San Lorenzo Valley Water District

Annual Financial Report

June 30, 2015

Mission Statement

Our mission is to provide our customers and all future generations with reliable, safe and high quality water at an equitable price; to create and maintain outstanding customer service; to manage and protect the environmental health of the aquifers and watersheds; and, to ensure the fiscal vitality of the San Lorenzo Valley Water District.

San Lorenzo Valley Water District

Board of Directors as of June 30, 2015

Name	Title	Elected/ Appointed	Term Expires
Margaret Bruce	President	Elected	December 2016
Randall Brown	Vice President	Elected	December 2016
Eric Hammer	Director	Elected	December 2018
Gene Ratcliffe	Director	Elected	December 2018
Charles Baughman	Director	Elected	December 2018

Brian Lee, District Manager
San Lorenzo Valley Water District
13060 Highway 9
Boulder Creek, California 95006
(831) 338-2153 – www.slvwd.com

San Lorenzo Valley Water District

Annual Financial Report

For the Year Ended June 30, 2015

San Lorenzo Valley Water District
Annual Financial Report
For the Year Ended June 30, 2015

Table of Contents

Introductory Section

December 7, 2015

Board of Directors
San Lorenzo Valley Water District

Introduction

It is our pleasure to submit the Annual Financial Report for the San Lorenzo Valley Water District for the fiscal year ended June 30, 2015, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. The report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately after the Independent Auditor's Report.

District Structure and Leadership

The San Lorenzo Valley Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The San Lorenzo Valley Water District has been providing services to the residents within the district's boundaries since 1941. The District is governed by a five-member Board of Directors, elected at-large from within the District's service area. The District Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The San Lorenzo Valley Water District employs a full-time staff of 26 employees. The District's Board of Directors meets on the first and third Thursday of each month. Meetings are publicly noticed and citizens are encouraged to attend.

The District provides water, sewer or a combination of both services to residents and businesses within its service area. The service area lies within the unincorporated towns of Boulder Creek, Brookdale, Ben Lomond, Felton, and the City of Scotts Valley. The District's boundaries comprise approximately 58 square miles. The District currently provides service to approximately 7,400 residential, commercial, and institutional connections.

Economic Condition and Outlook

The District's administrative offices are located in the Town of Boulder Creek in Santa Cruz County. The economic outlook for the area is one of cautious growth as the regional economy recovers from prolonged recessionary pressures.

California's water supply continues to be a concern due to prolonged drought conditions, projected population increases, and a decrease in water-in-storage levels. This concern has increased interest in conservation and in irrigation methods and systems.

Major Initiatives

The activities of the Board and staff of the District are driven by its Mission Statement: "Our mission is to provide our customers and all future generations with reliable, safe and high quality water at an equitable price; to create and maintain outstanding customer service; to manage and protect the environmental health of the aquifers and watersheds; and, to ensure the fiscal vitality of the San Lorenzo Valley Water District."

1. To supply clean, wholesome water to the community and provide water for the future.
2. To plan, construct, operate, maintain and upgrade the water system facilities to adequately serve customer needs.
3. To utilize the District's financial resources in an effective, responsible, and prudent manner.
4. To provide quality customer service for District customers.
5. To inform, educate, and communicate to the community on District and water issues.
6. To review and maintain a plan to be proactive in preventative maintenance of the District's water and sewer systems.

All programs and operations of the District are developed and performed to provide the highest level of services to its customers.

Internal Control Structure

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

Budgetary Control

The District Board of Directors adopts an operating and capital budget every year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and the financial statement basis.

Investment Policy

The Board of Directors has adopted an investment policy that conforms to state law, District ordinance and resolutions, prudent money management, and the "prudent person" standards. The objectives of the Investment Policy are safety, liquidity and yield.

Water and Sewer Rates and District Revenues

District policy direction ensures that all revenues from user charges and surcharges generated from District customers must support all District operations including capital project funding. Accordingly, water and sewer rates are reviewed periodically. Water rates are user charges imposed on customers for services and are the primary component of the District's revenue. Water rates are composed of a commodity (usage) charge and a fixed (readiness-to-serve) charge.

