SWEETWATER SPRINGS WATER DISTRICT

BASIC FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

SWEETWATER SPRINGS WATER DISTRICT
FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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Board of Directors
Sweetwater Springs Water District
Guerneville, California

Independent Auditor's Report

I have audited the accompanying financial statements of the business-type activities of Sweetwater Springs Water District as of and for the year ended June 30, 2020 and 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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 $272,265 and decreasing fund balance by $272,265. The effect on Deferred Inflows/Outflows and payroll and employee benefit expenses has not been determined. See Footnote 11 for more detail.

Qualified Opinion

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraphs, 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, 2020 and 2019 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 10, 2020

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, 2020. 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 selection of financial activities that management considers worthy of special note for FY 2019-20. The condensed financial statements that follow provide a complete financial summary of the Audit Report. Following the financial statements are additional details on capital spending, District debt and future plans of the District.

I. SELECTED FINANCIAL ACTIVITIES IN 2019-20

Net income (change in Net Position) is more than last year. Net income for the year before depreciation expense and other items was $1,326,785 compared to $1,253,962 in FY 2018-19. After depreciation and other items, the District's net income was $384,249. (p. 6)

Surplus cash transferred to CIRF was budgeted at $190,000. Actual transfers were also $190,000. (p. 9)

District reserves above policy are up. District reserves above policy were $2,020,353 at FYE 2020, compared to $1,724,933 at FYE 2019. (p. 8.)

Net pension liability (or Unfunded Liability (UL)). This year we are including this liability in the financial statements rather than just discussing it in the footnotes. In FY 2019-20 the District made an extra UL payment required by CalPERS of $500,000, borrowing money from District policy reserves. Doing so reduced our UL from $955,362 in FY 2018-19 to $483,508 in FY 2019-20. (See, Condensed Statement of Net Position, Other Longterm Liabilities on p. 5; See also Statement of Net Position, p. 10)

Selected revenues and expenses, and PERS UL:

	FY 2019-20	FY 2018-19
Water Sales:	$2,600,592	$2,526,975
Operating Expenses (before depreciation):	$1,915,118	$1,871,440
Capital Improvement Projects:	$64,472	$1,234,210
Debt Payments (principal + interest):	$1,028,074	$1,014,385
PERS Pension Liability (UL):	$483,508	$995,553

Other Notes for FY 2019-20

(2) Fire event. In October 2019, the Kincaid Fire precipitated mandatory evacuations in our service area. The District absorbed expenses associated with the fire and did not file a FEMA claim.

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 2019-20 compared to FY 2018-19 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 $384,249 to $12,611,225 at FYE 2020, up from $12,226,976 (restated) at FYE 2019, largely due to recducing our pension (part of "Other long-term liabilities" in the table below) and debt liabilities.

Table 1
Condensed Statement of Net Position

	FYE 2020	FYE 2019	$ Change	% Change
Cash	3,025,913	3,265,290	(239,377)	-7.3%
Capital Assets	20,357,734	20,950,734	(593,000)	-2.8%
Other Assets	462,658	442,904	19,754	4.5%
Total Assets	**23,846,305**	**24,658,928**	**(812,623)**	**-3.3%**
Bond & Loan principal debt outstanding	10,561,406	11,207,940	(646,534)	-5.8%
Other long-term liabilities	531,592	1,002,109	(470,517)	-47.0%
Other short-term liabilities	142,082	221,903	(79,821)	-36.0%
Total Liabilities	**11,235,080**	**12,431,952**	**(1,196,872)**	**-9.6%**
Net investment in capital assets	9,796,329	9,742,793	53,536	0.5%
Restricted	0	0	0	
Unrestricted	2,814,896	2,484,183	330,713	13.3%
Total Net Position	**12,611,225**	**12,226,976**	**384,249**	**3.1%**

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 2019-20 versus FY 2018-19 (restated).

