>1,780,085</u>
Net position	<u>\$ 25,675,133</u>
Revenues	\$ 6,835,578
Expenses	<u>7,691,075</u>
Change in net position	(855,497)
Net position-beginning	<u>26,530,630</u>
Net position-ending	<u>\$ 25,675,133</u>

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 9: JOINT VENTURES (CONTINUED)

B. West End Water Development, Treatment and Conservation Joint Powers Authority

On August 15, 1990, the City of San Bernardino joined the West End Water Development, Treatment and Conservation Joint Powers Authority (WEJPA) as a financing vehicle for construction of water facilities. A three-member board consisting of one representative from each agency's governing body governs the WEJPA. This joint venture was formed to provide a financing vehicle for the three member agencies. This joint venture is currently inactive.

NOTE 10: COMMITMENTS AND CONTINGENCIES

A. Risk Management

Risk management activities are recorded in all utility funds. Significant losses are covered by insurance for all major events except workers' compensation, for which the Department retains risk of loss in conjunction with the City of San Bernardino's risk management program for workers compensation. Settlement amounts have not exceeded insurance coverage for the current year or the prior three years. Insurance coverage has been increased over the past several years.

The Department records an estimated liability for workers' compensation. Claims liabilities are based on estimates of the ultimate cost of reported claims and an estimate for claims incurred but not reported based upon historical experience. Workers' compensation claims liability is not discounted.

The following are the changes in approximate aggregate liabilities for the years ended June 30, 2023 and June 30, 2024. During the past three fiscal (claims) years, the Department had no settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in fiscal year 2024.

<u>Claims Liabilities</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Balance, June 30, 2022	\$ 3,855,876	\$ 1,085,903	\$ 4,941,779
Claims and changes in estimates	3,195,575	218,323	3,413,898
Balance, June 30, 2023	7,051,451	1,304,226	8,355,677
Claims and changes in estimates	(1,064,922)	(200,602)	(1,265,524)
Balance, June 30, 2024	<u>\$ 5,986,529</u>	<u>\$ 1,103,624</u>	<u>\$ 7,090,153</u>

B. Litigation

In the ordinary course of operations, the Department is subject to claims and litigation from outside parties. After consultation with legal counsel, the Department believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 10: COMMITMENTS AND CONTINGENCIES (CONTINUED)

C. Construction Commitments

The following schedule summarizes the major contractual commitments as of June 30, 2024:

CIP Project Name/Description	CIP Project #	PO/Contract Amount	Expenditures to date	Remaining Commitments
SBMWD Water Facilities Relocation Phase I	C1410589/C1700196	24,002,728	4,882,643	19,120,085
Tertiary Treatment System	C1700194	14,083,357	6,622,994	7,460,363
East Influent Siphon - Phases I and II	C2450071	12,237,650	5,857,395	6,380,255
Reservoir Seismic Upgrades Phase III for Devore	C2311098	11,232,000	3,041,427	8,190,573
Verdemont 2300 Pz. East Water Facilities	C1710828	10,115,361	1,699,847	8,415,514
Emergency Drying Beds Lining	C2300286	6,750,433	4,934,576	1,815,857
2021/2022 Consultant CM and Inspection Svcs	C1410689/C1700196	2,154,843	204,444	1,950,399
Long-term Biosolids Handling and Disposal	Svc Cont	1,868,000	912,799	955,201
3rd Party CM and Inspection Services	C1700194	1,718,368	984,132	734,236
CM and Inspection Services for Verdemont 2300 PZ	Svc Cont	1,437,311	236,864	1,200,447
GPA Agreement with Itron, Inc. for AMI	C2211020	1,289,363	-	1,289,363
Interactive O&M Manual	M2300295/M2300296	1,250,000	733,272	516,728
Inspection Services for Four Steel Reservoirs	C2311098	1,174,799	263,758	911,041
Eng. Dsgn. Multiple CIP Water Pipeline Replacements	C1700194	1,056,319	270,321	785,998
Digester B Replacement	C2100254	972,429	178,964	793,465

NOTE 11: FEDERAL AND STATE GRANTS

Grant funds received by the Department are subject to audit by the grantor agencies. Such an audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under the terms of the grant. The management of the Department believes that such disallowances, if any, would not be significant. The Department produces a Single Audit that details the use of grant and Consent Decree funds (see note 12 for information on the Consent Decree).

NOTE 12: CONSENT DECREE

In 1996, the City of San Bernardino filed a complaint against the United States of America, Department of the Army to recover damages, response costs and other available remedies relating to contamination alleged to have originated at a World War II army installation known as Camp Ono. In March 2005, the United States District Court, Central Division entered judgment, in the form of a consent decree, in the matter of City of San Bernardino v. United States of America. The Consent Decree settles the City's and the State's claims arising from the groundwater contamination allegedly caused by the Army. The Consent Decree contains a number of provisions obligating the City (through the Department) to operate and maintain the Newmark Groundwater Superfund Site (Site). The Site consists of two operable units, the Newmark Operable Unit, and the Muscoy Operable Unit. The Newmark Operable Unit was declared operational and functional in 1998. The Muscoy Operable unit was declared operational and functional in 2007.

The Consent Decree provided for a payment of \$69 million from the Army to the City for performance of the work outlined in the Consent Decree. Upon acceptance of the Consent Decree, the Department received title to all facilities constructed by the United States Environmental Protection Agency (EPA) of the Site and agreed to operate and maintain the groundwater extraction and treatment system for a period of 50 years. The \$69 million payment consisted of \$59 million for operations and maintenance and \$10 million for the construction of certain capital facilities that would be required in the future; the funds are subject to strict limitations, contained in the Consent Decree, as to how the money may be spent.

Pursuant to the Consent Decree, \$10 million, including interest earned, has been set aside to be used only for (i) funding construction of treatment and directly related transmission systems that expand the Department's capacity to deliver potable water and (ii) funding work performed by the Department to complete construction of the Muscoy Operable Unit extraction system. These capital facility funds may not be used for costs incurred to operate, maintain, repair, or retrofit components of the site extraction of treatment systems constructed by EPA.

NOTE 12: CONSENT DECREE (COTNINUED)

In March 2006, the Department entered into a Guaranteed Investment Contract with AIG Match Funding Corporation. The Department invested \$16,482,039 of excess Consent Decree funds into an interest-bearing Escrow Fund investment with an interest rate of 4.95% per annum. These funds were invested to pay costs associated with the water facilities defined in the Consent Decree for the years 2035-2056. An additional \$50 million was used to purchase a blended insurance policy to provide a financial vehicle that provides cost gap coverage for the first 30 years of expenses.

The terms of the Guaranteed Investment Contract only provided the Department with the position of a secured creditor with respect to an AIG bankruptcy. As concerns arose regarding AIG's financial credibility, in October 2009, the Department negotiated and accepted a "payout" in the amount of \$18,661,876 which represented the principal and accrued interest as of that date. These funds are currently invested in a diversified portfolio managed by PFM Asset Management and are presented in more detail in Note 3.

NOTE 13: SUBSEQUENT EVENTS

The Department evaluated subsequent events for recognition and disclosure through November 27, 2024, the date on which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2024, that required recognition or disclosure in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Schedule of Proportionate Share of Net Pension Liability
As of June 30, for the Last Ten Fiscal Years

Reporting Date ¹ as of June 30,	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a % of Covered Payroll	Plan's Fiduciary Net Position as a % of the Total Pension Liability
2024	36%	\$ 72,510,649	\$ 22,022,839	329%	70%
2023	36%	70,141,831	20,821,422	337%	70%
2022	36%	40,743,630	20,103,974	203%	82%
2021	36%	64,101,577	18,770,894	341%	71%
2020	36%	60,531,689	17,169,126	353%	72%
2019	36%	56,856,346	15,357,635	370%	72%
2018	36%	58,595,075	14,876,739	394%	71%
2017	36%	53,652,216	14,177,779	378%	72%
2016	36%	44,917,863	14,087,004	319%	76%
2015	36%	40,932,398	14,017,065	292%	78%

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

Benefit Changes : None

Changes of Assumptions : None

¹ The proportions and proportionate share of the net pension liability are measured as of one year behind the reporting date. Refer to notes to basic financial statements.

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios
As of June 30, for the Last Ten Fiscal Years ¹

	2024	2023	2022
Measurement Date	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 809,659	\$ 984,915	\$ 956,228
Interest on total pension liability	2,066,543	2,336,141	2,240,570
Changes of benefit terms	-	-	-
Changes of assumptions	-	(2,619,432)	-
Difference between expected and actual experience	71,864	(3,119,394)	-
Benefit payments, including refunds of employee contributions	<u>(1,702,700)</u>	<u>(1,738,412)</u>	<u>(1,654,270)</u>
Net change in total OPEB liability	1,245,366	(4,156,182)	1,542,528
Total OPEB liability-beginning	<u>33,106,372</u>	<u>37,262,554</u>	<u>35,720,026</u>
Total OPEB liability-ending (a)	<u>34,351,738</u>	<u>33,106,372</u>	<u>37,262,554</u>
PLAN FIDUCIARY NET POSITION			
Contributions-employer	2,331,720	1,738,412	2,737,270
Net investment income	2,970,846	(4,469,586)	7,886,756
Benefit payments, including refunds of employee contributions	<u>(1,702,700)</u>	<u>(1,738,412)</u>	<u>(1,654,270)</u>
Administrative expense	<u>(10,161)</u>	<u>(11,068)</u>	<u>(10,052)</u>
Net change in fiduciary net position	3,589,705	(4,480,654)	8,959,704
Plan fiduciary net position-beginning	<u>35,328,118</u>	<u>39,808,772</u>	<u>30,849,068</u>
Plan fiduciary net position-ending (b)	<u>38,917,823</u>	<u>35,328,118</u>	<u>39,808,772</u>
Net OPEB liability/(asset) (a) - (b)	<u>\$ (4,566,085)</u>	<u>\$ (2,221,746)</u>	<u>\$ (2,546,218)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	113%	107%	107%
Covered-employee payroll	\$ 28,172,331	\$ 25,597,944	\$ 21,203,035
Plan net OPEB liability/(asset) as a percentage of covered-employee payroll	-16%	-9%	-12%

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

Benefit Changes : None

Changes of Assumptions : None

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

2021	2020	2019	2018
6/30/2020	6/30/2019	6/30/2018	6/30/2017
\$ 1,352,161	\$ 1,312,778	\$ 1,067,080	\$ 1,036,000
2,651,878	2,512,269	2,449,681	2,322,000
-	-	(640,849)	-
(1,784,735)	-	(1,065,369)	-
(6,747,960)	-	523,834	-
<u>(1,658,421)</u>	<u>(1,602,932)</u>	<u>(1,554,389)</u>	<u>(1,118,000)</u>
(6,187,077)	2,222,115	779,988	2,240,000
41,907,103	39,684,988	38,905,000	36,665,000
<u>35,720,026</u>	<u>41,907,103</u>	<u>39,684,988</u>	<u>38,905,000</u>
2,602,421	2,615,932	2,673,389	2,602,000
1,564,423	2,036,956	1,848,262	2,204,000
(1,658,421)	(1,602,932)	(1,554,389)	(1,118,000)
<u>(8,657)</u>	<u>(8,061)</u>	<u>(7,855)</u>	<u>(7,000)</u>
2,499,766	3,041,895	2,959,407	3,681,000
28,349,302	25,307,407	22,348,000	18,667,000
<u>30,849,068</u>	<u>28,349,302</u>	<u>25,307,407</u>	<u>22,348,000</u>
<u>\$ 4,870,958</u>	<u>\$ 13,557,801</u>	<u>\$ 14,377,581</u>	<u>\$ 16,557,000</u>
86%	68%	64%	57%
\$ 19,691,462	\$ 17,981,957	\$ 16,768,495	\$ 19,132,000
25%	75%	86%	87%

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
Schedules of Plan Contributions
As of June 30, for the Last Ten Fiscal Years ¹

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	Covered/ Covered- Employee Payroll	Contribution as a % of Covered/ Covered Employee Payroll
<u>Pension Plan</u>					
2024	\$ 7,744,386	\$ 7,744,386	\$ -	\$ 24,086,933	32%
2023	7,304,613	7,304,613	-	22,022,839	33%
2022	6,656,656	6,656,656	-	20,821,422	32%
2021	6,492,199	6,492,199	-	20,103,974	32%
2020	5,814,288	5,814,288	-	18,770,894	31%
2019	5,251,737	5,251,737	-	17,169,126	31%
2018	4,467,847	4,467,847	-	15,357,635	29%
2017	3,886,888	3,886,888	-	14,876,739	26%
2016	3,607,950	3,607,950	-	14,177,779	25%
2015	2,979,160	2,979,160	-	14,087,004	21%
<u>Other Post-Employment Benefits Plan</u>					
2024	\$ 898,426	\$ 1,783,630	\$ (885,204)	\$ 26,706,880	7%
2023	1,559,000	2,327,743	(768,743)	28,172,331	8%
2022	1,572,000	1,738,412	(166,412)	25,597,944	7%
2021	1,652,000	2,737,270	(1,085,270)	21,203,035	13%
2020	2,728,000	2,602,421	125,579	19,691,462	13%
2019	2,760,000	2,615,932	144,068	17,981,957	15%
2018	2,592,000	2,673,000	(81,000)	16,768,495	16%

Notes to Schedule of Plan Contributions:

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2023-24 were derived from the following:

Valuation Date: June 30, 2021 (pension plan); June 30, 2022 (OPEB plan)

Actuarial Cost Method: Entry Age Normal

Asset Valuation Method: Fair Value of Assets

Inflation: 2.3% (pension plan); 2.5% (OPEB plan)

Salary Increases: Varies by entry age and service

Payroll Growth: 2.8% (pension plan)

Investment Rate of Return: 6.8% (pension plan); 6.25% (OPEB plan)

Retirement Age: Based on 2017 CalPERS Experience Study, available at CalPERS website (pension)

Medical Trend (OPEB): 6.8% for Non-Medicare and 5.4% for Medicare decreasing to an ultimate rate of 3.9% in 2076 and later years.