Water Conservation Programs

The District has implemented conservation management practices. District staff participates in community events and distributes materials to encourage water conservation. The District offers the following conservation programs:

Voluntary Water Conservation Program	Greywater Irrigation System
Hi-Efficiency Washers Program	Toilet Retrofit
Drip Irrigation System	Hot Water Circulation
"Lose Your Lawn" Rebate	

Audit and Financial Reporting

State Law and Bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Fedak & Brown LLP has conducted the audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

Risk Management

The District is a member of the Special District Risk Management Authority (Authority). The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

Other References

More information is contained in the Management's Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the report.

Acknowledgements

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the District. We would also like to thank the members of the Board of Directors and especially the Finance Committee members for their continued support in planning and implementation of the San Lorenzo Valley Water District's fiscal policies.

Respectfully submitted,

____

Brian Lee
District Manager

< Page Intentionally Left Blank >

Financial Section

Fedak & Brown LLP
Certified Public Accountants

Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Jonathan P. Abadesco, CPA

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
4204 Riverwalk Pkwy. Ste. 390
Riverside, California 92505
(951) 977-9888

Independent Auditor's Report

Board of Directors
San Lorenzo Valley Water District
Boulder Creek, California

Report on the Financial Statements

We have audited the accompanying financial statements of the San Lorenzo Valley Water District (District), which comprises the statement of net position as of June 30, 2015, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the 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

Our responsibility is to express opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special District. Those standards require that we plan and perform the audits 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the San Lorenzo Valley Water District as of June 30, 2015, and the respective changes in net position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Emphasis of matter

As described in Note 1.C to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the District's June 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 7 through 11 and the required supplementary information on pages 40 through 42 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section on pages 1 through 3, and the supplemental information schedules on pages 43 through 46, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Independent Auditor's Report, continued

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance. This report can be found on pages 47 and 48.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
December 7, 2015

< Page Intentionally Left Blank >

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the San Lorenzo Valley Water District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2015 (with comparative information for fiscal year ended June 30, 2014). We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2015, the District's net position decreased 3.4% or $905,486 to $25,413,585, which is comprised of an increase from operations of $1,941,785 and a decrease from a prior period adjustment in the amount of $2,847,271. Please see note 3 of the basic financial statements for further discussion.
- In 2015, the District's operating revenues decreased 6.2% or $359,598 to $5,478,890, primarily due to a $358,049 decrease in water sales revenues related to the effects of the ongoing drought in the State of California.
- In 2015, the District's non-operating revenues increased 89% or $457,859 to $972,221, primarily due to a $284,120 increase in property tax revenues and a $145,257 increase in reimbursements related to a settlement agreement with Manana Woods Mutual Water Company.
- In 2015, the District's operating expenses increased 7.3% or $378,570 to $5,552,334, primarily due to increases in salaries and benefits of $314,086, professional services of $112,049, which was offset by a decrease in other net operating expenses of $47,565.
- In 2015, the District's non-operating expenses decreased 4.9% or $6,731, primarily due to an $167,663 decrease in interest expense that was offset by a $160,932 decrease in investment earnings.

Required Financial Statements

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

The District's statements consist of two funds, the Water Fund and the Sewer Fund. The District's records are maintained on an enterprise basis, as it is the intent of the Board of Directors that the costs of providing water and sewer to the customers of the District are financed primarily through user charges.

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

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 18 through 39.

Condensed Statements of Net Position

Condensed Statements of Net Position

	2015	2014	Change
Assets:			
Current assets	$ 7,143,896	4,781,369	2,362,527
Non-current assets	102,252	3,728,460	(3,626,208)
Capital assets	30,525,596	25,398,866	5,126,730
Total assets	37,771,744	33,908,695	3,863,049
Deferred outflows of resources	238,829	-	238,829
Liabilities:			
Current liabilities	2,454,229	1,451,417	1,002,812
Non-current liabilities	9,367,422	6,138,207	3,229,215
Total liabilities	11,821,651	7,589,624	4,232,027
Deferred inflows of resources	775,337	-	775,337
Net position:			
Net investment in capital assets	23,227,784	18,981,706	4,246,078
Restricted	229,790	168,185	61,605
Unrestricted	1,956,011	7,169,180	(5,213,169)
Total net position	$ 25,413,585	26,319,071	(905,486)

Condensed Statements of Net Position, continued

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by $25,413,585 as of June 30, 2015. Compared to prior year, net position of the District decreased 3.44% or $905,486. The District's total net position is made up of three components: (1) net investment in capital assets; (2) restricted net position; (3) unrestricted net position.