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

	FYE 2020	FYE 2019	$ Change	% Change
Water Sales	2,600,592	2,526,975	73,617	2.9%
Property Tax Assessment (flat charge)	786,565	764,591	21,974	2.9%
Non-Operating Revenues	209,891	185,222	24,669	13.3%
Total Revenues	**3,597,048**	**3,476,788**	**120,260**	**3.5%**
Operating Expenses:				
Salaries & Benefits	1,309,457	1,219,853	89,604	7.3%
Services & Supplies	605,661	651,587	(45,926)	-7.0%
				-
Total Operating Expenses	**1,915,118**	**1,871,440**	**43,678**	**2.3%**
Non-Operating Expenses:				
Interest	355,145	351,386	3,759	1.1%
Other	0	0	0	0.0%
Total Non-Operating Expenses	**355,145**	**351,386**	**3,759**	**1.1%**
Total Expenses	**2,270,263**	**2,222,826**	**47,437**	**2.1%**
Income before Other Items and Depreciation Expense	**1,326,785**	**1,253,962**	**72,823**	**5.8%**
Other income	0	0	0	-
Other - PERS UL Interest & Assumption Chges	(83,597)	(225,120)	141,523	0.0%
Depreciation Expense	(858,939)	(835,923)	(23,016)	2.8%
Change in Net Position (Net Income)	**384,249**	**192,919**	**191,330**	**99.2%**

Income before Other Items and Depreciation Expense was $1,326,785, an increase from last fiscal year.

Total **revenues** were $3,597,048 about 3.5% more than last year. Water Sales were up 2.9% from last year. As in recent years, the District increased rates by 3%. Flat charge revenue, collected via property tax bills, is expected to remain constant from year to year at around $750,000. This year it came in at $786,565. Non-operating revenues -- $209,891 -- consist primarily 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. In addition, this line item also includes unrealized investment gains (losses) on the funds invested with the Public Agency Retirement Services (PARS).

On the expense side, total **expenses** increased by $47,437, or 2.1%, compared to last year due to expected increases in Salaries & Benefits from COLAs and staff step increases. The District actually spent less on Service & Supplies than last year. This is not that unusual -- repairs and maintenance to the water system are expensive and can vary quite a bit from year to year.

Income after accounting for "Other Items" (Change in Net Position) was $384,249 at FYE, compared to $192,919 in FY 2018-19. In the "Other" category, this year the financials include a line item for CalPERS interest charged on unfunded pension liability (UL) and charges for changes to pension assumptions. Last year's figures were restated to include these same changes for meaningful comparison. This line item will be a part of the financial statements going forward.

III. CAPITAL SPENDING

In FY 2019-20, the District did not begin a major capital project, but did spend an additional $62,472 on CIP 2019 to complete that project:

Project	Project Description	Amount spent FY 2019-20	% complete at FYE 2020
CIP 2019	Monte Rio Treatment Plant Green Sand Filter Replacement	$64,472	100% completed (Project total: $230,777)
		$64,472	

In addition to these capital projects, a total of $202,158 was spent on Tank/Facilities improvements. Most of this -- $175,558 – was to rehabilitate the Harrison Tank parking lot which was eroding from years of winter rains.

IV. DISTRICT DEBT/SOURCES OF DEBT REPAYMENT

At the beginning of FY 2019-20, the District owed a total of $11,207,940 in bond debt, state loans, and a private placement loan. During the year the District made $684,427 in principal payments.

The table below summarizes activity on the bonds and loans in FY 2019-20:

DEBT TYPE	ORIGINAL PRINCIPAL	PRINCIPAL OWED JULY 1, 2019	PRINCIPAL PAID FY 2019-20	PRINCIPAL OWED FYE 2020
USDA G.O. Bonds	$1,647,875 (2014)	$1,543,648	$27,622	$1,516,026
USDA G.O. Bonds	$1,535,000 (2019)	$1,535,000	$0	$1,535,000
Capital One Bonds	7,993,000 (2013)	$5,945,000	$359,000	$5,623,892
State Loans	$3,013,500 (1996)	$417,961	$135,235	$282,727
Private Placement Loan	$3,000,000 (2008)	$1,766,331	$162,570	$1,603,760
		$11,207,940	$684,427	$10,561,405

The Capital One Bonds were restructured in FY 2019-20 as follows: (1) The interest rate was reduced from 3.6% to 2.78%; (2) Closing costs and deferred interest totalling $28,500 and $9,392 respectively were added to principal; and (3) The repayment schedule was reconfigured to provide for lower payments in the first seven (7) years with larger payments thereafter.

With interest, actual payments on District bond and loan debt were $1,028,074. The District allocates revenue from flat charges, the CDR[1] portion of the Water Sales revenue, and capital interest to pay for annual principal and interest on debt, itemized for FY 2019-20 as shown below:

[1] CDR stands for "Capital Debt Reduction".

