SWEETWATER SPRINGS WATER DISTRICT

BASIC FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

SWEETWATER SPRINGS WATER DISTRICT
FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

TABLE OF CONTENTS

FINANCIAL SECTION

MICHAEL A. CELENTANO
Certified Public Accountant
12204 E Camino Loma Vista
707-367-9729 Yuma AZ 85367 maccpa@pacific.net

Board of Directors
Sweetwater Springs Water District
Guerneville, California

Independent Auditor's Report

Opinions

I have audited the accompanying financial statements of the business-type activities Sweetwater Springs Water District as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Sweetwater Springs Water District's basic financial statements as listed in the table of contents. In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Sweetwater Springs Water District as of June 30, 2022 and 2021 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

Management has not adopted GASB Statement 68 "Accounting and Financial Reporting of Pension Plans." and amendments to GASB 68". Accounting principles generally accepted in the United States of America require that Deferred Inflows/Outflows and Adjusted Pension Expense be recorded currently which would increase the assets and liabilities and change the pension expense. The effect on Deferred Inflows/Outflows and payroll and employee benefits expenses has not been determined. See Footnote 6 for more detail.

Management has not adopted GASB Statement 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions". Accounting principles generally accepted in the United States of America require that Unfunded Postemployment Benefit's Liability, Deferred Inflows/Outflows and Adjusted Employee Benefits Expense be recorded currently which would increase the liabilities and decrease the fund balance and change the employee benefit expense. The amount by which this departure would affect the liabilities by increasing Net OPEB Liability by $178,970 and decreasing fund balance by $178,970. The effect on Deferred Inflows/Outflows and payroll and employee benefit expenses has not been determined. See Footnote 11 for more detail.

.Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Sweetwater Springs Water District, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Michael A Celentano
Certified Public Accountant

November 6, 2022

Management Discussion & Analysis (Unaudited)

Management has prepared this financial overview of the activities of the Sweetwater Springs Water District for the fiscal year ended June 30, 2022. It serves as an introduction to the financial statements contained in the Audit Report and a summary of major activities of the District for the fiscal year. Much of the analysis is comparative to last year's activity.

The Discussion begins with a comparison of key financial activities to the prior year, together with a selection of financial activities that management considers worthy of special note for FY 2021-22. The condensed financial statements that follow provide a financial summary of the Audit Report organized in a different way than the Audit report financials. Following the financial statements are additional details on capital spending, District debt and future plans of the District.

I. SELECTED FINANCIAL ACTIVITIES IN 2021-22

Selected revenues, expenses, and balances:

	FY 2021-22	FY 2020-21
Water Sales:	$2,789,045	$2,756,680
Net Income (Change in Net Position):	$1,820,816	$652,668
Net Income excluding non-cash rev/exp:	$2,051,950	$1,657,539
Surplus operating income transferred to CIRF:	$430,000	$270,000
Operating Expenses (before depreciation):	$2,173,238	$1,971,244
Capital Improvement expenditures:	$715,426	$244,180
Debt Payments (principal + interest):	$777,969	$1,141,570
District reserves above policy:	$2,450,358	$2,351,087
Net Pension Liability/Surplus (PERS UL):	($634,822)	$104,210
Capital Debt:	$9,165,415	$9,689,186

Other Notes for FY 2021-22

(1) Grants received: FY 2021-22 income includes $712,610 in grant funding.

(2) PERS Unfunded Liability reporting yielded extraordinary unrealized gains leading to a Net Pension surplus at FYE. In recent years, the District's extra payments on this liability coupled with above-average PERS investment returns for FY 2020-21* on those funds show the District now has a $634,822 surplus at CalPERS. (* PERS investment returns are reported with a one-year lag.)

(3) General Manager transition. This year the District transitioned to a new General Manager. Expenses related to the transition impacted operations expenses.

II. BASIC FINANCIAL STATEMENTS

The Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The two statements contained in this Management's Discussion and Analysis are condensed versions of the statements in the Audit Report:

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

All of the current fiscal year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position, comparable to an Income Statement. This statement measures the success of the District's operations over the past fiscal year and can be used to determine the District's creditworthiness and whether the District has successfully recovered all its costs through its user fees and other charges.

Not included in this Management's Discussion and Analysis but required in the Audit report is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

STATEMENT OF NET POSITION

A summary of the District's Statement of Net Position in FY 2021-22 compared to FY 2020-21 is presented in Table 1 below. Generally, an increase in the District's net position is a good indicator of whether its financial health is improving or deteriorating. The District's net position increased by $1,820,816 to $15,084,709 at FYE 2022, up from $13,263.893 at FYE 2021, largely due to one-time grant proceeds and unrealized income from our FY 2020-21 investment returns on funds held with CalPERS.