Mortality: 2017 CalPERS Experience Study (pension); 2021 CalPERS Experience Study (OPEB)

Mortality Improvement (OPEB): 80% of Scale MP-2020

¹ Fiscal year 2018 was the first year of GASB Statement No. 75 implementation; therefore only seven years for the Other Post-Employment Benefits Plan are shown.

STATISTICAL SECTION

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FINANCIAL TRENDS

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

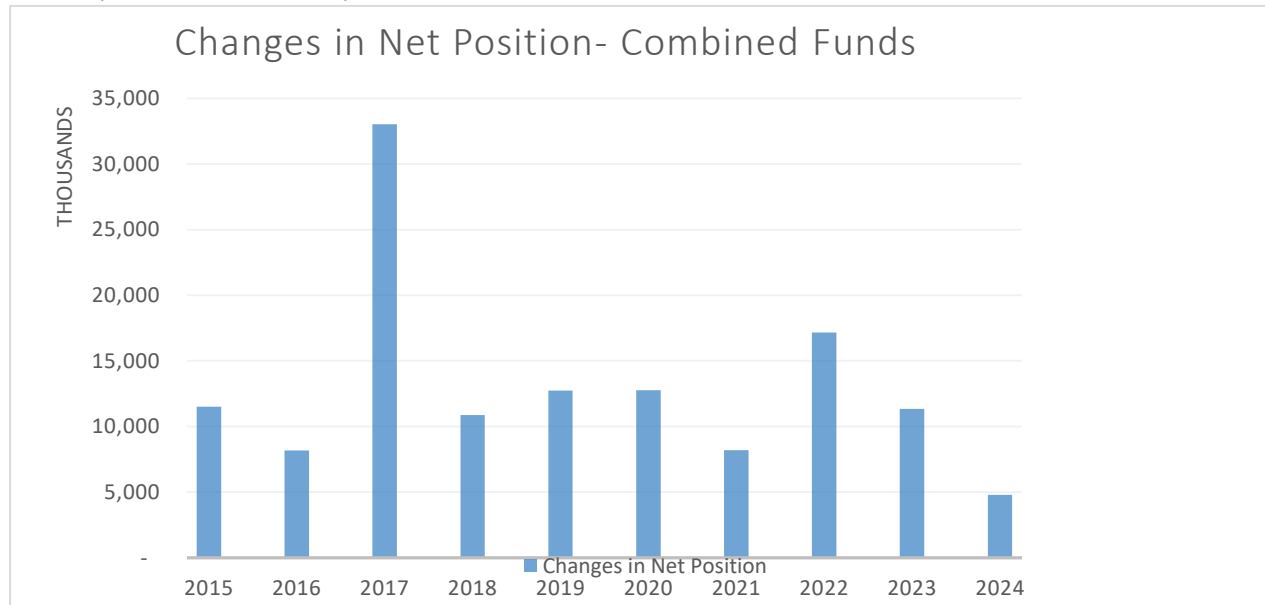
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City of San Bernardino Municipal Water Department
Changes in Net Position
Last Ten Fiscal Years

Fiscal Year Ended	Total Operating Revenue	Total Operating Expense	Operating Income	Total Non-Operating Income (Expense)	Total Contributed Capital	Changes in Net Position
6/30/2015	57,805,304	55,074,661	2,730,643	3,801,830	4,977,945	11,510,418
6/30/2016	55,376,650	53,529,824	1,846,826	2,059,111	4,271,325	8,177,262
6/30/2017 *	64,488,587	61,895,872	2,592,715	8,431,207	21,995,016	33,018,938
6/30/2018	76,620,620	68,734,958	7,885,662	(1,872,712)	4,854,784	10,867,734
6/30/2019	77,094,723	66,921,125	10,173,598	(7,553,171)	10,121,344	12,741,771
6/30/2020	78,184,698	70,778,987	7,405,711	748,213	4,604,699	12,758,623
6/30/2021	80,831,467	77,247,428	3,584,039	(1,980,043)	6,605,556	8,209,552
6/30/2022	83,517,341	72,109,935	11,407,406	(2,315,279)	8,071,944	17,164,071
6/30/2023	89,113,376	87,785,516	1,327,860	1,397,918	8,613,085	11,338,863
6/30/2024	92,725,810	103,703,223	(10,977,413)	7,923,929	7,855,349	4,801,865

*Fiscal Years 2014-2016 contain only the Sewer Treatment and Water Utility Funds. The Sewer Collections Fund was transferred to the Department on May 1, 2017.

Source: Department's annual reports



City of San Bernardino Municipal Water Department

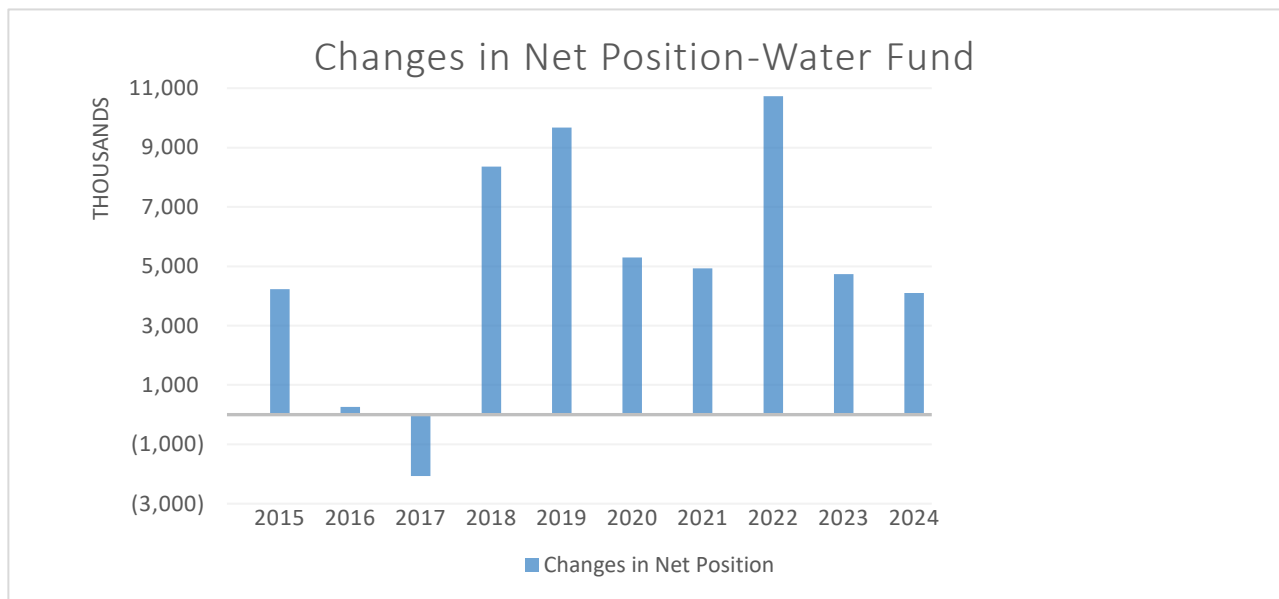
Water Fund

Changes in Net Position

Last Ten Fiscal Years

Fiscal Year Ended	Total Operating Revenue	Total Operating Expense	Operating Income	Total Non-Operating Income (Expense)	Total Contributed Capital	Changes in Net Position
6/30/2015	33,121,128	35,504,582	(2,383,454)	2,702,953	3,905,104	4,224,603
6/30/2016	30,001,871	34,834,362	(4,832,491)	2,283,230	2,812,192	262,931
6/30/2017	33,358,907	37,074,670	(3,715,763)	(546,280)	2,194,093	(2,067,950)
6/30/2018	38,280,016	34,446,105	3,833,911	1,198,161	3,323,031	8,355,103
6/30/2019	39,099,960	33,995,037	5,104,923	1,829,448	2,737,031	9,671,402
6/30/2020	40,267,376	38,626,151	1,641,225	1,655,628	2,002,637	5,299,490
6/30/2021	42,758,192	42,480,855	277,337	791,527	3,861,010	4,929,874
6/30/2022	43,150,124	37,626,046	5,524,078	483,961	4,718,864	10,726,903
6/30/2023	44,091,833	46,710,892	(2,619,059)	1,380,979	5,976,186	4,738,106
6/30/2024	45,985,090	53,996,580	(8,011,490)	6,977,920	5,130,185	4,096,615

Source: Department's annual reports



City of San Bernardino Municipal Water Department

Sewer Fund

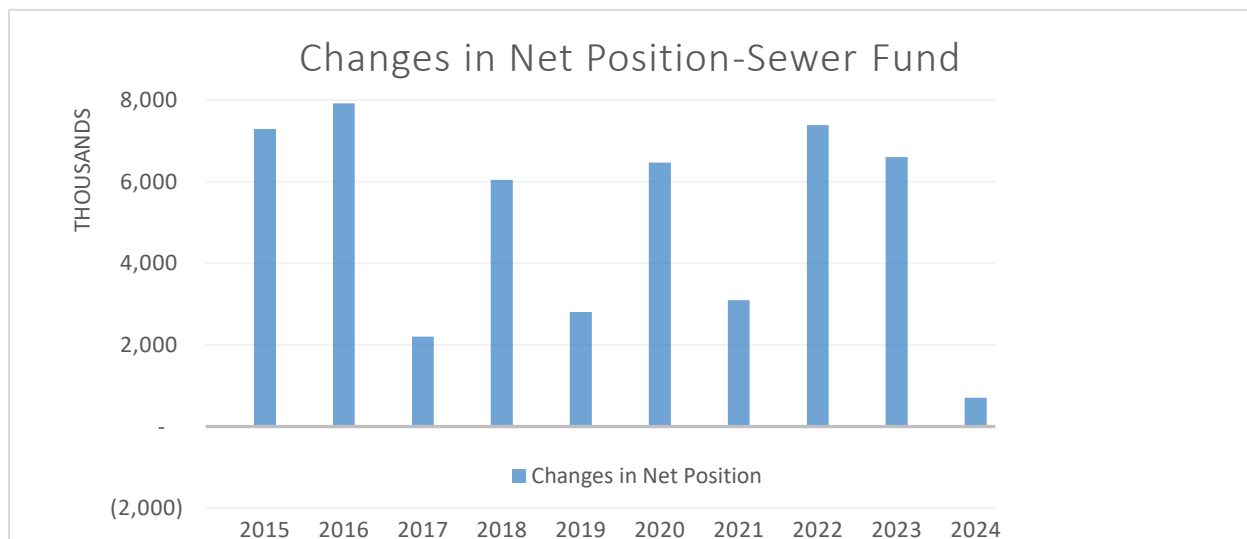
Changes in Net Position

Last Ten Fiscal Years

Fiscal Year Ended	Total Operating Revenue	Total Operating Expense	Operating Income	Total Non-Operating Income (Expense)	Total Contributed Capital	Changes in Net Position
6/30/2015	24,734,425	19,620,328	5,114,097	1,098,877	1,072,841	7,285,815
6/30/2016	25,410,740	18,731,423	6,679,317	(224,119)	1,459,133	7,914,331
6/30/2017	28,612,019	24,139,878	4,472,141	(3,624,658)	1,355,494	2,202,977
6/30/2018	30,733,453	22,697,491	8,035,962	(3,275,704)	1,280,280	6,040,538
6/30/2019	30,546,181	24,866,681	5,679,500	(9,967,309)	7,092,785	2,804,976
6/30/2020	30,397,092	24,648,411	5,748,681	(1,537,179)	2,257,330	6,468,832
6/30/2021	30,361,116	26,986,385	3,374,731	(2,782,481)	2,502,263	3,094,513
6/30/2022	34,171,160	26,794,390	7,376,770	(2,288,006)	2,294,541	7,383,305
6/30/2023 *	45,544,260	41,597,341	3,946,919	16,939	2,636,899	6,600,757
6/30/2024 *	47,385,433	50,351,356	(2,965,923)	946,009	2,725,164	705,250

Source: Department's annual reports

* The FY 2023 budget has combined the Sewer Treatment Fund and the Sewer Collection Fund into one fund. Now called the Sewer Fund.