Flat Charges:	$786,565
CDR Revenue:	$299,453
Capital interest:	$27,387
Total:	**$1,113,405**

The excess from these sources of revenue -- $85,331 in FY 2019-20 -- increased *District reserves above policy* and is available for capital spending.

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 2019-20, District policy reserves were $1,379,359. During the year, $500,000 of policy reserves were loaned Operations to pay down pension debt, to be paid back at a rate of $135,000/year beginning in FY 2020-21. Therefore, at FYE policy reserves on hand were $879,359. Reserves above policy were $2,020,353, as detailed below:

Total District Funds*:	$2,899,712
Less Policy Reserves:	($879,359)
Reserves Above Policy:	**$2,020,353**

* *Does not include Operations checking accounts*

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

The bulk of the District's 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 offsetting 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. Funds invested with CERBT are limited to offsetting the costs 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**. The District has a plan to increase surplus operating revenue to $500,000 annually. In FY 2019-20 it was budgeted at $190,000. Surplus flat charge revenue has also been increasing in recent years. In FY 2019-20, it was $85,331, bringing total surplus revenue to $275,331.
- **Grants**. At FYE the District is actively pursuing grant funding from several sources.
- **Loan proceeds.** The District is not considering incurring additional debt at FYE.
- **Reserves.** Reserves available for capital spending and capital debt ("reserves above policy") were at $2,020,353 at FYE 2020. Less anticipated debt expenditures in FY 2020-21 as well as funds with PARS and CERBT, reserves, available for capital projects at FYE were $751,397:

Reserves Above Policy:	$2,020,353
Less FY 2020-21 debt payments:	($1,000,095):
Less funds at PARS/CERBT:	($268,879)
Reserves available for capital projects:	**$751,379**

MORE ABOUT DISTRICT SURPLUS REVENUES

The District is at the end of a long-term plan to increase District surplus operating revenues to a sustainable $500,000 annually. [2] The plan contemplated nine years of 3% water increases. FY 2019-20 was the final year of this plan. Below is a table of budgeted and actual operating surpluses from recent years. As the table shows, despite the annual increase to water rates, rising costs have made the goal of a sustainable $500,000 in operating surpluses difficult to attain at 3% water rate increases:

Year	Year of 9-year Budget Plan (3% water increase each year)	Budgeted Operating Surplus	Actual Operating Transfer
F 2010-11	N/A	$240,000	$240,000
FY 2011-12	1 of 9	$240,000	$240,000
FY 2012-13	2 of 9	$220,000	$220,000
FY 2013-14	3 of 9	$390,000	$390,000
FY 2014-15	4 of 9	$260,000	$260,000
FY 2015-16	5 of 9	$320,000	$320,000
FY 2016-17	6 of 9	$330,000	$350,392
FY 2017-18	7 of 9	$320,000	$320,000
FY 2018-19	8 of 9	$320,000	$210,000
FY 2019-20	**9 of 9**	**$190,000**	**$190,000**

In addition to operating surpluses detailed above and as discussed earlier, contributions from surplus flat charge revenue are increasing due to a combination of District debt refinancing, loan payoffs, and annual increases to District CDR revenue. The District anticipates conducting a Rate Study to assist in rate setting and capital budgeting.

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.

[2] "Sustainable Funding for Needed Capital Improvements", dated April 18, 2011.

SWEETWATER SPRINGS WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2020 and 2019

	Totals June 30, 2020	Totals June 30, 2019
ASSETS		
CURRENT ASSETS		
Cash and investments	$ 1,766,601	$ 1,500,378
Accounts receivable	151,762	146,443
Rent receivable		
Flat charges receivables	33,333	38,353
Unbilled revenue	214,808	195,354
Inventory	56,505	56,505
Prepaid expenses		
Prepaid expenses	6,250	6,250
TOTAL CURRENT ASSETS	2,229,259	1,943,283
NONCURRENT ASSETS		
Land	143,053	143,053
Construction in progress	-	168,306
Buildings and improvements	32,277,351	31,844,415
Machinery and equipment	663,169	661,859
Less-accumulated depreciation	(12,725,839)	(11,866,900)
TOTAL CAPITAL ASSETS, NET	20,357,734	20,950,733
OTHER NONCURRENT ASSETS		
Prepaid expenses		
Restricted cash and investments	1,259,312	1,764,912
TOTAL OTHER NONCURRENT ASSETS	1,259,312	1,764,912
TOTAL ASSETS	23,846,305	24,658,928
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	-	65,134
Accrued wages	12,281	6,543
Accrued interest	103,418	129,812
Customer deposits	16,277	15,311
Road maintenance obligations	10,106	5,103
Current portion of long term debt	728,225	709,427
TOTAL CURRENT LIABILITIES	870,307	931,330
LONG TERM LIABILITIES		
Compensated absences	54,359	50,077
General obligation bonds payable	8,253,641	8,612,026
California safe drinking water bonds payable	143,429	282,727
Citizens business bank (COP) payable	1,436,111	1,603,760
Construction claim payable		
Net pension liabilty	483,508	955,362
Other postemployment benefits payable	(6,275)	(3,330)
TOTAL LONG TERM LIABILITIES	10,364,773	11,500,622
TOTAL LIABILITIES	11,235,080	12,431,952
NET POSITION		
Net Investment in capital assets	9,796,329	9,742,793
Restricted		
Unrestricted	2,814,896	2,484,183
TOTAL NET POSITION	$ 12,611,225	$ 12,226,976