Condensed Statement of Net Position

	FYE 2022	FYE 2021	$ Change	% Change
Cash	3,800,035	3,025,538	774,496	25.6%
Capital Assets	19,557,957	19,776,879	(218,922)	-1.1%
Other Assets	1,113,650	450,747	662,903	147.1%
Total Assets	**24,471,642**	**23,253,165**	**1,218,477**	**5.2%**
Bond & Loan principal debt outstanding	9,165,415	9,689,186	(523,771)	-5.4%
Other long-term liabilities	(610,113)	157,795	(767,908)	-486.6%
Other short-term liabilities	831,631	142,291	689,340	484.5%
Total Liabilities	**9,386,933**	**9,989,272**	**(602,339)**	**-6.0%**
Net investment in capital assets	10,392,542	10,087,693	304,849	3.0%
Restricted	0	0	0	
Unrestricted	4,692,167	3,176,200	1,515,967	47.7%
Total Net Position	**15,084,709**	**13,263,893**	**1,820,816**	**13.7%**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position provides additional information concerning this year's revenues and expenses that impacted net position. Table 2 below compares the District's Statement of Revenues, Expenses, and Changes in Net Position in FY 2021-22 versus FY 2020-21. The District's Net Position improved by $1,820,816 in FY 2021-22, compared to $652,668 in FY 2020-21. Most of this, however, was due to grant funding ($712,610) and unrealized gains with our funds at PERS ($737,647) – both one-time sources of income and/or non-cash income that cannot be counted on in future years and – in the case of non-cash income, cannot be used to pay bills.

Table 2
Condensed Statement of Revenues, Expenses, and Changes in Net Position

	FYE 2022	FYE 2021	$ Change	% Change
Water Sales	2,789,045	2,756,680	32,365	1.2%
Property Tax Assessment (flat charge)	820,819	845,486	(24,667)	-2.9%
Non-Operating Revenues	863,956	291,565	572,391	196.3%
Total Revenues	**4,473,820**	**3,893,731**	**580,089**	**14.9%**
Operating Expenses:				
Salaries & Benefits	1,397,937	1,285,266	112,671	8.8%
Services & Supplies	775,301	685,978	89,323	13.0%
				-
Total Operating Expenses	**2,173,238**	**1,971,244**	**201,994**	**10.2%**
Non-Operating Expenses:				
Interest	248,632	264,948	(16,316)	-6.2%
Other	0	0	0	0.0%
Total Non-Operating Expenses	**248,632**	**264,948**	**(16,316)**	**-6.2%**
Total Expenses	**2,421,870**	**2,236,192**	**185,678**	**8.3%**
Income before Other Items and Depreciation Expense	**2,051,950**	**1,657,539**	**394,411**	**23.8%**
Other income - unrealized investment gains	(33,408)	51,873	(85,281)	-
Other - PERS UL Changes (Investments/Assumpti	737,647	(155,254)	892,901	0.0%
Depreciation Expense	(935,373)	(901,490)	(33,883)	3.8%
Total Other Income/Expenses	**(231,134)**	**(1,004,871)**	**1,387,709**	**-77.0%**
Change in Net Position (Net Income)	**1,820,816**	**652,668**	**1,168,148**	**179.0%**

Total **revenues** were $4,473,820, about 14.9% more than last year. Water Sales were up 1.2% from last year; charges for water were increased by 5%. Flat charge revenue, collected via property tax bills, is expected to remain constant from year to year around $750,000. This year it came in at $820,819, bolstered by approximately $60,000 in flat charges from new services. Non-operating revenues -- $863,956 – typically consist of (1) interest income; (2) rent received from cell tower tenants on the District's Mt. Jackson property; and (3) construction of new services during the fiscal year. This year, however, it includes $712,610 in grant funding.

On the expense side, total **expenses** increased by $185,678, or 8.3%, compared to last year. Aside from general price increases across the board , expenses related to the General Manager recruitment and transition drove up total expenses for the year.

"Other Items" Items in this section are generally predictors of future income or expenses – sometimes far in the future -- and are not part of current fiscal year cash flows. Included in "other items" are non-cash revenues/expenses: (1) Depreciation Expense; (2) Unrealized investment earnings/losses on District funds invested with the Public Agency Retirement Service (PARS); and (3) Changes to our PERS Unfunded Liability (UL) balance due to investment returns and/or the cost of assumption changes. In FY 2021-22, Other Items totaled $231,134 (net expense) compared to $1,004,871 (net expense) last year. The decrease from last year to this year is attributable to extraordinary investment returns on our funds invested with PERS. (For the FY 2021-22 Audit, PERS reports returns thru FY 2020-21, a lag of one year.)

III. CAPITAL SPENDING

In FY 2021-22, the District continued the CIP 2021 project, plus began other smaller projects as noted below:

Project	Project Description	Amount spent FY 2021-22	% complete at FYE 2022
CIP 2021	Replace 5600 lf of galvanized pipe and lead goosenecks with 6" HDPE main on Old River Rd and Woodland Dr.	$608,065	37% complete (Project Total: $1,962,181)
Lower Harrison Tank Replacement	Removed old tank and replace with new 125,000 gallon tank	$21,569	As of FYE, construction portion not yet out to bid. Est. $586,000
Monte Rio Bridge	Remove steel main from old bridge, replace with 800 lf ductile main on new bridge	$3,735	This is part of a pending County project. Est. at $854,000.
Monte Rio Well 5 Rehab	Rehab MR Well 5 and building controls	$77,512	73% complete Project Total: Est. at $119,200)
Moscow Road	Relocate 200 lf 8" C-900 line with 8" ductile on the river side	$4,545	This is part of a pending County project. Est. at $150,000

In addition to these capital projects, $1,025 was spent on Tank/Facilities improvements.