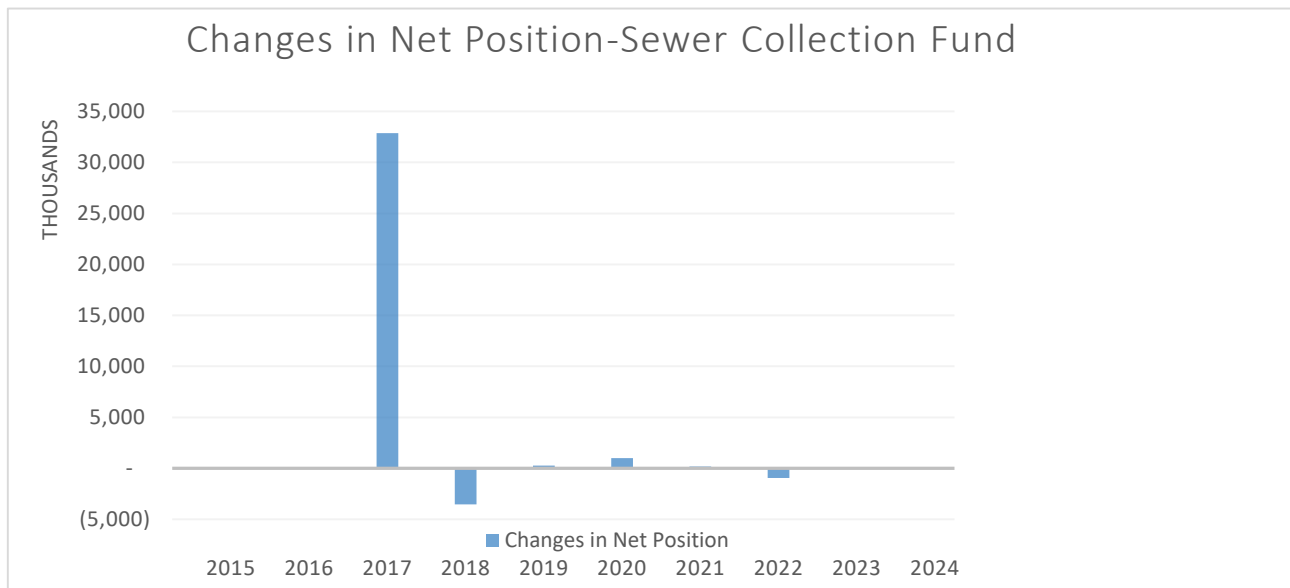
City of San Bernardino Municipal Water Department
Sewer Collection Fund
Changes in Net Position
Last Ten Fiscal Years

Fiscal Year Ended	Total Operating Revenue	Total Operating Expense	Operating Income	Total Non-Operating Income (Expense)	Total Contributed Capital	Changes in Net Position
6/30/2015	n/a	n/a	n/a	n/a	n/a	n/a
6/30/2016	n/a	n/a	n/a	n/a	n/a	n/a
6/30/2017 *	2,891,203	1,054,866	1,836,337	12,602,145	18,445,429	32,883,911
6/30/2018	7,682,946	11,667,157	(3,984,211)	204,831	251,473	(3,527,907)
6/30/2019	7,562,097	8,172,922	(610,825)	584,690	291,528	265,393
6/30/2020	7,666,309	7,650,504	15,805	629,764	344,732	990,301
6/30/2021	7,794,418	7,862,447	(68,029)	10,911	242,283	185,165
6/30/2022	6,394,623	7,888,065	(1,493,442)	(511,234)	1,058,539	(946,137)
6/30/2023 **	-	-	-	-	-	-
6/30/2024	-	-	-	-	-	-

* The Sewer Collection Utility was transferred to the Water Department on May 1, 2017 so prior year data is unavailable.

** The FY 2023 budget has combined the Sewer Treatment Fund and the Sewer Collection Fund into one fund. Now called the Sewer Fund.

Source: Department's annual reports

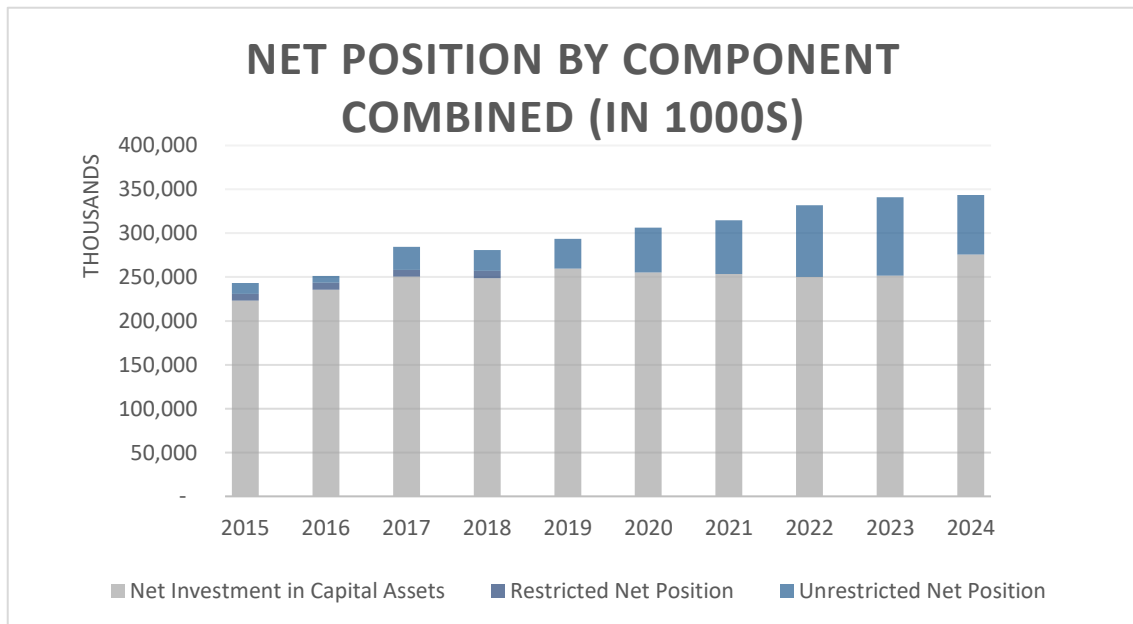


City of San Bernardino Municipal Water Department
Net Position by Component
Last Ten Fiscal Years

Fiscal Year Ended	Net Investment in Capital Assets	Restricted Net Position	Unrestricted Net Position	Total Net Position
6/30/2015	223,053,269	7,633,049	12,510,969	243,197,287
6/30/2016	235,670,073	7,814,086	7,890,390	251,374,549
6/30/2017 *	250,399,481	7,944,758	26,049,248	284,393,487
6/30/2018	248,653,963	8,363,037	23,912,311	280,929,311
6/30/2019	259,671,498	-	33,999,894	293,671,392
6/30/2020	255,270,720	-	51,158,985	306,429,705
6/30/2021	253,288,732	-	61,350,525	314,639,257
6/30/2022	250,324,366	-	81,696,554	332,020,920
6/30/2023	251,609,753	2,221,746	89,528,284	343,359,783
6/30/2024	275,842,317	4,566,085	67,753,246	348,161,648

* Fiscal Years 2014-2016 contain only Sewer Treatment and Water Utility Funds. The Sewer Collections Fund was transferred to the Department on May 1, 2017.

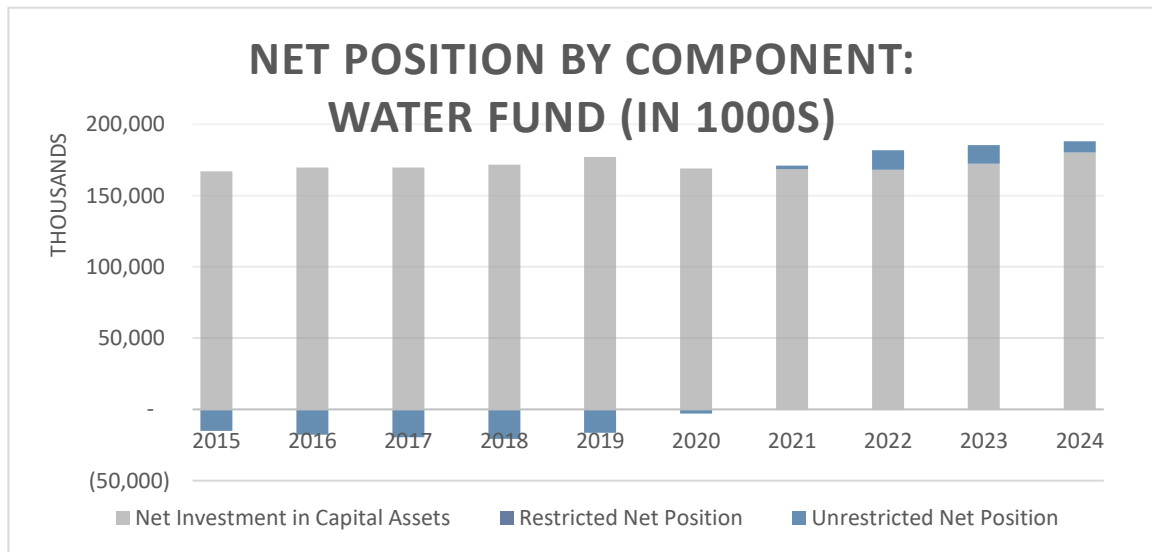
Source: Department's annual reports



City of San Bernardino Municipal Water Department
Net Position by Component - Water Fund
Last Ten Fiscal Years

Fiscal Year Ended	Net Investment in Capital Assets	Restricted Net Position	Unrestricted Net Position	Total Net Position
6/30/2015	166,963,238	n/a	(15,152,937)	151,810,301
6/30/2016	169,730,998	n/a	(17,657,766)	152,073,232
6/30/2017	169,569,746	n/a	(19,564,464)	150,005,282
6/30/2018	171,794,031	n/a	(20,699,066)	151,094,965
6/30/2019	177,158,535	n/a	(16,391,858)	160,766,677
6/30/2020	168,992,121	n/a	(2,926,264)	166,065,857
6/30/2021	168,553,917	n/a	2,441,814	170,995,731
6/30/2022	168,172,810	n/a	13,549,824	181,722,634
6/30/2023	172,417,321	1,152,463	12,890,956	186,460,740
6/30/2024	180,168,996	2,414,089	7,974,270	190,557,355

Source: Department's annual reports

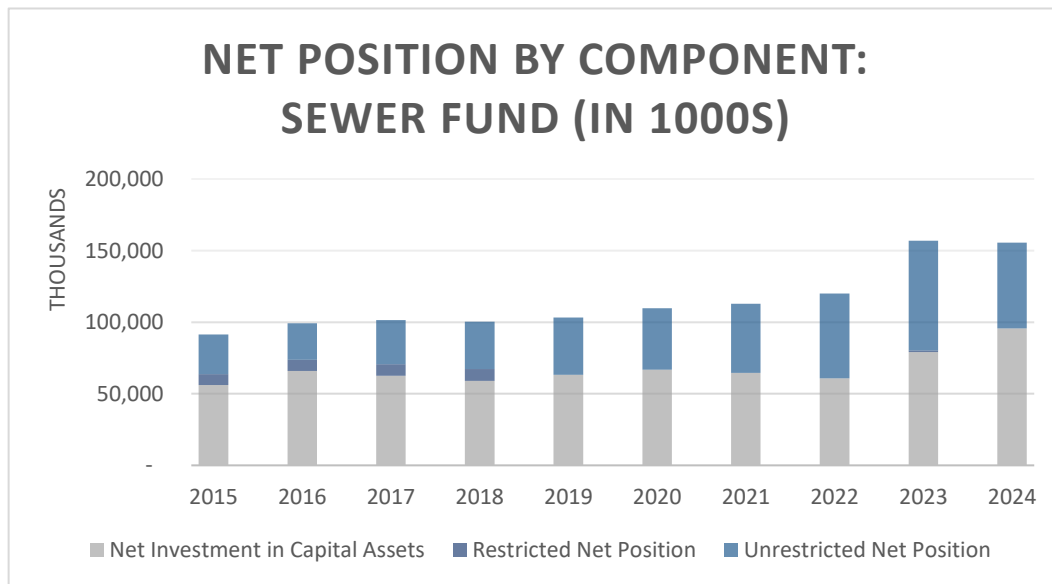


City of San Bernardino Municipal Water Department
Net Position by Component - Sewer Fund
Last Ten Fiscal Years

Fiscal Year Ended	Net Investment in Capital Assets	Restricted Net Position	Unrestricted Net Position	Total Net Position
6/30/2015	56,090,031	7,633,049	27,663,906	91,386,986
6/30/2016	65,939,075	7,814,086	25,548,156	99,301,317
6/30/2017	62,633,783	7,944,758	30,925,753	101,504,294
6/30/2018	59,011,109	8,363,037	33,041,181	100,415,327
6/30/2019	63,243,033	n/a	40,040,285	103,283,318
6/30/2020	66,906,874	n/a	42,845,276	109,752,150
6/30/2021	64,650,540	n/a	48,196,123	112,846,663
6/30/2022	60,853,472	n/a	59,251,320	120,104,792
6/30/2023 *	79,192,432	1,069,283	76,637,328	156,899,043
6/30/2024	95,673,321	2,151,996	59,778,976	157,604,293

Source: Department's annual reports

* The FY 2023 budget has combined the Sewer Treatment Fund and the Sewer Collection Fund into one fund. Now called the Sewer Fund.