SWEETWATER SPRINGS WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2020 and 2019

	Totals June 30, 2020	Totals June 30, 2019
Operating Revenues		
Charges for services	$ 2,600,592	$ 2,526,975
Total Operating Revenues	2,600,592	2,526,975
Operating Expenses		
Salaries and employee benefits	1,309,457	1,219,853
Service and supplies	605,661	651,587
Repair and Maintenance		
Depreciation	858,939	835,923
Total Operating Expenses	2,774,057	2,707,363
Operating Income (Loss)	(173,465)	(180,388)
Non-Operating Revenues (Expenses)		
Interest income	45,058	43,812
Rents	109,392	104,356
Flat charges	786,565	764,591
Other non-operating revenue	55,441	37,054
Change in actuarial assumptions	(33,628)	(147,414)
Interest expense unfunded pension liability	(49,969)	(77,706)
Interest expense	(355,145)	(351,386)
Total Non-Operating Revenues (Expenses)	557,714	373,307
Net Income (Loss)	384,249	192,919
Total Net Position, Beginning of Fiscal Year	12,226,976	12,034,057
Total Net Position, End of Fiscal Year	$ 12,611,225	$ 12,226,976

SWEETWATER SPRINGS WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2020 and 2019

	Totals June 30, 2020	Totals June 30, 2019
Cash Flows From Operating Activities		
Cash received from customers	$ 2,575,819	$ 2,521,744
Payments to suppliers for goods and services	(670,795)	(628,193)
Payments to employees and related items	(1,296,413)	(1,237,380)
Net cash flows provided by operating activities	608,611	656,171
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(265,940)	(1,277,262)
Proceeds from long term debt	37,893	1,535,000
Payments on long term debt	(684,427)	(652,229)
Payments on net pension liablity	(555,451)	(125,451)
Interest payments	(381,539)	(362,335)
Net cash flows (used) by capital and related financing activities	(1,849,464)	(882,277)
Cash Flows From Non-Capital and Related Financing Activities		
Flat charges	791,585	766,897
Miscellaneous non-operating revenues	55,441	37,054
Net cash provided by non-capital and related financing activities	847,026	803,951
Cash Flows From Investing Activities		
Rents	109,392	104,356
Interest income	45,058	43,812
Net cash flows provided by investing activities	154,450	148,168
Net Increase (Decrease) in Cash and Investments	(239,377)	726,013
Cash and Investments, Beginning of Fiscal Year	3,265,290	2,539,277
Cash and Investments, End of Fiscal Year	$ 3,025,913	$ 3,265,290
Reconciliation of Cash and Investments to Amounts Reported on the Statement of Net Position:		
Cash and investments	$ 1,766,601	$ 1,500,378
Restricted cash and investments	1,259,312	1,764,912
	$ 3,025,913	$ 3,265,290
Supplemental Disclosures:		
Interest expense during the fiscal year	$ 355,145	$ 351,386
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, 2020 and 2019

(Continued)

	Totals June 30, 2020	Totals June 30, 2019
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations:		
Operating income (loss)	$ (173,465)	(180,388)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	858,939	835,923
Salaries and employee benefits		
(Increase) Decrease in Operating Assets:		
Accounts receivable/Unbilled Revenue	(24,773)	(5,231)
Inventory		
Prepaid expenses		
Increase (Decrease) in Operating Liabilities:		
Accounts payable	(65,134)	31,598
Accrued wages	5,738	543
Compensated absences	4,282	(19,877)
Customer deposits payable	966	447
Road maintenance obligations	5,003	(5,037)
Other postemployment benefits payable	(2,945)	(1,807)
Total Adjustments	782,076	836,559
Net Cash Provided by Operating Activities	$ 608,611	$ 656,171