IV. DISTRICT DEBT/SOURCES OF DEBT REPAYMENT

At the beginning of FY 2021-22, the District owed a total of $9,689,185 in bond debt and a private placement loan. During the year the District made $523,770 in principal payments. With interest, debt payments totaled $777,969. No new debt was taken out in FY 2021-22. At FYE, the District owed a total of $9,165,415 in borrowed funds.

The table below summarizes activity on the bonds and loans in FY 2021-22:

DEBT TYPE	ORIGINAL PRINCIPAL	PRINCIPAL OWED JULY 1, 2021	PRINCIPAL PAID FY 2021-22	PRINCIPAL OWED FYE 2022
USDA G.O. Bonds	$1,647,875 (2014)	$1,487,748	$28,950	$1,458,798
USDA G.O. Bonds	$1,535,000 (2019)	$1,510,000	$26,000	$1,484,000
Capital One Bonds	7,993,000 (2013)	$5,255,892	$296,500	$4,959,392
Private Placement Loan	$3,000,000 (2008)	$1,435,545	$172,320	$1,263,225

$9,689,185	$523,770	$9,165,415

V. DISTRICT RESERVES AND RESERVES ABOVE POLICY

The District adopted a Reserve Policy in 2009 that calls for leaving a designated amount of District funds in reserve for emergencies. All other District funds are considered “reserves above policy” and available for spending. In FY 2021-22, reserves above policy at FYE totaled $2,450,378. These funds are primarily used to make District debt payments and for capital improvements

VI. ECONOMIC FACTORS, PROJECTED CAPITAL EXPENDITURES/SOURCES OF FUNDING

The bulk of the District’s typical and unrestricted income is tied to water sales and flat charge revenue, both unaffected in any major way by economic events. The bulk of the District's cash on hand - over 85 percent - is conservatively managed via the County of Sonoma’s investment pool. Interest rates remain low but invested principal is secure. In addition to funds invested with the County, the District has invested in mutual funds through the Public Agency Retirement System (PARS). Use of the PARS funds is limited to an amount no greater than the costs of the PERS retirement program. The PARS investment is similar to the District's investment with the California Employee Retirement Benefit Trust (CERBT), managed by CalPERS. Use of funds invested with CERBT are limited to amounts no greater than the cost of retiree health benefits.

The District’s 2020-25 Capital Improvement Program identifies over $3.7 million of additional capital projects. According to the District's long-term budget for this same time period annual capital construction costs will average about $750,000. The District's capital construction is funded from four sources:

- **Surplus revenue**. In FY 2021-22 surplus operating revenue was $430,000 and surplus capital revenue was $382,823, for a total of $812,823.
- **Grants**. In FY 2021-22 the District recorded $712,610 in grant funding for capital projects and is approved for additional grant funding expected to be received for the next two years.
- **Loan proceeds.** The District is not considering incurring additional debt at FYE.
- **Reserves at FYE.** Reserves available for capital spending and capital debt ("reserves above policy") were at $2,450,358 at FYE 2022. Less anticipated debt expenditures in FY 2022-23 as well as funds held with PARS and CERBT, at FYE reserves available for future capital project expenditures were $1,373,027.

VII. REQUEST FOR INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of the district’s finances and to demonstrate the district’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Sweetwater Springs Water District at P.O. Box 48, Guerneville, California, 95446.

SWEETWATER SPRINGS WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2022 and 2021

	June 30, 2022	June 30, 2021
ASSETS		
CURRENT ASSETS		
Cash and investments	$ 2,744,334	$ 1,937,788
Accounts receivable	177,464	131,859
Flat charges receivables	26,859	30,622
Grant receivable	688,973	
Unbilled revenue	157,600	225,512
Inventory	56,505	56,505
Prepaid expenses	6,250	6,250
TOTAL CURRENT ASSETS	3,857,985	2,388,536
NONCURRENT ASSETS		
Land	143,053	143,053
Construction in progress	830,384	114,958
Buildings and improvements	32,430,205	32,429,180
Machinery and equipment	711,404	711,404
Less-accumulated depreciation	(14,557,089)	(13,621,716)
TOTAL CAPITAL ASSETS, NET	19,557,957	19,776,879
OTHER NONCURRENT ASSETS		
Restricted cash and investments	1,055,700	1,087,750
TOTAL OTHER NONCURRENT ASSETS	1,055,700	1,087,750
TOTAL ASSETS	24,471,642	23,253,165
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	697,183	8,098
Accrued wages	14,759	15,020
Accrued interest	93,449	99,016
Customer deposits	21,158	15,077
Road maintenance obligations	5,082	5,080
Current portion of long term debt	540,225	523,771
TOTAL CURRENT LIABILITIES	1,371,856	666,062
LONG TERM LIABILITIES		
Compensated absences	43,298	65,398
General obligation bonds payable	7,540,253	7,902,190
Citizens business bank (COP) payable	1,084,937	1,263,225
Net pension liabilty	(634,822)	104,210
Other postemployment benefits payable	(18,589)	(11,813)
TOTAL LONG TERM LIABILITIES	8,015,077	9,323,210
TOTAL LIABILITIES	9,386,933	9,989,272
NET POSITION		
Net Investment in capital assets	10,392,542	10,087,693
Unrestricted	4,692,167	3,176,200
TOTAL NET POSITION	$ 15,084,709	$ 13,263,893