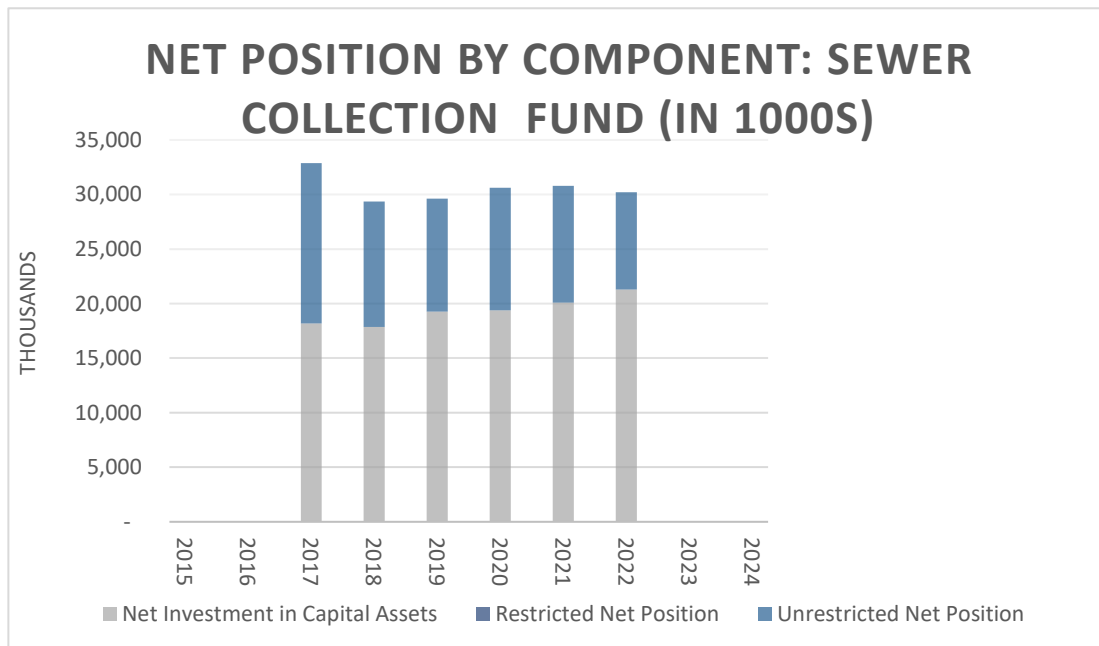
City of San Bernardino Municipal Water Department
Net Position by Component - Sewer Collection Fund
Last Ten Fiscal Years

Fiscal Year Ended	Net Investment in Capital Assets	Restricted Net Position	Unrestricted Net Position	Total Net Position
6/30/2015	n/a	n/a	n/a	n/a
6/30/2016	n/a	n/a	n/a	n/a
6/30/2017 *	18,195,952	n/a	14,687,959	32,883,911
6/30/2018	17,848,823	n/a	11,507,181	29,356,004
6/30/2019	19,269,930	n/a	10,351,467	29,621,397
6/30/2020	19,371,725	n/a	11,239,973	30,611,698
6/30/2021	20,084,275	n/a	10,712,588	30,796,863
6/30/2022	21,298,084	n/a	8,895,410	30,193,494
6/30/2023 **	-	-	-	-
6/30/2024 **	-	-	-	-

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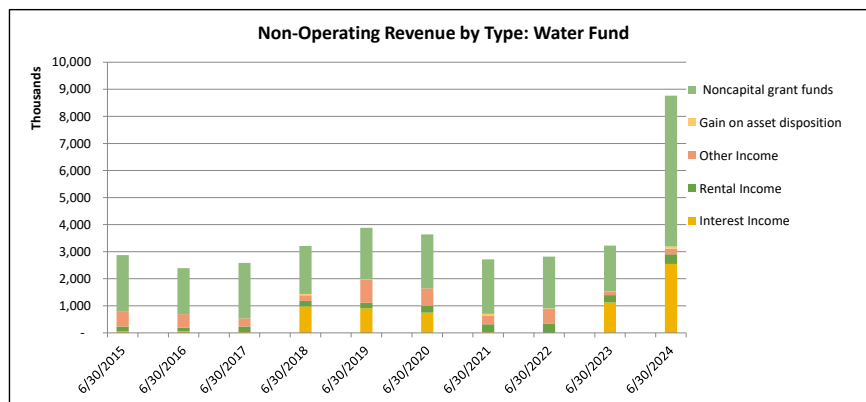
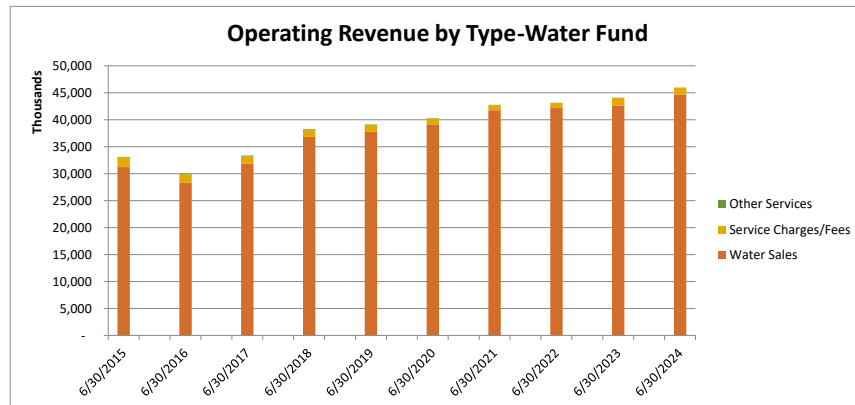
Source: Department's annual reports



City of San Bernardino Municipal Water Department
Water Fund Revenue Type
Last Ten Fiscal Years

Fiscal Year Ended	Water Sales	Service Charges/Fees	Other Services	Total Operating Revenue	Interest Income	Rental Income	Other Income	Gain on asset disposition	Noncapital grant funds	Total Non Operating Income
6/30/2015	31,217,534	1,789,654	113,940	33,121,128	54,786	181,809	545,840	-	2,089,637	2,872,072
6/30/2016	28,293,790	1,604,472	103,609	30,001,871	63,566	134,845	495,298	-	1,696,219	2,389,928
6/30/2017	31,893,209	1,347,993	117,705	33,358,907	31,504	203,186	301,833	-	2,047,946	2,584,469
6/30/2018	36,825,634	1,350,623	103,753	38,280,010	975,144	208,925	206,645	46,356	1,776,883	3,213,953
6/30/2019	37,775,285	1,237,903	86,772	39,099,960	903,399	206,360	867,763	12,669	1,891,729	3,881,920
6/30/2020	39,162,485	1,020,818	84,073	40,267,376	747,477	245,784	651,031	-	1,991,747	3,636,039
6/30/2021	41,760,745	910,628	86,819	42,758,192	29,541	286,553	306,785	83,682	2,011,099	2,717,660
6/30/2022	42,175,623	905,674	68,828	43,150,124	-	347,849	530,326	28,846	1,910,435	2,817,456
6/30/2023	42,635,542	1,427,234	29,057	44,091,833	1,126,039	267,668	140,266	4,859	1,684,006	3,222,838
6/30/2024	44,697,545	1,252,884	34,661	45,985,090	2,544,768	358,472	206,697	85,041	5,566,773	8,761,751

Source: Department's annual reports

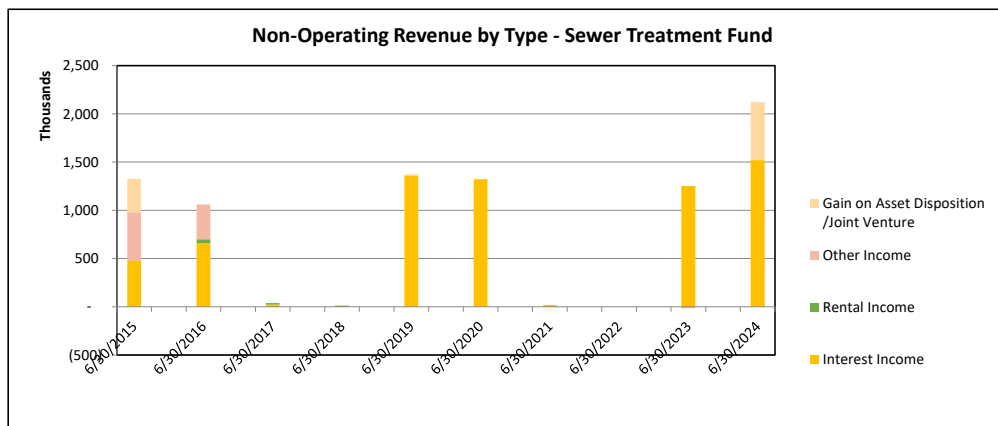
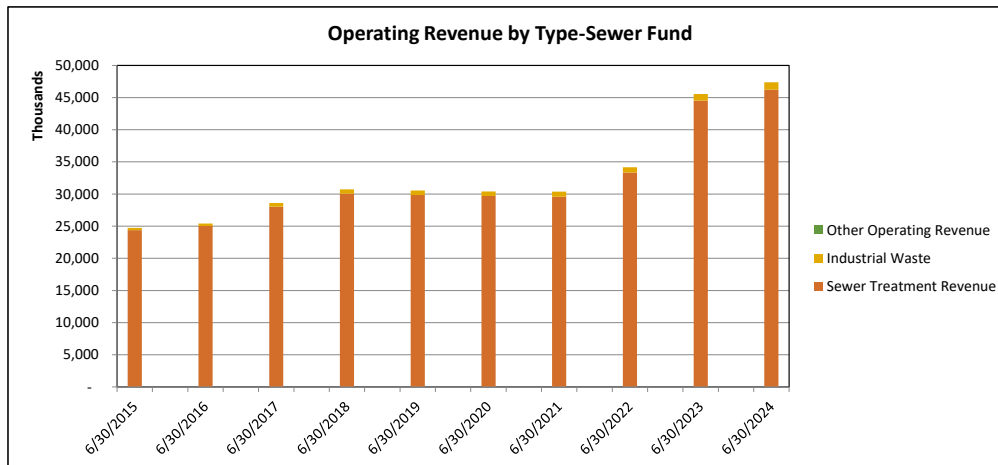


City of San Bernardino Municipal Water Department
Sewer Fund Revenue by Type
Last Ten Fiscal Years

Fiscal Year Ended	Sewer Treatment Revenue	Industrial Waste	Other Operating Revenue	Total Operating Revenue	Interest Income	Rental Income	Other Income	Gain on Asset Disposition /Joint Venture	Total Non Operating Income
6/30/2015	24,399,415	335,010	-	24,734,425	481,211	700	498,247	345,884	1,326,042
6/30/2016	25,030,569	380,171	-	25,410,740	658,456	41,498	359,800	-	1,059,754
6/30/2017	28,022,259	589,760	-	28,612,019	23,391	15,908	-	-	39,299
6/30/2018	30,039,110	694,342	-	30,733,452	-	12,481	-	6,063	18,544
6/30/2019	29,861,192	684,989	-	30,546,181	1,361,936	-	-	9,417	1,371,353
6/30/2020	29,712,734	684,358	-	30,397,092	1,322,367	-	-	-	1,322,367
6/30/2021	29,587,597	773,519	-	30,361,116	19,472	-	-	-	19,472
6/30/2022	33,347,882	823,278	-	34,171,160	-	-	-	-	-
6/30/2023 *	44,519,998	1,024,262	-	45,544,260	1,251,526	-	(15,420)	-	1,236,106
6/30/2024 *	46,224,150	1,161,283	-	47,385,433	1,521,068	-	-	599,981	2,121,049

Source: Department's annual reports

* The FY 2023 budget has combined the Sewer Treatment Fund and the Sewer Collection Fund into one fund. Now called the Sewer Fund.