See accompanying notes to basic financial statements

Note 1: <u>Summary of Significant Accounting Policies</u>

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	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, 2020 and 2019, accrued vacation pay amounted to $54,359 and $56,622 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, 2020:

	Unrestricted	Restricted	Totals
Cash on hand	$ 500	$ -	$ 500
Cash in bank	162,799	159,438	322,237
Cash and investments	1,603,302	1,099,874	2,703,176
Total Cash and Investments	$ 1,766,601	$ 1,259,312	$ 3,025,913
Statement of Net Position:			
Cash and investments	$ 1,766,601		
Restricted cash and investments	1,259,312		
Total	$ 3,025,913		

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	$ 221,676	$ 221,676					
County Pooled Investment Fund	$ 2,481,500	$ 2,481,500	$ -	$ -	$ -	$ -	$ -
	$ 2,703,176	$ 2,703,176	$ -	$ -	$ -	$ -	$ -

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	$ 221,676						$ 221,676
County Pooled Investment Fund	$ 2,481,500	N/A	$ -	$ -	$ -	$ -	$ 2,481,500
Total	$ 2,703,176		$ -	$ -	$ -	$ -	$ 2,703,176

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, 2020, the District's deposits with financial institutions were $113,083 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, 2020 was as follows:

	Balance at July 1, 2019	Additions	Deletions	Transfers	Balance at June 30, 2020
Capital assets, not being depreciated:					
Land	$ 143,053	$ -	$ -	$ -	$ 143,053
Construction in progress	168,306		(168,306)		
Total capital assets, not being depreciated	311,359		(168,306)		143,053
Capital Assets, being depreciated:					
Building and improvements	31,844,415	432,936			32,277,351
Machinery and equipment	661,859	1,310			663,169
Total capital assets, being depreciated	32,506,274	434,246			32,940,520
Accumulated depreciation:					
Building and improvements	(11,301,254)	(825,395)			(12,126,649)
Machinery and equipment	(565,646)	(33,544)			(599,190)
Total accumulated depreciation	(11,866,900)	(858,939)			(12,725,839)
Total depreciable assets, net	20,639,374	(424,693)			20,214,681
Total capital assets, net	$ 20,950,733	$ (424,693)	$ (168,306)	$ -	$ 20,357,734

Depreciation expense of $858,939 was incurred and recorded as an operating expense for June 30, 2020.

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, 2020:

	Balance at June 30, 2019	Additions	Repayments	Balance at June 30, 2020	Due Within One Year
2003 General Obligation Bonds	3,078,648		(27,622)	3,051,026	53,278
2013 General Obligation Refunding Bonds	5,945,000	37,893	(359,000)	5,623,893	368,000
California Safe Drinking Bonds	417,962		(135,235)	282,727	139,298
Citizens Business Bank Certificates of Participation	1,766,330		(162,570)	1,603,760	167,649
Total	$ 11,207,940	$ 37,893	$ (684,427)	$ 10,561,406	$ 728,225

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, 2020 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	28,278	$ 36,007	$ 64,285
2022	28,950	35,336	64,286
2023	29,637	34,649	64,286
2024	30,341	33,945	64,286
2025	31,062	33,225	64,287
2026-2030	166,731	154,708	321,439
2031-2035	187,492	133,957	321,449
2036-2040	210,841	110,621	321,462
2041-2045	237,097	84,379	321,476
2046-2050	266,621	54,870	321,491
2051-2055	298,976	21,685	320,661
Total	$ 1,516,026	$ 733,382	$ 2,249,408

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.