See accompanying notes to basic financial statements

SWEETWATER SPRINGS WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2022 and 2021

	Totals June 30, 2022	Totals June 30, 2021
Operating Revenues		
Charges for services	$ 2,789,045	$ 2,756,680
Total Operating Revenues	2,789,045	2,756,680
Operating Expenses		
Salaries and employee benefits	1,397,937	1,285,266
Service and supplies	775,301	685,978
Depreciation	935,373	901,490
Total Operating Expenses	3,108,611	2,872,734
Operating Income (Loss)	(319,566)	(116,054)
Non-Operating Revenues (Expenses)		
Interest income	15,200	15,601
Rents	119,868	113,109
Flat charges	820,819	845,486
Grant income	712,610	93,283
Other non-operating revenue	(17,130)	121,445
Change in actuarial assumptions	737,647	(135,975)
Interest expense unfunded pension liability	-	(19,279)
Interest expense	(248,632)	(264,948)
Total Non-Operating Revenues (Expenses)	2,140,382	768,722
Net Income (Loss)	1,820,816	652,668
Total Net Position, Beginning of Fiscal Year	13,263,893	12,611,225
Total Net Position, End of Fiscal Year	$ 15,084,709	$ 13,263,893

See accompanying notes to basic financial statements

SWEETWATER SPRINGS WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2022 and 2021

	Totals June 30, 2022	Totals June 30, 2021
Cash Flows From Operating Activities		
Cash received from customers	$ 2,811,352	$ 2,764,679
Payments to suppliers for goods and services	(743,716)	(682,906)
Payments to employees and related items	(1,368,800)	(1,277,026)
Net cash flows provided by operating activities	698,836	804,747
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(111,142)	(320,635)
Grant income	23,637	93,283
Payments on long term debt	(523,771)	(872,220)
Payments on net pension liablity	(1,385)	(534,552)
Interest payments	(254,199)	(269,350)
Net cash flows (used) by capital and related financing activities	(866,860)	(1,903,474)
Cash Flows From Non-Capital and Related Financing Activities		
Flat charges	824,582	848,197
Miscellaneous non-operating revenues	(17,130)	121,445
Net cash provided by non-capital and related financing activities	807,452	969,642
Cash Flows From Investing Activities		
Rents	119,868	113,109
Interest income	15,200	15,601
Net cash flows provided by investing activities	135,068	128,710
Net Increase (Decrease) in Cash and Investments	774,496	(375)
Cash and Investments, Beginning of Fiscal Year	3,025,538	3,025,913
Cash and Investments, End of Fiscal Year	$ 3,800,034	$ 3,025,538
Reconciliation of Cash and Investments to Amounts Reported on the Statement of Net Position:		
Cash and investments	$ 2,744,334	$ 1,937,788
Restricted cash and investments	1,055,700	1,087,750
	$ 3,800,034	$ 3,025,538
Supplemental Disclosures:		
Interest expense during the fiscal year	$ 248,632	$ 264,948
Interest capitalized during the fiscal year	$ -	$ -

(continued)

See accompanying notes to basic financial statements

SWEETWATER SPRINGS WATER DISTRICT
COMPARATIVE STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2022 and 2021

(Continued)

	Totals June 30, 2022	Totals June 30, 2021
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations:		
Operating income (loss)	$ (319,566)	(116,054)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	935,373	901,490
(Increase) Decrease in Operating Assets:		
Accounts receivable/Unbilled Revenue	22,307	9,199
Inventory		
Prepaid expenses		
Increase (Decrease) in Operating Liabilities:		
Accounts payable	83,776	8,098
Accrued wages	(261)	2,739
Compensated absences	(22,100)	11,039
Customer deposits payable	6,081	(1,200)
Road maintenance obligations	2	(5,026)
Other postemployment benefits payable	(6,776)	(5,538)
Total Adjustments	1,018,402	920,801
Net Cash Provided by Operating Activities	$ 698,836	$ 804,747

See accompanying notes to basic financial statements

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The Sweetwater Springs Water District (District) was formed on December 6, 1988 with Resolution #88-2184 through an election under Section 30290 of the California State Water Code. The District supplies water services to residential and commercial users, and provides for connections to and the servicing of the delivering system. The District's Board of Directors has the responsibility of overseeing the financial activities of the District.

The District accounting policies conform to accounting principles generally accepted in the United States of America as applicable to governments, in accordance with the uniform system of accounts for water utility special enterprise districts as prescribed by the State Controller in compliance with the government code of the State of California.

B. Basis of Accounting

The District follows the accrual basis of accounting. The District's policy is to record all assets, liabilities, revenues, and expenses on the accrual basis of accounting and the flow of economic resources measurement focus. Under this method, revenue is recognized when earned and expenses are recognized when the related liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

C. Proprietary Fund Accounting

The District has one fund which is considered a proprietary fund.

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

In accordance with GASB Statement No. 20 and No. 62, the District has opted to apply all applicable GASB pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operation of the fund. All other expenses are reported as non-operating expenses.

D. Budgetary Reporting

The annual budget is prepared in accordance with the basis of accounting utilized by the District. The budget is not legally required and therefore budget to actual information has not been presented, either as a statement or required or other supplementary information.