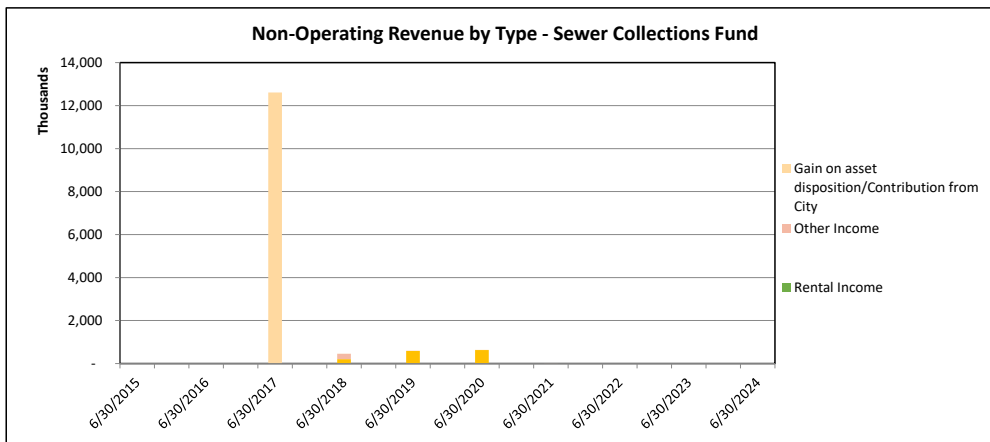
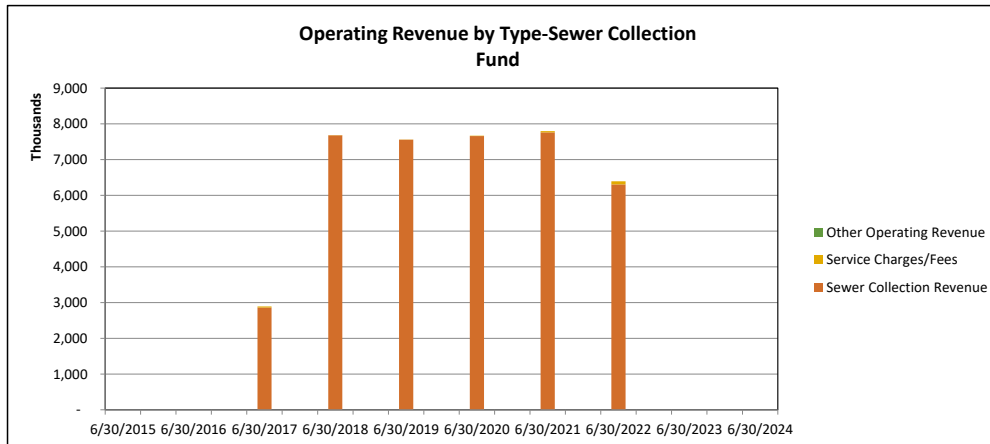
**City of San Bernardino Municipal Water Department
Sewer Collection Fund Revenue by Type
Last Ten Fiscal Years**

Fiscal Year Ended	Sewer Collection Revenue	Service Charges/Fees	Other Operating Revenue	Total Operating Revenue	Interest Income	Rental Income	Other Income	Gain on asset disposition/Contribution from City	Total Non Operating Income
6/30/2015	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
6/30/2016	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
6/30/2017 *	2,860,627	30,576	-	2,891,203	28,315	-	-	12,580,781	12,609,096
6/30/2018	7,679,020	3,926	-	7,682,946	201,663	-	251,473	3,168	456,304
6/30/2019	7,555,960	6,137	-	7,562,097	584,685	-	5	-	584,690
6/30/2020	7,656,675	9,634	-	7,666,309	626,761	-	-	3,003	629,764
6/30/2021	7,759,318	35,100	-	7,794,418	1,605	-	9,306	-	10,911
6/30/2022	6,306,843	87,780	-	6,394,623	-	-	-	-	-
6/30/2023 **	-	-	-	-	-	-	-	-	-
6/30/2024 **	-	-	-	-	-	-	-	-	-

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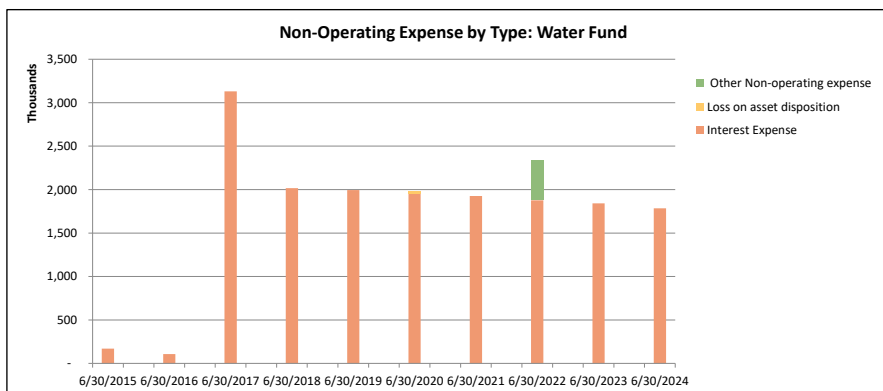
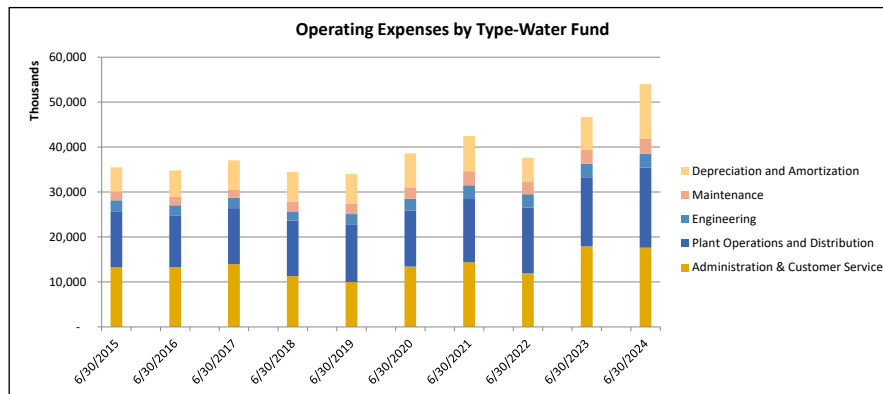
Source: Department's annual reports



City of San Bernardino Municipal Water Department
Water Fund Expenses by Type
Last Ten Fiscal Years

Fiscal Year Ended	Administration & Customer Service	Plant Operations and Distribution	Engineering	Maintenance	Depreciation and Amortization	Total Operating Expense	Interest Expense	Loss on asset disposition	Other Non-operating expense	Total Non-Operating Expense
6/30/2015	13,244,552	12,467,017	2,439,170	1,988,719	5,365,124	35,504,582	169,119	-	-	169,119
6/30/2016	13,313,085	11,406,861	2,326,551	1,978,534	5,809,331	34,834,362	106,698	-	-	106,698
6/30/2017	13,971,106	12,436,501	2,329,142	1,859,871	6,478,050	37,074,670	3,130,749	-	-	3,130,749
6/30/2018	11,300,091	12,337,763	1,943,659	2,292,625	6,571,957	34,446,095	2,015,792	-	-	2,015,792
6/30/2019	9,987,198	12,853,400	2,253,333	2,387,889	6,512,907	33,994,727	1,993,624	-	-	1,993,624
6/30/2020	13,418,886	12,472,633	2,641,641	2,528,441	7,564,550	38,626,151	1,955,317	25,094	-	1,980,411
6/30/2021	14,405,557	14,045,232	3,064,623	3,126,556	7,838,887	42,480,855	1,926,133	-	-	1,926,133
6/30/2022	11,921,394	14,603,130	3,001,100	2,846,997	5,253,425	37,626,046	1,877,325	-	456,170	2,333,495
6/30/2023	17,923,515	15,374,571	2,976,680	3,138,031	7,298,095	46,710,892	1,841,859	-	-	1,841,859
6/30/2024	17,630,159	17,829,965	3,074,606	3,330,387	12,131,463	53,996,580	1,783,831	-	-	1,783,831

Source: Department's annual reports



City of San Bernardino Municipal Water Department

Sewer Fund Expenses by Type

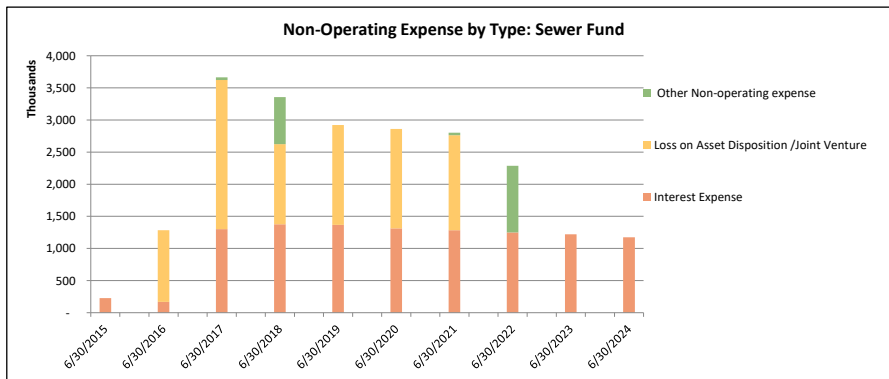
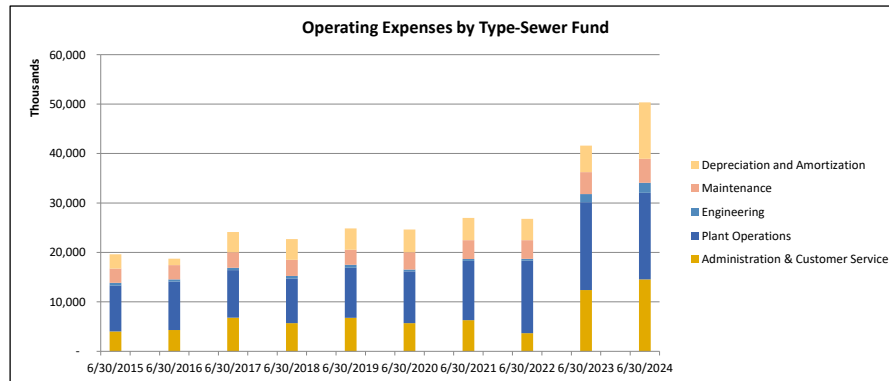
Last Ten Fiscal Years

Fiscal Year Ended	Administration & Customer Service	Plant Operations	Engineering	Maintenance	Depreciation and Amortization	Total Operating Expense	Interest Expense	Loss on Asset Disposition /Joint Venture	Other Non-operating expense	Total Non-Operating Expense
6/30/2015	4,016,198	9,292,501	534,226	2,906,853	2,870,550	19,620,328	227,165	-	-	227,165
6/30/2016	4,299,808	9,800,283	464,554	2,874,352	1,292,426	18,731,423	167,795	1,116,078	-	1,283,873
6/30/2017	6,799,639	9,620,639	480,951	3,135,686	4,102,963	24,139,878	1,300,263	2,321,485	42,209	3,663,957
6/30/2018	5,690,507	9,056,518	500,009	3,281,446	4,157,550	22,686,030	1,376,009	1,247,670	733,583	3,357,262
6/30/2019	6,775,552	10,118,506	617,855	3,041,620	4,313,147	24,866,681	1,367,375	1,553,261	-	2,920,635
6/30/2020	5,702,973	10,470,501	369,422	3,508,534	4,596,980	24,648,411	1,313,151	1,546,396	-	2,859,546
6/30/2021	6,292,313	11,986,858	387,932	3,811,413	4,507,869	26,986,385	1,283,861	1,479,729	38,363	2,801,953
6/30/2022 *	3,666,547	14,648,530	385,517	3,764,618	4,329,178	26,794,390	1,249,715	- *	1,038,291	2,288,006
6/30/2023 **	12,396,331	17,749,049	1,657,022	4,434,120	5,360,819	41,597,341	1,219,167	- *	-	1,219,167
6/30/2024 **	14,539,325	17,524,663	2,030,808	4,845,501	11,411,059	50,351,356	1,175,040	- *	-	1,175,040

Source: Department's annual reports

* Joint Venture expense relating to RIX operations are now classified as Operations beginning in 2022.