By far the largest portion of the District's net position (91% as of June 30, 2015) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending. See Note 13 for further information.

At the end of fiscal year 2015, the District showed a positive balance in its unrestricted net position of $1,956,011. See Note 15 for the amount of spendable net position that may be utilized in future years.

Statement of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

		2015	2014	Change
Revenues:				
Operating revenues	$	5,478,890	5,838,488	(359,598)
Non-operating revenues		972,221	514,362	457,859
Total revenues		6,451,111	6,352,850	98,261
Expenses:				
Operating expenses		5,552,334	5,173,764	378,570
Non-operating expenses		129,759	136,490	(6,731)
Overhead absorption		(24,644)	(132,347)	(156,991)
Depreciation		1,139,110	1,172,504	(33,394)
Total expenses		6,796,559	6,350,411	446,148
Net income (loss) before capital contributions		(345,448)	2,439	(347,887)
Capital contributions		2,287,233	753,600	1,533,633
Change in net position		1,941,785	756,039	1,185,746
Net position, beginning of period, as previously stated		26,319,071	25,563,032	756,039
Prior period adjustment (note 3)		(2,847,271)	-	-
Net position, end of period, as restated		23,471,800	25,563,032	756,039
Net position – end of period	$	25,413,585	26,319,071	(905,486)

Statement of Revenues, Expenses and Changes in Net Position, continued

The statement of revenues, expenses and changes of net position show how the District's net position changed during the fiscal years. In the case of the District, net position decreased $905,486 for the fiscal year ended June 30, 2015.

A closer examination of the sources of changes in net position reveals that:

Net position decreased 3.4% or $905,486 to $25,413,585, which is comprised of an increase from operations of $1,941,785 and a decrease from a prior period adjustment in the amount of $2,847,271. Please see note 3 of the basic financial statements for further discussion.

Total operating revenues decreased 6.2% or $359,598 to $5,478,890, primarily due to a $358,049 decrease in water sales revenues related to the effects of the ongoing drought in the State of California.

Total non-operating revenues increased 89% or $457,859 to $972,221, primarily due to a $284,120 increase in property tax revenues and a $145,257 increase in reimbursements related to a settlement agreement with Manana Woods Mutual Water Company.

Total operating expenses increased 7.3% or $378,570 to $5,552,334, primarily due to increases in salaries and benefits of $314,086, professional services of $112,049, which was offset by a decrease in other net operating expenses of $47,565.

Total non-operating expenses decreased 4.9% or $6,731, primarily due to an $167,663 decrease in interest expense that was offset by a $160,932 decrease in investment earnings.

Capital Asset Administration

At the end of fiscal year 2015, the District's investment in capital assets amounted to $30,525,596 (net of accumulated depreciation). This investment in capital assets includes land, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment, vehicles and construction-in-process, etc. Major capital assets additions during the year included upgrades to the District's transmission and distribution system. See Note 7 for further capital asset information.

Change in capital assets amounts for 2015, were as follows:

	Balance 2014	Additions	Transfers/ Disposals	Balance 2015
Capital assets:				
Non-depreciable assets	$ 8,301,569	6,451,319	(773,461)	13,979,427
Depreciable assets	40,741,810	687,323	(45,558)	41,383,575
Accumulated depreciation	(23,743,854)	(1,139,110)	45,558	(24,837,406)
Total capital assets	$ 25,299,525	5,999,532	(773,461)	30,525,596

Debt Administration

Changes in long-term debt amounts for the year ended June 30, 2015, were as follows:

		Balance 2014	Additions	Principal Payments	Balance 2015
Long-term debt:					
Loans payable	$	2,073,045	1,618,584	(137,499)	3,554,130
Bonds payable		4,344,115	-	(600,433)	3,743,682
Total long-term debt	$	6,417,160	1,618,584	(737,932)	7,297,812

See Note 10 for further long-term debt service information.

Conditions Affecting Current Financial Position

Management is unaware of any conditions at June 30, 2015, that would have a significant impact on the District's financial position, net position, or operating results in terms of past, present and future.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Finance Manager, Stephanie Hill at San Lorenzo Valley Water District, 13060 Highway 9 Boulder Creek, California 95006 or (831) 430-4620.