Note 1: Summary of Significant Accounting Policies (Continued)

E. **Receivables**

Bad debts associated with accounts receivable for services are tracked each year by staff, but have been deemed immaterial. Other receivables, if any, are shown at the anticipated recoverable amount, unless otherwise noted.

F. **Flat Charges Receivable**

Flat charges receivable represent direct charges owed to the District by property owners.

G. **Inventories**

Inventory consists primarily of water meters, water pipes, valves and fittings. Inventory is valued at estimated cost.

H. **Capital Assets**

Property, plant, and equipment are recorded at cost or estimated historical cost if actual cost is not available. Contributed assets are recorded at their fair value at the time of transfer to the District. Assets with a value of $1,000 or less are expensed in the years acquired.

Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. Depreciation is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. The range of estimated useful lives are as follows:

Water system	20 - 40 years
Leasehold improvements	7 years
Equipment	3-5 years

I. **Vacation and Sick Leave**

Vacation pay is accrued by the District in the period earned. At June 30, 2022 and 2021, accrued vacation pay amounted to $43,298 and $65,398 respectively.

J. **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: Cash and Investments

The cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of District debt instruments or District agreements.

The District's cash and investments are comprised of the following at June 30, 2022:

	Unrestricted	Restricted	Totals
Cash on hand	$ 300	$ -	$ 300
Cash in bank	233,922	154,296	388,218
Cash and investments	2,510,112	901,404	3,411,516
Total Cash and Investments	$ 2,744,334	$ 1,055,700	$ 3,800,034

Statement of Net Position:	
Cash and investments	$ 2,744,334
Restricted cash and investments	1,055,700
Total	$ 3,800,034

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

The table below identifies the investment types that are authorized for the Sweetwater Springs Water District (District) by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State of California Obligations	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agencies	5 years	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper - Selected Agencies	270 days	25%	10%
Commercial Paper - Other Agencies	270 days	40%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements & Securities Lending Agreements	92 days	20 % of the base value of the portfolio	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	None
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	$ 50 Million

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. The District manages its exposure to interest rate risk by investing a majority of its cash and investments in the County Pooled Investment Fund.

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

		Remaining maturity (in Months)					
Investment Type	Totals	12 Months or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months	More Than 60 Months
Public Agency Retirement Svc	$ 240,141	$ 240,141					
County Pooled Investment Fund	$ 3,171,375	$ 3,171,375	$ -	$ -	$ -	$ -	$ -
	$ 3,411,516	$ 3,411,516	$ -	$ -	$ -	$ -	$ -

Note 2: Cash and Investments (Continued)

Disclosures Relating to Credit Risk

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

				Rating as of Fiscal Year End			
Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	AA	A	Not Rated
Public Agency Retirement Svc	$ 240,141						$ 240,141
County Pooled Investment Fund	$ 3,171,375	N/A	$ -	$ -	$ -	$ -	$ 3,171,375
Total	$ 3,411,516		$ -	$ -	$ -	$ -	$ 3,411,516

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments that represent 5% or more of total District investments (other than Sonoma County Investment Pool).

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 California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2022, the District's deposits with financial institutions were $176,665 in excess of federal depository insurance limits.

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

Note 3: Capital Assets

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

	Balance at July 1, 2021	Additions	Deletions	Transfers	Balance at June 30, 2022
Capital assets, not being depreciated:					
Land	$ 143,053	$ -	$ -	$ -	$ 143,053
Construction in progress	114,958	715,426			830,384
Total capital assets, not being depreciated	258,011	715,426			973,437
Capital Assets, being depreciated:					
Building and improvements	32,429,180	1,025			32,430,205
Machinery and equipment	711,404				711,404
Total capital assets, being depreciated	33,140,584	1,025			33,141,609
Accumulated depreciation:					
Building and improvements	(13,003,576)	(907,293)			(13,910,869)
Machinery and equipment	(618,140)	(28,080)			(646,220)
Total accumulated depreciation	(13,621,716)	(935,373)			(14,557,089)
Total depreciable assets, net	19,518,868	(934,348)			18,584,520
Total capital assets, net	$ 19,776,879	$ (218,922)	$ -	$ -	$ 19,557,957

Depreciation expense of $934,348 was incurred and recorded as an operating expense for June 30, 2022.

Note 4: Long-Term Debt

The following is a summary of changes in long-term debt for the District for the fiscal year ended June 30, 2022:

	Balance at June 30, 2021	Additions	Repayments	Balance at June 30, 2022	Due Within One Year
2003 General Obligation Bonds	2,997,748		(54,951)	2,942,797	55,637
2013 General Obligation Refunding Bonds	5,255,893		(296,500)	4,959,393	306,300
Citizens Business Bank Certificates of Participation	1,435,545		(172,320)	1,263,225	178,288
Total	$ 9,689,186	$ -	$ (523,771)	$ 9,165,415	$ 540,225

Note 4: Long-Term Debt (Continued)

2003 General Obligation Bonds

On April 29, 2003, and pursuant to Resolution No. 03-15, the District authorized the issuance of General Obligation Bond of 1990, Series 2003 in the principal amount of $4,000,000. The bond was issued as a single fully registered bond and matures in installments of the same principal amounts on the same dates as the registered bonds it represents. Interest on the bond is 4.5% per annum, payable commencing on March 1, 2004 and semi-annually thereafter on September 1st and March 1st in each year to maturity. During the fiscal year ended June 30, 2014, the District prepaid $1,994,000 of the outstanding principal on the 2003 General Obligation Bonds from a portion of the proceeds of the 2013 General Obligation Refunding Bonds. The first installment payment that was due September 1, 2014 was deferred until September 1, 2015. The accrued interest of $36,875, as a result of the deferred payment date, was added to the principal balance for a total outstanding balance of $1,647,875.