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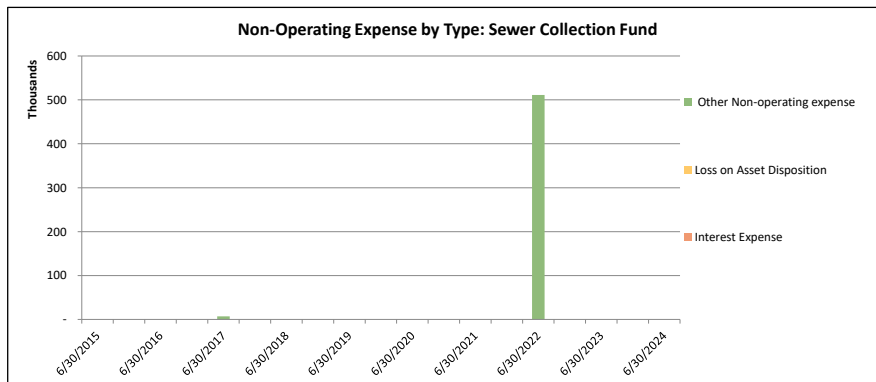
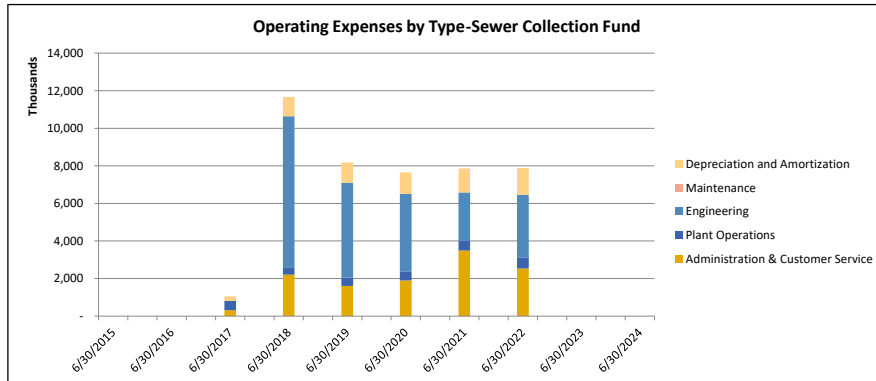
City of San Bernardino Municipal Water Department
Sewer Collection Fund Expenses by Type
Last Ten Fiscal Years

Fiscal Year Ended	Administration & Customer Service	Plant Operations	Engineering	Maintenance	Depreciation and Amortization	Total Operating Expense	Interest Expense	Loss on Asset Disposition	Other Non-operating expense	Total Non-Operating Expense
6/30/2015 *	-	-	-	-	-	-	-	-	-	-
6/30/2016 *	-	-	-	-	-	-	-	-	-	-
6/30/2017 *	314,265	492,675	-	-	247,926	1,054,866	-	-	6,951	6,951
6/30/2018	2,211,188	354,423	8,071,891	-	1,029,648	11,667,150	-	-	-	-
6/30/2019	1,608,074	439,660	5,051,773	-	1,073,415	8,172,922	-	-	-	-
6/30/2020	1,898,461	483,316	4,124,631	-	1,144,096	7,650,504	-	-	-	-
6/30/2021	3,497,969	533,619	2,549,257	-	1,281,602	7,862,447	-	-	-	-
6/30/2022	2,535,314	590,600	3,333,804	-	1,428,347	7,888,065	-	-	511,234	511,234
6/30/2023 **	-	-	-	-	-	-	-	-	-	-
6/30/2024 **	-	-	-	-	-	-	-	-	-	-

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Source: Department's annual reports



DEBT CAPACITY INFORMATION

These schedules contain information to help the reader assess the affordability of the Department's current level of outstanding debt and ability to issue debt in the future.

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City of San Bernardino Municipal Water Department
Water Fund Debt Service Coverage
Last Ten Fiscal Years

Fiscal Year Ended	Total Operating Revenue	Net Operating Expenses (Excluding Depreciation)	Net Operating Income (Loss)	Net Non-Operating Income/ (Expense)	Amount Available for Debt Service	Principal	Interest	Total Debt Service	Coverage Ratio
6/30/2015	33,121,128	30,139,458	2,981,670	2,702,953	5,684,623	1,748,054	570,434	2,318,488	2.45
6/30/2016	30,001,871	29,025,031	976,840	2,283,230	3,260,070	1,813,594	523,274	2,336,868	1.40
6/30/2017	33,358,907	30,596,620	2,762,287	2,584,468	5,346,755	246,887	218,819	465,706	11.48
6/30/2018	38,280,016	27,874,148	10,405,868	3,167,597	13,573,465	770,000	2,223,838	2,993,838	4.53
6/30/2019	39,099,960	27,482,130	11,617,830	3,810,403	15,428,233	795,000	2,196,388	2,991,388	5.16
6/30/2020	40,267,376	31,061,601	9,205,775	3,636,039	12,841,814	830,000	2,163,888	2,993,888	4.29
6/30/2021	42,758,192	34,641,968	8,116,224	2,633,978	10,750,202	860,000	2,130,088	2,990,088	3.60
6/30/2022	43,150,124	32,372,621	10,777,503	2,332,440	13,109,943	900,000	2,090,388	2,990,388	4.38
6/30/2023	44,091,833	39,412,797	4,679,036	3,217,979	7,897,015	950,000	2,044,138	2,994,138	2.64
6/30/2024	45,985,090	41,865,117	4,119,973	8,676,710	12,796,683	995,000	1,995,513	2,990,513	4.28

Source: Department's annual reports

City of San Bernardino Municipal Water Department
Sewer Fund Debt Service Coverage
Last Ten Fiscal Years

Fiscal Year Ended	Total Operating Revenue	Net Operating Expenses (Excluding Depreciation)	Net Operating Income (Loss)	Net Non-Operating Income/ (Expense)	Amount Available for Debt Service	Principal	Interest	Total Debt Service	Coverage Ratio
6/30/2015	25,410,740	16,749,778	8,660,962	1,098,877	9,759,839	4,629,425	568,888	5,198,313	1.88
6/30/2016	25,410,740	17,438,997	7,971,743	(224,119)	7,747,624	300,000	-	300,000	25.83
6/30/2017	28,612,019	20,036,916	8,575,103	39,299	8,614,402	300,000	132,659	432,659	19.91
6/30/2018	30,733,453	18,539,941	12,193,512	(721,103)	11,472,409	890,000	1,382,782	2,272,782	5.05
6/30/2019	30,546,181	20,841,699	9,704,482	1,361,935	11,066,417	910,000	1,356,125	2,266,125	4.88
6/30/2020	30,397,092	20,051,431	10,345,661	1,322,367	11,668,028	935,000	1,331,225	2,266,225	5.15
6/30/2021	30,361,116	22,478,516	7,882,600	19,472	7,902,072	665,000	1,301,900	1,966,900	4.02
6/30/2022	34,171,160	22,465,212	11,705,948	(1,021,981)	10,683,967	700,000	1,267,775	1,967,775	5.43
6/30/2023	45,544,260	36,236,522	9,307,738	1,251,526	10,559,264	735,000	1,231,900	1,966,900	5.37
6/30/2024	47,385,433	38,940,297	8,445,136	1,521,068	9,966,204	770,000	1,194,275	1,964,275	5.07

Source: Department's annual reports

City of San Bernardino Municipal Water Department
Ratios of Outstanding Debt by Type (In Thousands of Dollars)
Last Ten Fiscal Years

Fiscal Year Ended	Revenue Bonds	Notes/Loans Payable	Certificates of Participation	Capital Leases	Total	Percentage of Personal Income	Debt Per Capita
6/30/2015	-	22,826	6,375	-	29,201	0.4%	0.14
6/30/2016	-	20,569	-	-	20,569	0.3%	0.10
6/30/2017	88,656	900	-	-	89,556	1.0%	0.39
6/30/2018	87,092	600	-	-	87,692	1.0%	0.37
6/30/2019	85,483	300	-	-	85,783	1.0%	0.39
6/30/2020	83,814	-	-	-	83,814	1.0%	0.39
6/30/2021	82,085	-	-	-	82,085	1.1%	0.38
6/30/2022	80,221	-	-	-	80,221	1.7%	0.36
6/30/2023	78,391	-	-	183	78,574	1.7%	0.35
6/30/2024	76,422	-	-	12	76,434	1.7%	0.34

Source: Department's annual reports

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DEMOGRAPHIC AND ECONOMIC INFORMATION

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

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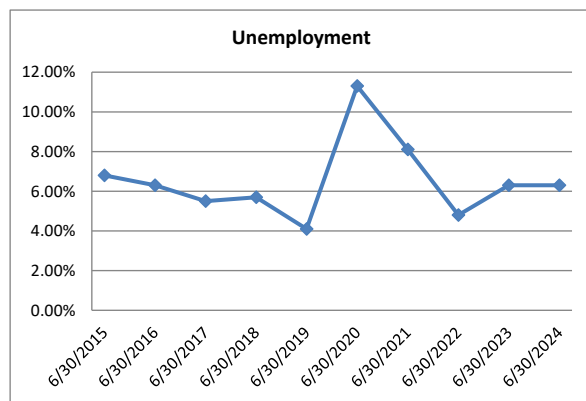
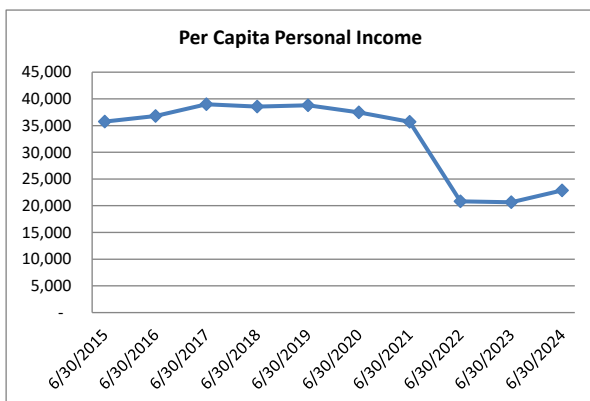
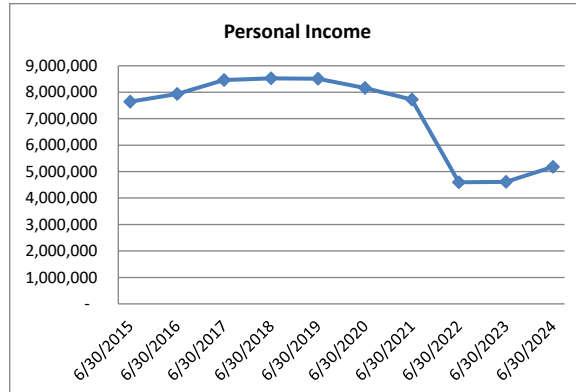
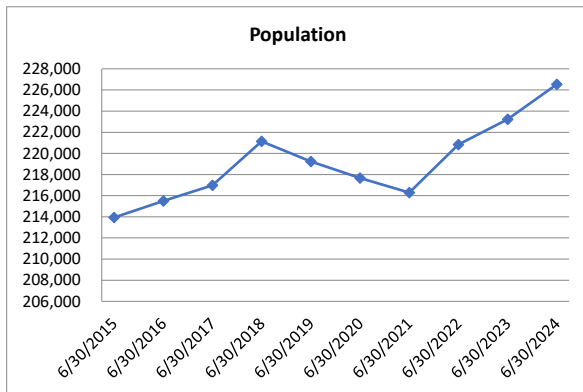
City of San Bernardino Municipal Water Department
Demographic Statistics
Last Ten Fiscal Years

Fiscal Year Ended	Estimated Population (1)	Personal Income (In Thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
6/30/2015	213,933	7,645,879	35,740	6.80%
6/30/2016	215,491	7,931,577	36,807	6.30%
6/30/2017	216,972	8,459,304	38,988	5.50%
6/30/2018	221,130	8,523,677	38,546	5.70%
6/30/2019	219,233	8,509,748	38,816	4.10%
6/30/2020	217,671	8,159,289	37,485	11.30%
6/30/2021	216,291	7,723,319	35,708	8.10%
6/30/2022	220,840	4,596,122	20,812	4.80%
6/30/2023	223,230	4,608,807	20,646	6.30%
6/30/2024	226,541	5,179,860	22,865	6.30%

(1) California Department of Finance

(2) U.S. Department of Commerce, Bureau of Economic Analysis for 2018-2022; City of San Bernardino Economic Development Dept

(3) State of California, Economic Development Department; City of San Bernardino Economic Development Dept



City of San Bernardino Municipal Water Department
Major Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2024		Fiscal Year 2015	
	Ranking	Number of Employees	Ranking	Number of Employees*
County of San Bernardino	1	25,000	1	1,000+
Stater Brothers	2	18,000	2	1,000+
San Bernardino County Human Services	3	10,000	3	1,000+
San Bernardino City Unified School District	4	8,343	4	1,000+
San Bernardino County Sheriff	5	4,200	5	1,000+
San Bernardino County Superintendent of Schools	6	2,500	6	1,000+
California State University- San Bernardino	7	2,000	7	1,000+
Saint Bernadines Medical Center	8	1,708	8	1,000+
Amazon	9	1,600	9	1,000+
San Bernardino Community Hospital	10	1,556	10	1,000+

* Amazon employment figures between 1,200-1,600
Between 1,200-1,600

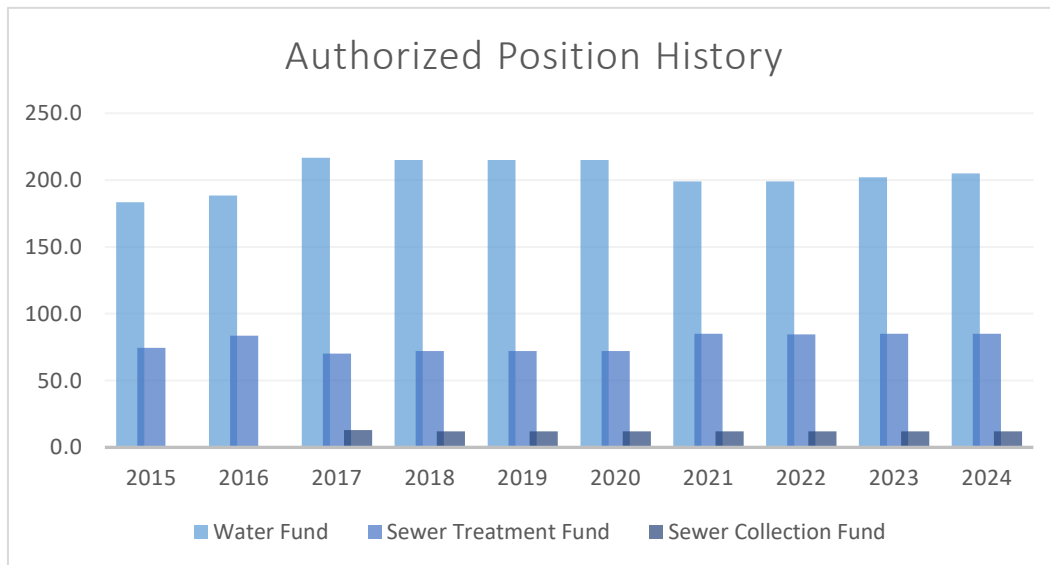
Source: Economic Development Department Labor Market Information, Agency Websites and City's Annual Financial Report.