Basic Financial Statements

San Lorenzo Valley Water District
Statement of Net Position
June 30, 2015

		2015
Current assets:		
Cash & cash equivalents (note 2)	$	2,844,867
Cash & cash equivalents – restricted (note 2 and 14)		229,790
Accrued interest receivable		3,984
Investments (note 2)		686,198
Accounts receivable – water sales and services		353,681
Accounts receivable – property taxes		2,684
Accounts receivable – settlement agreement (note 4)		36,392
Accounts receivable – grant and loan receivable (note 5)		2,660,264
Accounts receivable – other		51,951
Prepaid expenses		49,670
Materials and supplies inventory		224,415
Total current assets		7,143,896
Non-current assets:		
Investments (note 2)		102,252
Capital assets – not being depreciated (note 7)		13,979,427
Capital assets – being depreciated (note 7)		16,546,169
Total non-current assets		30,627,848
Total assets		37,771,744
Deferred outflows of resources:		
Deferred pension outflows (note 6 and 11)		238,829
Total deferred outflows of resources	$	238,829

Continued on next page

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Statement of Net Position, continued
June 30, 2015

Current liabilities:		
Accounts payable and accrued expense	$	1,143,361
Accrued wages and related payables		169,301
Unearned revenues – customer deposits		63,285
Unearned revenues – construction deposits		117,606
Accrued interest payable		32,318
Long-term liabilities – due in one year:		
Compensated absences (note 8)		171,227
Loans payable (note 10)		140,780
Bonds payable (note 10)		616,350
Total current liabilities		2,454,228
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 8)		304,404
Other post-employment benefits payable (note 9)		214,707
Net pension liability (note 11)		2,307,630
Loans payable (note 10)		3,413,350
Bonds payable (note 10)		3,127,332
Total non-current liabilities		9,367,423
Total liabilities		11,821,651
Deferred inflows of resources:		
Deferred pension inflows (note 11)		775,337
Total deferred inflows of resources		775,337
Net position:		
Net investment in capital assets (note 13)		23,227,784
Restricted for debt service (note 14)		229,790
Unrestricted (note 15)		1,956,011
Total net position	$	25,413,585

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

		2015
Operating revenues:		
Water consumption sales	$	5,237,534
Wastewater service		100,088
Charges and penaties		99,066
Other charges and services		42,202
Total operating revenues		5,478,890
Operating expenses:		
Salaries and benefits		3,428,414
Professional services		764,684
Materials and supplies		157,392
Vehicle and equipment maintenance		111,084
Building maintenance		39,433
Repairs		20,010
Collection fees and charges		53,443
Utilities and telephone		495,691
Insurance		54,488
Rentals and permits		127,673
Travel, meals and conferences		16,171
Auto allowance		1,276
Office expenses		282,575
Total operating expenses		5,552,334
Operating loss before overhead absorption		(73,444)
Overhead absorption		24,644
Operating loss before depreciation expense		(48,800)
Depreciation expense		(1,139,110)
Operating loss	$	(1,187,910)

Continued on next page

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Statement of Revenues, Expenses and Changes in Net Position, continued
For the Year Ended June 30, 2015

Non-operating revenues (expenses):		
Property tax revenues	$	762,752
Realized loss on investments		(1,909)
Rental revenue		29,713
Interest expense		(127,850)
Gain on disposition of capital assets		34,499
Settlement and purchase agreements		145,257
Total non-operating revenues, net		842,462
Net loss before capital contributions		(345,448)
Capital contributions:		
Capital grants – other governments		2,287,233
Total capital contributions		2,287,233
Change in net position		1,941,785
Net position, beginning of period, as restated (note 3)		23,471,800
Net position, end of period	$	25,413,585

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Statement of Cash Flows
For the Year Ended June 30, 2015