The scheduled annual minimum debt service requirements at June 30, 2022 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2023	29,637	$ 34,649	$ 64,286
2024	30,341	33,945	64,286
2025	31,062	33,225	64,287
2026	31,799	32,488	64,287
2027	32,555	31,733	64,288
2028-2032	174,744	146,699	321,443
2033-2037	196,504	124,950	321,454
2038-2042	220,976	100,492	321,468
2043-2047	248,492	72,989	321,481
2048-2052	279,436	42,061	321,497
2053-2054	183,252	8,809	192,061
Total	$ 1,458,798	$ 662,040	$ 2,120,838

2018 General Obligation Bonds

On December 1, 2018, and pursuant to Resolution No. 17-6 and 17-7, the District authorized the issuance of General Obligation Bonds in the principal amount of $1,535.000. The bond was issued as a single fully registered bond and matures in installments of the same principal amounts on the same dates as the registered bonds it represents. Interest on the bond is 2.25% per annum, payable commencing on June 1, 2019 and semi-annually thereafter on December 1st and June 1st in each year to maturity.

Note 4: Long-Term Debt (Continued)

The scheduled annual minimum debt service requirements at June 30, 2021 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2023	26,000	$ 33,098	$ 59,098
2024	27,000	32,501	59,501
2025	27,000	31,894	58,894
2026	28,000	31,275	59,275
2027	29,000	30,634	59,634
2028-2032	153,000	143,089	296,089
2033-2037	171,000	124,886	295,886
2038-2042	192,000	104,580	296,580
2043-2047	220,000	82,231	302,231
2048-2052	245,000	55,181	300,181
2053-2057	272,000	26,174	298,174
2058	94,000	1,935	95,935
Total	$ 1,484,000	$ 697,478	$ 2,181,478

2013 General Obligation Refunding Bonds

On August 1, 2013, the District issued $7,993,000 of General Obligation Refunding Bonds bearing interest of 4.50% and payable semi-annually on September 1 and March 1, maturing on September 1, 2033. The proceeds of the Bonds were used to (i) prepay, in full, the 1992 General Obligation Bonds; (ii) partial prepayment of the 2003 General Obligation Bonds, and (iii) pay the costs of issuing the Bonds. The outstanding principal balance of the 2013 General Obligation Refunding Bonds at June 30, 2015 was $7,553,000.

$7,821,765 from the 2013 General Obligation Refunding Bonds was placed in an irrevocable trust that is to be used to service the future debt requirements of the 1992 General Obligation Bonds and the 2003 General Obligation Bonds. The refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debts) of $648,545. The aggregate difference in debt service between the old and new debt is $923,427.

The District defeased the 1992 General Obligation Bonds by placing a portion of the proceeds of the 2013 General Obligation Refunding Bonds in an irrevocable trust to provide for all future debt service payments on the 1992 General Obligation Bonds. Accordingly, the trust account assets and the liability for the defeased 1992 General Obligation Bonds is not included in the District's financial statements.

Note 4: Long-Term Debt (Continued)

2013 General Obligation Refunding Bonds (Continued)

The scheduled annual minimum debt service requirements at June 30, 2022 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2023	$ 306,300	$ 133,614	$ 439,914
2024	316,200	124,961	441,161
2025	323,500	116,069	439,569
2026	330,800	106,974	437,774
2027	339,900	97,651	437,551
2028-2032	2,317,927	307,249	2,625,176
2033-2034	1,024,766	28,694	1,053,460
Total	$ 4,959,393	$ 915,212	$ 5,874,605

California Safe Drinking Bonds Payable

On June 24, 1993 the State Department of Water Resources provided a $2,870,000 loan to the District under the Safe Drinking Water Bond Act of 1986. The project financed by this loan consists of construction of three wells, interconnection of the system's service area, and construction of five storage facilities and appurtenances.

The bonds bear interest at 2.955% and mature on April 2022. Principal payments are due semi-annually on October 1 and April 1 including interest. A 5% administrative fee was included in the principal amount. This loan was paid off during the year.

Citizens Business Bank Certificates of Participation Payable

On August 1, 2008, Citizens Business Bank as assigned from Municipal Finance Corporation provided a $3,000,000 loan to the District in the form of Certificates of Participation.

The Certificates of Participation bear interest at 4.75% through August 1, 2018 and then due to a rate renegotiation with Citizen Business Bank in November 2016 was reduced to 3.1% and will remain until the loan matures on August 1, 2028. Principal and interest payments are due semi-annually on February 1st and August 1st in the amount of $117,007 through August 1, 2018 and $108,038 for the remainder of the loan.