The scheduled annual minimum debt service requirements at June 30, 2020 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	25,000	$ 34,256	$ 59,256
2022	26,000	33,683	59,683
2023	26,000	33,098	59,098
2024	27,000	32,501	59,501
2025	27,000	31,894	58,894
2026-2030	147,000	149,839	296,839
2031-2035	163,000	132,401	295,401
2036-2040	182,000	112,995	294,995
2041-2045	210,000	171,906	381,906
2046-2050	235,000	65,981	300,981
2051-2055	260,000	38,144	298,144
2026-2058	207,000	8,719	215,719
Total	$ 1,535,000	$ 845,417	$ 2,380,417

<u>2013 General Obligation Refunding Bonds</u>

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, 2020 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	$ 368,000	$ 145,432	$ 513,432
2022	296,500	141,992	438,492
2023	306,300	133,614	439,914
2024	316,200	124,961	441,161
2025	323,500	116,069	439,569
2026-2031	2,021,224	427,810	2,449,034
2031-2033	1,992,168	112,758	2,104,926
Total	$ 5,623,892	$ 1,202,636	$ 6,826,528

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.

The scheduled annual minimum debt service requirements at June 30, 2020 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	139,298	7,320	146,618
2022	143,429	3,189	146,618
Total	$ 282,727	$ 10,509	$ 293,236

Note 4: Long-Term Debt (Continued)

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.

The scheduled annual minimum debt service requirements at June 30, 2020 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	$ 167,649	$ 48,427	$ 216,076
2022	172,887	43,190	216,077
2023	178,288	37,789	216,077
2024	183,857	32,219	216,076
2025	189,601	26,475	216,076
2026-2029	711,478	44,790	756,268
Total	$ 1,603,760	$ 232,890	$ 1,836,650

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 2015. The District's current quarterly lease expense for the postage machine is $303.

The total rental payments for all leasing arrangements charged to expenses were $31,002 and $31,025 for June 30, 2020 and 2019 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, 2019 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2019 actuarial valuation report. This report is a publically 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, 2017 (the measurement date), the active employee contribution rate is 6.906 percent of annual pay and the average employer's contribution rate is 9.680 percent of annual payroll for the 2% @ 55 plan and the active employee contribution rate is 6.750 percent of annual pay and the average employer's contribution rate is 6.985 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, 2020, the District's annual pension cost of $70,738 for PERS was equal to the District's required and actual contributions and plus an additional $555,451 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 and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases and decreases in the rate spread directly over a 5-year period instead. The required and actual contribution rate for June 30, 2020 was determined as part of the June 30, 2017 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
6/30/18	$ 64,100	100%	$ 0
6/30/19	67,856	100%	$ 0
6/30/20	$ 70,738	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
6/30/17	$ 4,489,369	$3,594,908	$894,461	80.1%	$766,121
6/30/18	4,758,575	3,764,195	993,380	79.1%	741,245
6/30/19	$5,190,479	$4,204,166	$986,313	81.0%	$595,195

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
6/30/17	$16,915	$16,103	$ 812	95.2%	$ 47,021
6/30/18	26,354	24,180	2,174	91.7%	51,622
6/30/19	$46,738	$44,732	$2,006	95.7%	$245,097

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 April 2019, the District entered in a contract with Piazza Construction for $50,890 for construction of CIP 2019. As of June 2020, this project was completed. A total of $44,173.90 was paid to Piazza.

Note 11:

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 Classis 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 ($133 in 2019 and $139 in 2020).

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 2019-20 the District contributed $8,784, which covered current premiums and $3,000 of additional prefunding of benefits. Currently, there are 4 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	$ 5,820
Interest on net OPEB obligation	(193)
Adjustment to ARC	213
Annual OPEB cost (expense)	5,839
Contributions made	(8,784)
Increase in net OPEB obligation	(2,945)
Net OPEB obligation – Beginning of the year	(4,038)
Net OPEB obligation – End of year	$ (6,983)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2017-18, 2018-19 and 2019-20 were as follows:

Fiscal Year	Annual OPEB Cost	Percent of Annual OPEB Cost	OPEB Obligation (Asset)
6/30/2018	$ 5,468	141%	$ (1,523)
6/30/2019	$ 6,038	130%	$ (4,038)
6/30/2020	$ 6,839	128%	$ (6,983)

Funded Status and Funding Progress

AS of June 30, 2020, the most recent Alternate Measurement Method valuation date, the plan was 14.7% funded. The actuarial accrued liability for benefits was $319,468, and the actuarial value of assets was $47,203, resulting in an unfunded actuarial accrued liability (UAAL) of $272,265. The covered payroll (annual payroll of active employees covered by the plan) was $445,203, and the ration of the UAAL to the covered payroll was 43.7 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

Projects 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 4.18 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, 2020 was twenty-four (24) 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%

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 10, 2020 that meet the above definition.