		2015
Cash flows from operating activities:		
Cash receipts from customers for sales and services	$	5,673,401
Cash paid to employees for salaries and wages		(2,100,713)
Cash paid to vendors and suppliers for materials and services		(2,133,294)
Net cash provided by operating activities		1,439,394
Cash flows from non-capital financing activities:		
Proceeds from property taxes		782,670
Proceeds from rental revenue		29,713
Net cash provided by non-capital financing activities		812,383
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets		(6,370,001)
Proceeds from capital contributions		1,048,458
Proceeds from long-term debt		950,695
Principal paid on long-term debt		(737,932)
Interest paid on long-term debt		(158,707)
Net cash used in capital and related financing activities:		(5,267,487)
Cash flows from investing activities:		
Proceeds from sale of investments		3,619,487
Proceeds from investment earnings		11,061
Net cash provided by investing activities		3,630,548
Net increase in cash and cash equivalents		614,838
Cash and cash equivalents, beginning of year		2,459,819
Cash and cash equivalents, end of year	$	3,074,657

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

Cash and cash equivalents	$	2,844,867
Cash and cash equivalents – restricted		229,790
Total cash and cash equivalents	$	3,074,657

Continued on next page

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Statement of Cash Flows, continued
For the Year Ended June 30, 2015

		2015
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$	(1,187,910)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization		1,139,110
Gain on disposal of capital assets		(34,499)
Other non-operating revenues, net		(159,242)
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) decrease in assets:		
Accounts receivable – water sales and services, net		39,883
Accounts receivable – settlement agreement		172,162
Accounts receivable – other		16,965
Prepaid expenses		(49,670)
Materials and supplies inventory		(46,532)
Decrease in deferred outflows of resources		238,829
Increase (decrease) in liabilities:		
Accounts payable and accrued expense		845,977
Accrued wages and related payables		142,331
Unearned revenues – customer deposits		21,077
Unearned revenues – construction deposits		(28,810)
Compensated absences		74,808
Other post-employment benefits		19,219
Net pension liability		(539,641)
Increase in deferred inflows of resources		775,337
Total adjustments		2,627,304
Net cash provided by operating activities	$	1,439,394

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The San Lorenzo Valley Water District is an independent special district established in 1941, pursuant to Section 30,000 et seq. of the California Water Code for the purpose of developing and providing water for domestic use, fire protection, and recreation in the San Lorenzo Valley. Additionally, the District provides sewer service to the Bear Creek Estates area within the District. The District utilizes separate Water and a Sewer funds to account for District operations. The District is governed by a five member Board of Directors elected by the voters in the area to four-year terms. The District provides water and sewer service to approximately 7,400 customers within its service area.

B. Basis of Accounting and Measurement Focus

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

Operating revenues, such as water and sewer fees, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as property taxes and investment income, result from non-exchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange.

The District recognizes revenue from water and sewer service charges based on cycle billings preformed every month. The District accrues revenues with respect to water and sewer service sold but not billed at the end of a fiscal period.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund. Standards applicable to governmental entities that use proprietary fund include:

Government Accounting Standards Board Statement No. 68

For the fiscal year ended June 30, 2015, the District implemented Government Accounting Standards Board Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*. The requirements of this statement are effective for the financial statement periods beginning after June 15, 2014.

GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision – useful information, supporting assessments of accountability and inter-period equity and creating additional transparency.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

Government Accounting Standards Board Statement No. 68, continued

GASB 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

Government Accounting Standards Board Statement No. 71

For the fiscal year ended June 30, 2015, the District implemented Government Accounting Standards Board Statement No. 71 (GASB 71), *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68.* The requirements of this statement are effective for the financial statement periods beginning after June 15, 2014. The provisions of this Statement are applied simultaneously with the provisions of GASB Statement No. 68.

GASB 71 improves accounting and financial reporting by addressing the issue in GASB 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation by employers and non-employer contributing entities. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

1. Use of Estimates

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

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

3. Investments and Investment Policy

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

4. Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

5. Property Taxes and Assessments

The Santa Cruz County Assessor's Office assesses all real and personal property within the County each year. The Santa Cruz Tax Collector's Offices bills and collects the District's share of property taxes and assessments. The Santa Cruz County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the Santa Cruz County which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

6. Materials and Supplies Inventory

Materials and supplies inventory consists primarily of water meters, pipe and pipefittings for construction and repair to the District's water transmission and distribution system. Inventory is valued at cost using a weighted average method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

7. Prepaid Expenses

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

8. Prepaid Connection Fees

Connection fees are collected by the District to cover the cost of service connections within the District. Funds in excess of connection costs are refunded to the customer.

9. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at $5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Transmission and distribution mains – 33 to 50 years
- Buildings – 33 years
- Transportation and other equipment – 10 years
- Computer and office equipment – 5 years

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources that is applicable to future periods.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

11. Compensated Absences

The District's policy is to permit employees to accumulate earned vacation and sick leave. The liability for vested vacation and sick leave is recorded as an expense when earned.

Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused vacation leave except for those employees that have not completed the probationary period.

12. Construction Advances and Deposits

Construction deposits are collected by the District to cover the cost of construction projects within the District. Funds in excess of project costs are refunded to the customer.

13. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources that is applicable to future periods.

14. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

- Valuation Date: June 30, 2013
- Measurement Date: June 30, 2014
- Measurement Period: July 1, 2013 to June 30, 2014

15. Water and Sewer Sales

The District recognizes water and sewer services charges based on cycle billings rendered to the customers each month.

16. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies, or real estate developers desiring services that require capital expenditures or capacity commitment.

17. Budgetary Policies

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

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

18. Net Position

The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:

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

(2) Cash and Investments

Cash and investments as of June 30, are classified in the accompanying financial statements as follows:

		2015
Cash and cash equivalents	$	2,844,867
Cash and cash equivalents – restricted		229,790
Investments – current		686,198
Investments – non current		102,252
Total cash and investments	$	3,863,107

Cash and investments as of June 30, consist of the following:

		2015
Cash on hand	$	350
Deposits with financial institutions		2,841,166
Investments		1,021,591
Total cash and investments	$	3,863,107

As of June 30, the District's authorized deposits had the following maturities:

	2015
Deposits held with the California Local Agency Investment Fund	239 days

(2) Cash and Investments, continued

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

The table below identifies the investment types that are authorized by the District in accordance with 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 credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	5 years	None	None
Federal agency and bank obligations	5 years	None	None
Certificates-of-deposit (negotiable or placed)	5 years	30%	10%
Commercial paper (prime)	270 days	10%	10%
Money market mutual funds	N/A	20%	None
State and local bonds, notes and warrants	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

Portfolio Diversification

Pursuant to California Government Code Section 53601 (i), certificates of deposit invested outside of an authorized pool shall not exceed thirty percent (30%) of the District's total investment portfolio. The District's current investments in certificates of deposit exceed this limitation. It is the District's intent to move toward compliance with this limitation. At June 30, 2015, the District held 52.1% or $532,224, of its investment portfolio in certificates of deposit.

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 does 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 market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balances, up to $250,000 held at each institution were federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

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 Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

(2) Cash and Investments, continued

Investment in State Investment Pool

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

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 change in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide for cash flow requirements and liquidity needed for operations. Information about the sensitivity of 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 date:

Maturities of investments at June 30, 2015, are as follows:

		Remaining Maturity (in Months)			
Investment Type	**Total**	**12 Months or Less**	**13 to 24 Months**	**25 to 60 Months**	**61 and Thereafter**
Certificates of deposit	$ 532,224	429,972	102,252	-	-
Local Agency Investment Fund	3,351	3,351	-	-	-
State and local bonds, notes and warrants	256,226	256,226	-	-	-
Held by bond trustee:					
Money market funds	229,790	229,790	-	-	-
Total	$ 1,021,591	919,339	102,252	-	-

Credit Risk

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 a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings of investments as of June 30, 2015, were as follows:

				Rating as of Year End	
Investment Type	**Total**	**Minimum Legal Rating**	**Exempt From Disclosure**	**AA+**	**Not Rated**
Certificates of deposit	$ 532,224	N/A	-	-	532,224
Local Agency Investment Fund	3,351	N/A	-	-	3,351
State and local bonds, notes and warrants	256,226	N/A	-	-	256,226
Held by bond trustee:					
Money market funds	229,790	AAA	229,790	-	-
Total	$ 1,021,591		229,790	-	791,801

(2) Cash and Investments, continued

Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments at June 30, 2015.

(3) Prior Period Adjustment

In fiscal year 2015, the District implemented GASB pronouncements 68 and 71 to recognize its proportionate share of the net pension liability.

As a result of the implementation, the District recognized the pension liability and recorded a net prior period adjustment in the amount of $2,847,271 to decrease the proprietary activities' beginning net position as of July 1, 2014.