Note 4: **Long-Term Debt (Continued)**

The scheduled annual minimum debt service requirements at June 30, 2022 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2023	$ 178,288	$ 37,789	$ 216,077
2024	183,857	32,219	216,076
2025	189,601	26,475	216,076
2026	195,524	20,552	216,076
2027	201,633	14,444	216,077
2028-2029	314,322	9,794	324,116
Total	$ 1,263,225	$ 141,273	$ 1,404,498

Note 5: **Operating Leases**

The District has entered into an operating lease arrangement as lessee for the District offices. The term of the lease was for five years with an option to extend for seven, one year periods. The initial five year lease expired on July 31, 2014. On May 6, 2014, the District renegotiated the office lease. The new lease commences August 1, 2014 and expires on July 31, 2017, at a cost of $2,364 per month. The new lease had an option to extend for one additional term of three years which was extended on July 31, 2017 through July 31, 2020 at $ 2,483 per month. On April 16, 2020 the District exercised its option to extend the lease for an additional three years at $2,606 per month. This extension has an option to extent the lease for an additional three years at $2,730 per month.

The District has also entered into an operating lease arrangement as lessee for a postage machine. The term of the lease is five years, beginning in October 2020. The District's current quarterly lease expense for the postage machine is $401.

The total rental payments for all leasing arrangements charged to expenses were $32,540 and $32,560 for June 30, 2022 and 2021 respectively.

Note 6: **Employees Retirement Plan (Defined Benefit Pension Plan)**

General Information about the Pension Plan

Plan Description, Benefits Provided and Employees Covered

The plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2021 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2021 actuarial valuation report. This report is a publicly available valuation report that can be obtained at CalPERS' website under Forms and Publications.

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 the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2019 (the measurement date), the active employee contribution rate is 6.91 percent of annual pay and the average employer's contribution rate is 10.34 percent of annual payroll for the 2% @ 55 plan and the active employee contribution rate is 6.75 percent of annual pay and the average employer's contribution rate is 7.59 percent of annual payroll for the 2% @ 62 plan. Employer contributions rates may change if plan contracts are amended.

Annual Pension Cost

For June 30, 2022, the District's annual pension cost of $ 66,612 for PERS was equal to the District's required and actual contributions and plus an additional $ 1,385 towards its unfunded liability. The required portion of the contribution was determined as part of the June 30, 2019 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.00% investment rate return of (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2.75% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of PERS assets was determined by an amortization that will pay for all gains and losses over a fixed 20-year period. The required and actual contribution rate for June 30, 2022 was determined as part of the June 30, 2019 actuarial valuation in which PERS using the same assumptions as the previous year

Three-Year Trend Information For PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/20	70,738	100%	0
6/30/21	68,732	100%	0
6/30/22	66,612	100%	0

The table below shows a three-year analysis of the actuarial accrued liability of the 2% @55 plan, the plan's share of the pool's market value of assets, plan's share of the pool's unfunded liability, funded ratio and the annual covered payroll as of June 30:

Valuation Date	Accrued Liability	Shared Mkt Value/Assets	Unfunded Liability	Funded Ratio	Covered Payroll
6/30/19	5,190,479	4,204,166	986,313	81.0%	595,195
6/30/20	5,505,873	4,891,246	614,627	88.8%	443,092
6/30/22	5,998,048	6,613,573	(615,525)	110.3%	406,661

The table below shows a two-year analysis of the actuarial accrued liability of the 2% @62 plan, the plan's share of the pool's market value of assets, plan's share of the pool's unfunded liability, funded ratio and the annual covered payroll as of June 30:

Valuation Date	Accrued Liability	Shared Mkt Value/Assets	Unfunded Liability	Funded Ratio	Covered Payroll
6/30/19	46,738	44,732	2,006	95.7%	245,097
6/30/20	107,053	102,198	4,855	95.5%	346,587
6/30/22	187,446	205,360	(17,914)	109.6%	367,075

Note 7: Net Position

GASB Statement No. 63 require that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition on net investment in capital assets or restricted net position.

The District maintains the majority of its cash with the Sonoma County Treasury in a general operating account, debt service accounts, and construction accounts.

Cash restricted to long-term debt repayment is held in the debt service accounts, and cash restricted to water system improvements is held in the construction accounts. The restrictions arise from provisions of the General Obligation Bond Issues and California Safe Drinking Water Loan Contract #58340.

Note 8: Deferred Compensation Plans

The District offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are available to all employees. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust by a third party administrator (ING and AIG Valic) for the exclusive benefit of the plan participants and their beneficiaries as prescribed by Internal Revenue Code Section 457 (g). Accordingly, these assets have been excluded from the accompanying financial statements.

Note 9: Risk Management

The District participates in a joint venture under a joint powers agreement (JPA) with the Special District Risk Management Authority (SDRMA) for insurance purposes. The SDRMA is a joint powers agency formed pursuant to Section 6500 et seq., California Government Code, is comprised of California special districts, and agencies. The relationship between the District and JPA is such that the JPA is not a component of the District for financial reporting purposes. The SDRMA's purpose is to jointly fund and develop programs to provide stable, efficient, and long term risk financing for special districts. These programs are provided through collective self-insurance; the purchase of insurance coverage's; or a combination thereof. SDRMA provides general and auto liability, workers' compensation, public officials' and employees' errors and omissions, employment practices liability, property loss, and boiler and machinery coverage.

Note 10: Contingencies

In November, 2019, the District entered into a contract with Coastland Civil Engineering for Design/Engineering Services related to Lower Harrison Tank driveway retaining wall in the sum of $46,511. As of June 2022, $21,569 was paid to Coastland.