City of San Bernardino Municipal Water Department
Authorized Positions History
Last Ten Fiscal Years

Year End	Sewer Treatment		Sewer Collection		Total
	Water Fund	Fund	Fund	Fund	
2015	183.5	74.5	0.0	0.0	258.0
2016	188.5	83.5	0.0	0.0	272.0
2017	216.8	70.3	13.0	13.0	300.0
2018	215.0	72.0	12.0	12.0	299.0
2019	215.0	72.0	12.0	12.0	299.0
2020	215.0	72.0	12.0	12.0	299.0
2021	199.0	85.0	12.0	12.0	296.0
2022	199.0	84.5	12.0	12.0	295.5
2023	202.0	85.0	12.0	12.0	299.0
2024	205.0	85.0	12.0	12.0	302.0

Source: Department's records

Note: The Sewer Collection Utility was transferred to the Department on May 1, 2017. Prior year data is unavailable.



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REVENUE CAPACITY

These schedules contain information to help the reader assess the Department's significant revenue sources.

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City of San Bernardino Municipal Water Department
Water Rates: Minimum Monthly Charge
Last Ten Fiscal Years

	(\$/month)											
Effective Date	1/2"	5/8"	3/4"	1"	1-1/2"	2"	3"	4"	6"	8"	10"	12"
7/1/2015	12.90	12.90	16.15	22.60	38.80	58.20	103.50	168.20	330.00	524.15	750.65	*
10/1/2016	16.09	16.09	20.15	28.19	48.40	72.60	129.12	197.36	411.68	653.88	936.44	*
7/1/2017	19.58	19.58	24.51	34.30	58.88	88.32	157.06	240.07	500.78	795.40	1,139.12	*
7/1/2018	23.39	23.39	29.28	40.98	70.35	105.52	187.66	286.63	598.33	950.34	1,361.01	*
7/1/2019	23.39	23.39	29.28	40.98	70.35	105.52	187.66	286.63	598.33	950.34	1,361.01	*
7/1/2020	23.39	23.39	29.28	40.98	70.35	105.52	187.66	286.63	598.33	950.34	1,361.01	*
7/1/2021	23.39	23.39	29.28	40.98	70.35	105.52	187.66	286.63	598.33	950.34	1,361.01	*
4/1/2022	20.49	20.49	28.17	43.51	81.87	127.91	388.77	772.38	1,232.72	2,153.40	4,224.92	4,224.92
7/1/2022	21.72	21.72	29.87	46.13	86.79	135.59	412.10	818.73	1,306.69	2,282.61	4,478.42	4,478.42
7/1/2023	22.59	22.59	31.07	47.98	90.27	141.02	428.59	851.48	1,358.96	2,373.92	4,657.56	4,657.56
7/1/2024	23.27	23.27	32.01	49.42	92.98	145.26	441.45	877.03	1,399.73	2,445.14	4,797.29	4,797.29

* Information not reported.

Source: Department's Records

City of San Bernardino Municipal Water Department
Water Rates: Commodity Charges
Last Ten Fiscal Years

	10/1/2015	7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	4/1/2022	7/1/2022	7/1/2023	7/1/2024
Customer Class											
Single Family Residential											
Tier 1 (0-13 HCF)	1.35	1.37	1.40	1.43	1.43	1.43	1.43	1.35	1.44	1.50	1.55
Tier 2 (14-23 HCF)	1.35	1.37	1.40	1.43	1.43	1.43	1.43	1.83	1.94	2.02	2.09
Tier 3 (24+ HCF)	1.70	1.86	1.89	1.92	1.92	1.92	1.92	2.33	2.47	2.57	2.65
Multi-Family Residential	1.35	1.37	1.40	1.43	1.43	1.43	1.43	1.51	1.61	1.68	1.74
Commercial	1.35	1.37	1.40	1.43	1.43	1.43	1.43	1.65	1.75	1.82	1.88
Irrigation	1.35	1.37	1.40	1.43	1.43	1.43	1.43	2.32	2.46	2.56	2.64
Institutional	1.35	1.37	1.40	1.43	1.43	1.43	1.43	2.06	2.19	2.28	2.35
Other	1.35	1.37	1.40	1.43	1.43	1.43	1.43	3.82	4.05	4.22	4.35

* Prior years (07/01/14 - 07/01/21) commodity charges reflect rates including conservation, replenishment and elevation zone charges which were consolidated with the rates adopted on 04/01/22.

City of San Bernardino Municipal Water Department
Water Rates: Elevation Charges \$ per HCF
Last Ten Fiscal Years

Effective Date	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6
07/01/15	0.11	0.19	0.17	0.14	0.23	0.23
10/01/16	0.11	0.19	0.17	0.14	0.23	0.23
07/01/17	0.11	0.19	0.17	0.14	0.23	0.23
07/01/18	0.11	0.19	0.17	0.14	0.23	0.23
07/01/19	0.11	0.19	0.17	0.14	0.23	0.23
07/01/20	0.11	0.19	0.17	0.14	0.23	0.23
07/01/21	0.11	0.19	0.17	0.14	0.23	0.23
4/1/2022*	N/A	N/A	N/A	N/A	N/A	N/A
7/1/2022*	N/A	N/A	N/A	N/A	N/A	N/A
7/1/2023*	N/A	N/A	N/A	N/A	N/A	N/A
7/1/2024*	N/A	N/A	N/A	N/A	N/A	N/A

* Elevation charge was eliminated with the rate adoption on 04/01/22.

Source: Department's records

City of San Bernardino Municipal Water Department

Water Connections and Revenues by User Type

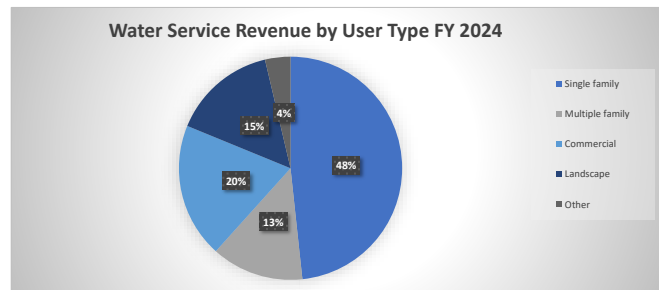
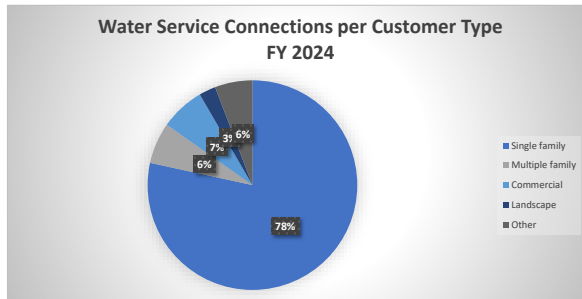
Last Ten Fiscal Years

User Type	2024		2023		2022		2021	
	Connections	Revenue	Connections	Revenue	Connections	Revenue	Connections	Revenue
Single family	36,140	\$22,210,799	36,063	\$21,652,852	35,744	\$23,761,145	35,995	\$23,875,761
Multiple family	2,932	6,148,207	2,916	5,835,444	2,905	5,562,012	2,908	5,569,436
Commercial	3,158	8,976,290	3,164	8,454,199	3,151	6,976,893	3,154	6,579,373
Landscape	1,189	6,957,544	1,196	6,742,399	1,184	5,515,046	1,192	5,277,114
Other	2,671	1,692,251	2,574	860,736	2,296	811,219	2,241	811,833
Total all users	46,090	45,985,090	45,913	\$ 43,545,629	45,280	\$ 42,626,315	45,490	\$ 42,113,517

User Type	2020		2019		2018		2017	
	Connections	Revenue	Connections	Revenue	Connections	Revenue	Connections	Revenue
Single family	36,042	\$22,909,054	36,006	\$21,579,693	35,824	\$20,476,866	35,825	\$17,346,414
Multiple family	2,907	5,222,345	2,903	5,157,997	2,904	4,944,978	2,899	4,449,204
Commercial	3,117	6,482,560	3,104	6,320,900	3,111	6,117,493	3,131	5,750,672
Landscape	1,181	4,542,108	1,150	4,256,390	1,159	4,694,704	1,121	3,789,527
Other	2,174	781,428	2,056	808,227	2,018	748,141	1,956	557,392
Total all users	45,421	\$ 39,937,495	45,220	\$ 38,123,207	45,016	\$ 36,982,182	44,932	\$ 31,893,209

User Type	2016		2015	
	Connections	Revenue	Connections	Revenue
Single family	35,729	\$15,688,749	35,695	\$16,775,834
Multiple family	2,873	4,225,832	2,869	4,349,601
Commercial	3,092	4,913,942	3,097	6,332,882
Landscape	1,129	3,203,907	1,130	3,079,610
Other	1,905	677,180	1,791	679,606
Total all users	44,728	\$ 28,709,610	44,582	\$ 31,217,533

Source: Department's records



City of San Bernardino Municipal Water Department
Top Ten Water Customers
Fiscal Year 2022

2024 Top 10 Customers

San Bernardino City Unified School District	\$	1,540,033
City of SB		1,500,629
City of SB Water		757,326
Cal State San Bernardino		630,755
County of San Bernardino		348,665
Housing Authority		253,118
Cott Beverages		247,890
Rialto School District		223,154
W Dean Weidner		203,151
Crest Haven Apartments		175,580
Top Ten Customers Total	\$	<u>5,880,302</u>
Total Water Revenue	\$	<u><u>45,985,090</u></u>
Top Ten Customers Percent of Total		<u>12.79%</u>

City of San Bernardino Municipal Water Department
Sewer Treatment Rate History
Last Ten Fiscal Years

	10/1/2015	7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	4/1/2022*	7/1/2022*	7/1/2023*	7/1/2024*
<u>Residential (monthly per EDU)</u>											
Residential	20.65	22.38	23.10	23.10	23.10	23.10	23.10	37.83	41.99	45.35	48.98
Multi-Family (2 units)	41.31	44.76	46.20		66.05	66.05	66.05	75.66	83.98	90.70	97.96
Multi-family (3 units)	61.96	67.14	69.29	99.04	99.04	99.04	99.04	113.49	125.98	136.05	146.94
All Non-Residential (including multi-family (4 or more units) and mobile home parks)	3.18	3.42	3.52	6.62	6.62	6.62	6.62	16.56	18.38	19.85	21.44
Industrial	1.67	1.78	1.83	4.93	4.93	4.93	4.93	16.56	18.38	19.85	21.44

* The Sewer Collection rate was combined with the Sewer Treatment rate to become the sewer rate that was effective 04/01/22.

Source: Department's records

City of San Bernardino Municipal Water Department
Sewer Treatment Rate History
Last Ten Fiscal Years

	10/1/2015	7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	4/1/2022*	7/1/2022*	7/1/2023*	7/1/2024*
Commodity Charge (per HCF):											
<u>Low Strength Non-Residential</u>											
Laundromats	1.63	1.77	1.83	1.83	1.83	1.83	1.83	2.15	2.39	2.58	2.78
Schools, churches, nursery schools	1.19	1.29	1.33	1.33	1.33	1.33	1.33	2.15	2.39	2.58	2.78
<u>Medium Strength Non-Residential</u>											
Multi-family, mobile home parks	1.36	1.48	1.53	1.53	1.53	1.53	1.53	2.71	3.01	3.25	3.51
Retail, commercial, light industrial	2.28	2.47	2.55	2.55	2.55	2.55	2.55	2.71	3.01	3.25	3.51
Auto repair, car wash	1.41	1.53	1.58	1.58	1.58	1.58	1.58	2.71	3.01	3.25	3.51
Offices, motels (w/o restaurants)	1.63	1.77	1.83	1.83	1.83	1.83	1.83	2.71	3.01	3.25	3.51
Hospitals, convalescent homes	1.46	1.58	1.63	1.63	1.63	1.63	1.63	2.71	3.01	3.25	3.51
<u>High Strength Non-Residential</u>											
Restaurants, hotels	2.93	3.18	3.28	3.28	3.28	3.28	3.28	6.42	7.13	7.7	8.31
<u>Domestic Liquid Waste (per gallon)</u>	0.0430	0.0470	0.0490	0.0490	0.0490	0.0490	0.0490	0.0714	0.0793	0.0856	0.0925
<u>Industrial:</u>											
Discharge Flow (per million gallons)	977.00	1,060.00	1,094.00	1,094.00	1,094.00	1,094.00	1,094.00	1,420.83	1,577.12	1703.29	1,839.55
Biological Oxygen demand (per 1,000 lbs)	391.00	424.00	438.00	438.00	438.00	438.00	438.00	648.28	719.59	777.16	839.33
Suspended Solids (per 1,000 lbs)	694.00	753.00	778.00	778.00	778.00	778.00	778.00	648.50	719.84	777.42	839.62

* The Sewer Collection rate was combined with the Sewer Treatment rate to become the sewer rate that was effective 04/01/22.

Source: Department's records

City of San Bernardino Municipal Water Department

Sewer Treatment Connections and Revenue by User Type

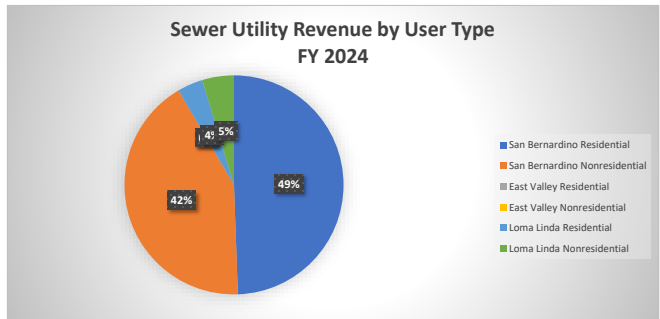
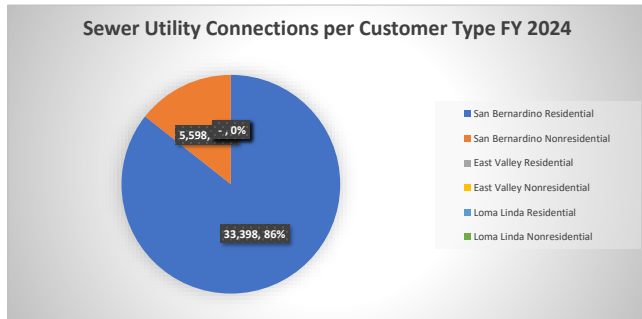
Last Ten Fiscal Years

User Type	2024		2023		2022		2021	
	Connections	Revenue	Connections	Revenue	Connections	Revenue	Connections	Revenue
San Bernardino Residential	33,398	\$22,851,248	33,050	\$30,834,983	33,230	\$14,359,415	32,365	\$10,165,765
San Bernardino Nonresidential	5,598	19,465,877	5,576	2,113,002	5,566	7,279,215	5,436	8,292,874
East Valley Residential	-	-	18,735	5,003,034	18,636	5,011,215	18,710	4,797,833
East Valley Nonresidential	-	-	1,089	3,329,085	1,106	3,805,558	1,087	3,456,827
Loma Linda Residential	-	1,742,774	3,185	1,239,524	3,039	1,219,034	3,010	1,232,048
Loma Linda Nonresidential	-	2,164,251	170	2,000,370	169	1,673,445	169	1,642,250
Total all users	38,996	\$46,224,150	61,805	\$44,519,998	61,746	\$33,347,882	60,777	\$29,587,596

User Type	2020		2019		2018		2017	
	Connections	Revenue	Connections	Revenue	Connections	Revenue	Connections	Revenue
San Bernardino Residential	31,828	\$10,191,482	33,051	\$10,146,660	32,945	\$10,135,132	32,960	\$9,756,592
San Bernardino Nonresidential	5,340	8,463,554	5,531	8,645,032	5,526	8,834,641	5,471	8,010,240
East Valley Residential	18,477	4,778,152	18,477	4,778,152	18,477	4,765,218	18,477	4,622,944
East Valley Nonresidential	1,050	3,483,724	1,050	3,550,973	1,050	3,579,348	1,050	3,083,475
Loma Linda Residential	2,856	1,163,501	2,799	1,171,706	4,824	1,167,823	4,723	1,107,201
Loma Linda Nonresidential	168	1,622,872	345	1,557,119	703	1,548,574	593	1,441,807
Total all users	59,719	\$29,703,284	61,253	\$29,849,643	63,525	\$30,030,737	63,274	\$28,022,259

User Type	2016		2015	
	Connections	Revenue	Connections	Revenue
San Bernardino Residential	32,889	\$8,746,617	32,874	\$8,056,827
San Bernardino Nonresidential	5,377	7,125,053	5,344	7,240,533
East Valley Residential	18,477	4,008,039	18,480	4,093,625
East Valley Nonresidential	1,060	2,825,971	1,051	2,571,813
Loma Linda Residential	5,948	1,008,071	5,040	997,242
Loma Linda Nonresidential	591	1,308,474	588	1,294,612
Total all users	64,342	\$25,022,225	63,377	\$24,254,651

Source: Department's records



City of San Bernardino Municipal Water Department
Top Ten Sewer Treatment Customers
Fiscal Year 2022

2024 Top 10 Customers

County of San Bernardino	\$ 635,350
San Bernardino City Unified School District	405,431
Housing Authority	240,935
City of SB	223,242
Saint Bernardine Hospital	204,446
PAMA Management Co.	201,931
SB Comm Hospital Site #373	170,538
W. Dean Weidner	159,828
LIDO Condominiums	159,764
Broadstone Investors LLC	143,384

Top Ten Customers Total	<u>\$ 2,544,849</u>
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Total Sewer Revenue	<u><u>\$ 46,224,150</u></u>
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Top Ten Customers Percent of Total	<u>5.51%</u>
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Source: Department's records

City of San Bernardino Municipal Water Department
Sewer Collection Rate History
Last Ten Fiscal Years

	7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	4/1/2022*	7/1/2022*	7/1/2023*
<u>Residential (monthly per EDU)</u>	9.45	9.90	9.90	9.90	9.90	9.90	N/A	N/A	N/A
<u>Multi-Family</u>									
Multi-family, 2 units	18.90	19.85	19.85	19.85	19.85	19.85	N/A	N/A	N/A
Multi-family, 3 units	28.35	29.75	29.75	29.75	29.75	29.75	N/A	N/A	N/A
Multi-family, 4 or more units, Non-res.									
Monthly Charge	2.95	3.10	3.10	3.10	3.10	3.10	N/A	N/A	N/A
Usage Charge (per HCF)	0.83	0.87	0.87	0.87	0.87	0.87	N/A	N/A	N/A

* The Sewer Collection rate was combined with the Sewer Treatment rate to become the sewer rate that was effective 04/01/22.

The Sewer Collection Utility was transferred to the Water Department on May 1, 2017 so details for prior years is unavailable.

Source: Department's records

City of San Bernardino Municipal Water Department
Sewer Collection
Connections and Revenue by User Type
Last Ten Fiscal Years

User Type	2024			2023			2022			2021		
	Connections	Consumption	Revenue	Connections	Consumption	Revenue	Connections	Consumption	Revenue	Connections	Consumption	Revenue
Residential-Single Family	-	-	-	42	-	-	27,748	-	3,061,513	32,418	-	\$3,997,513
Residential-Multi Family	-	-	-	-	-	-	1,345	-	356,051	1,576	-	418,545
Residential- Multi Family 4 Units +	-	-	-	-	-	-	18	78,494	68,975	19	80,400	70,647
Comm/Land/Lt. Industrial/Non-Res.	-	-	-	37	-	-	2,670	2,594,640	2,310,986	3,138	3,051,177	2,726,198
Education-Public	-	-	-	2	-	-	43	127,279	110,588	49	124,047	109,205
Education-Private	-	-	-	-	-	-	124	58,932	55,859	149	72,141	68,086
Hospital/Convalescent Homes	-	-	-	-	-	-	29	164,836	144,462	35	197,360	172,771
Office/Motel-No Restaurant	-	-	-	10	-	-	85	76,768	57,800	93	78,338	59,307
Restaurant/ Hotel w/ Restaurant	-	-	-	1	-	-	51	43,587	39,632	51	36,181	33,232
Auto Repair/Car Wash	-	-	-	-	-	-	197	78,293	75,390	226	81,945	78,971
Laundromat	-	-	-	-	-	-	4	29,232	25,587	5	28,349	24,843
CS Irrigation	-	-	-	-	-	-	-	-	-	-	-	-
Totals IVDA	-	-	-	-	-	-	49	62,340	-	48	65,559	-
Total all users	-	-	\$ -	92	-	\$ -	32,363	3,314,401	\$ 6,306,843	37,806	3,815,497	\$ 7,759,318

User Type	2020			2019			2018			2017		
	Connections	Consumption	Revenue	Connections	Consumption	Revenue	Connections	Consumption	Revenue	Connections	Consumption	Revenue
Residential-Single Family	31,889	-	\$4,054,020	33,127	-	\$3,927,784	32,939	-	\$3,916,946	32,899	-	\$3,719,798
Residential-Multi Family	1,555	-	412,095	1,606	-	424,665	1,607	-	424,024	1,609	-	405,007
Residential- Multi Family 4 Units +	18	63,529	55,921	17	50,331	44,420	16	51,092	44,945	15	45,146	41,351
Comm/Land/Lt. Industrial/Non-Res.	3,069	2,893,018	2,588,912	3,180	2,904,054	2,601,804	3,198	2,997,422	2,668,497	3,204	2,626,645	2,467,470
Education-Public	37	54,207	48,082	27	24,293	21,700	27	29,478	26,118	27	29,586	27,420
Education-Private	150	63,715	60,941	152	64,643	61,858	150	72,936	67,985	150	61,381	61,779
Hospital/Convalescent Homes	35	197,787	173,367	35	190,191	166,768	35	194,560	170,063	35	175,241	161,182
Office/Motel-No Restaurant	92	79,321	61,027	94	88,632	69,280	94	85,397	66,015	96	71,092	58,587
Restaurant/ Hotel w/ Restaurant	52	38,762	35,480	47	41,583	37,750	41	39,909	35,963	37	34,788	32,509
Auto Repair/Car Wash	221	75,027	73,487	229	76,587	74,854	231	93,474	89,565	229	73,436	75,421
Laundromat	5	24,821	21,771	5	26,639	23,362	5	26,464	23,160	5	24,091	21,824
CS Irrigation	21	255,400	71,571	43	423,688	115,905	45	540,444	145,737	46	503,780	158,834
Totals IVDA	48	56,072	-	50	54,387	-	49	57,057	-	51	54,874	-
Total all users	37,192	3,801,659	\$ 7,656,675	38,613	3,945,028	\$ 7,570,150	38,438	4,188,233	\$7,679,020	38,402	3,700,060	\$7,231,183

User Type	2016			2015		
	Connections	Consumption	Revenue	Connections	Consumption	Revenue
Residential-Single Family	-	-	-	-	-	-
Residential-Multi Family	-	-	-	-	-	-
Residential- Multi Family 4 Units +	-	-	-	-	-	-
Comm/Land/Lt. Industrial/Non-Res.	-	-	-	-	-	-
Education-Public	-	-	-	-	-	-
Education-Private	-	-	-	-	-	-
Hospital/Convalescent Homes	-	-	-	-	-	-
Office/Motel-No Restaurant	-	-	-	-	-	-
Restaurant/ Hotel w/ Restaurant	-	-	-	-	-	-
Auto Repair/Car Wash	-	-	-	-	-	-
Laundromat	-	-	-	-	-	-
CS Irrigation	-	-	-	-	-	-
Totals IVDA	-	-	-	-	-	-
Total all users	-	-	-	-	-	-

Source: Department's records

* The Sewer Collection Utility was transferred to the Water Department on May 1, 2017 so prior year data is unavailable. Data provided for 2017 represents the entire year.

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