In July 2020, the District entered into a contract with Coastland Civil Engineering for Design/Engineering Services related to CIP 2021 in the sum of $144,958. In May, 2021 the contract was amended (increased to $150,000). As of June 2022, $136,866 was paid to Coastland.

In December, 2020 the District entered into a contract with Piazza Construction for emergency preventative fire hazard work to remove debris on Mt. Jackson in the sum of $178,833. As of June 2021, this project was on hold pending final approval of FEMA funding to offset the costs of this project. In FY 2021-22, this project was permanently cancelled.

In December 2021, the District entered into a contract with Bartley Pump LLC for rehabilitation and electrical work on two (2) District wells in the sum of $89,212. As of June 2022, $75,512 was paid to Bartley Pump.

In February, 2022, the District entered into a contract with Piazza Construction for construction of CIP 2021 in the sum of $1,353,421. In FY 2021-22, change orders totaling $32,085 were approved, bringing the total contract with Piazza to $1,385,506. As of June 2022, $547,225 was paid to Piazza.

In February, 2022, the District entered into a contract with Coastland Civil Engineering for Construction Management Services related to CIP 2021 in the sum of $161,880. As of June 2022, $40,985 was paid to Coastland.

Note 11: Post-Retirement Health Insurance

The District provides certain health insurance benefits to retired employees in accordance with memoranda of understanding as follows:

For employees who retire from the District and from CalPERS after at least five (5) years of service with CalPERS and who have reached the age of fifty-two (52) years old (fifty (50) years old for Classic PERS members), and who continue health insurance through a District-sponsored health insurance plan, the District will contribute the minimum monthly amount (as required by CalPERS) of the health insurance premium ($149 in 2022 and $143 in 2021).

Funding Policy

The District adopted a resolution to enter into an agreement with CalPERS to participate in the California Employer's Retiree Benefit Trust Program (CERBT). For fiscal year 2021-22 the District contributed $11,043, which covered current premiums and $3,000 of additional prefunding of benefits. Currently, there are 6 retirees who are receiving benefits.

Annual OPEB and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45's Alternative Measurement Method allowed for employers with less than 100 plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	$	4,157
Interest on net OPEB obligation		(562)
Adjustment to ARC		619
Annual OPEB cost (expense)		4,214
Contributions made		(11,043)
Increase in net OPEB obligation		(6,829)
Net OPEB obligation – Beginning of the year		(11,760)
Net OPEB obligation – End of year	$	(18,589)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2019-20, 2020-21 and 2021-22 were as follows:

Fiscal Year	Annual OPEB Cost	Percent of Annual OPEB Cost	OPEB Obligation (Asset)
6/30/2020	$ 6,839	128%	$ (6,983)
6/30/2021	$ 5,503	100%	$ (11,813)
6/30/2022	$ 4,214	262%	$ (18,589)

Funded Status and Funding Progress

As of June 30, 2022, the most recent Alternate Measurement Method valuation date, the plan was 24.4% funded. The actuarial accrued liability for benefits was $236,807, and the actuarial value of assets was $57,837, resulting in an unfunded actuarial accrued liability (UAAL) of $178,970. The covered payroll (annual payroll of active employees covered by the plan) was $281,873, and the ratio of the UAAL to the covered payroll was 84 percent.

The Alternate Measurement Method valuation of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The Alternate Measurement Method valuation methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In fiscal year 2018-19, the District revised its actuarial assumptions used to calculate the ARC as follows: (1) The minimum Employer Contribution rate of increase was decreased from 3.2 percent to 2.75 percent based on five years' actual MEC increases. (2) The discount rate used was increased from .3 percent to 3.50 percent based on methodology presented in GASB 75. In addition actuarial assumptions presume 75 percent of employees will choose to participate in CalPERS health upon retirement. The actuarial value of assets is not applicable (No assets as of the initial valuation date). The UAAL is being amortized as a flat percentage of covered payrolls over thirty years. The remaining amortization period at June 30, 2022 was twenty-two (22) years.

Other Postemployment Benefits

Schedule of Funding Progress				
Valuation Date	Liability (a)	Assets (b)	Net Liability (a)-(b)	Status (b)/(a)
6/30/2014	$ 392,471	$ 15,287	$ 377,184	3.9%
6/30/2015	$ 422,461	$ 21,482	$ 400,979	5.1%
6/30/2016	$ 418,666	$ 25,428	$ 393,238	6.1%
6/30/2017	$ 479,571	$ 31,495	$ 448,076	6.6%
6/30/2018	$ 370,760	$ 37,076	$ 333,684	10.0%
6/30/2019	$ 360,271	$ 42,621	$ 317,650	11.8%
6/30/2020	$ 319,468	$ 47,203	$ 272,265	14.7%
6/30/2021	$ 298,913	$ 63,884	$ 235,029	21.4%
6/30/2022	$ 236,807	$ 57,837	$ 178,970	24.4%

Note 12: Subsequent Event

Subsequent events are those events or transactions that occur subsequent to the effective date of the financial statements, but prior to the issuance of the final reports, which may have a material effect on the financial statement or disclosures therein.

There are no subsequent events that have occurred through November 6, 2022 that meet the above definition.