The adjustment to net position is as follows:

Net position at July 1, 2014, as previously stated	$	26,319,071
Effect of adjustment to record net pension liability		(3,159,197)
Effect of adjustment to record deferred pension outflows		311,926
Total adjustments		(2,847,271)
Net position at July 1, 2014, as restated	$	23,471,800

(4) Accounts Receivable – Settlement Agreement

In September 2010, the District entered into a third party escrow agreement with Manana Woods Mutual Water Company (Manana Woods) for reimbursement of operating and maintenance costs of their water treatment system at the Manana Woods well pursuant to the Annexation Agreement entered into by and among the District, Manana Woods and the Oil Companies. Amounts receivable were 36,392 for the year ended June 30, 2015. Total reimbursement revenue was $145,257 for the year ended June 30, 2015.

(5) Accounts Receivable – Grant and Loan Receivable

The balance at June 30, consists of the following:

		2015
Scotts Valley Water District	$	1,992,375
California Department of Public Health		667,889
Accounts receivable – grant and loan receivable	$	2,660,264

In November 2013, the District was involved with various System Intertie Projects with Scotts Valley Water District (Scotts Valley) pursuant to the latter's funding agreement with the State of California's Department of Public Health ("State") under the provisions of the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002, Division 26.5 of the Water Code. Total receivable from Scotts Valley were $1,992,375 for the year ended June 30, 2015.

In June 2014, the District was awarded federal pass through grant funding from the State of California in the form of Safe Drinking Water State Revolving Fund financing. The financing is designed to assist the District in meeting safe drinking water standards for domestic water supplies. Total project cost is estimated to be $1,904,500. As of June 30, 2015, the District has submitted $667,889 for reimbursement and is shown as a receivable on these financial statements. Please see note 10 for further discussion.

(6) Deferred Outflows of Resources

Changes in deferred outflows of resources for 2015, were as follows:

	Balance 2014	Additions	Transfers	Amortization	Balance 2015
Deferred outflows of resources:					
Pension contributions, 2014	$ 311,926	-	(311,926)	-	-
Pension contributions, 2015	-	223,328	-	-	223,328
Adjustment due to differences in proportion of net pension liability	-	21,037	-	(5,536)	15,501
Total deferred outflows of resources	$ 311,926	244,365	(311,926)	(5,536)	238,829

(7) Capital assets

In 2015, major capital assets additions include upgrades as follows: water transmission and distribution systems $396,882, transportation equipment $130,090, field and shop equipment $128,579, office equipment $31,772.

	Balance 2014	Additions	Deletions/ Transfers	Balance 2015
Non-depreciable assets:				
Land	$ 5,599,442	-	(526,679)	5,072,763
Construction-in process	2,702,127	6,451,319	(246,782)	8,906,664
Total non-depreciable assets	8,301,569	6,451,319	(773,461)	13,979,427
Depreciable assets:				
Water transmission and distribution	34,335,364	396,882	-	34,732,246
Wastewater system	1,447,521	-	-	1,447,521
Buildings and structures	2,904,194	-	-	2,904,194
Transportation equipment	828,383	130,090	(45,558)	912,915
Field and shop equipment	739,131	128,579	-	867,710
Office equipment	487,217	31,772	-	518,989
Total depreciable assets	40,741,810	687,323	(45,558)	41,383,575
Accumulated depreciation:				
Water transmission and distribution	(19,910,841)	(909,332)	-	(20,820,173)
Wastewater system	(907,212)	(41,772)	-	(948,984)
Buildings and structures	(1,139,453)	(95,667)	-	(1,235,120)
Transportation equipment	(731,847)	(41,890)	45,558	(728,179)
Field and shop equipment	(601,264)	(38,319)	-	(639,583)
Office equipment	(453,237)	(12,130)	-	(465,367)
Total accumulated depreciation	(23,743,854)	(1,139,110)	45,558	(24,837,406)
Total depreciable assets, net	16,997,956	(451,787)	-	16,546,169
Total capital assets, net	$ 25,299,525	5,999,532	(773,461)	30,525,596

Construction-In-Process

The District is involved in various construction projects throughout the year. Once completed, projects are capitalized and depreciated over the life of the asset. Additions to construction in process during the year amounted to $6,451,319 consisted of Intertie Projects $3,688,546, Olympia Mutual Project $1,618,584, Proposition 50 Project $780,492 and various miscellaneous projects $363,697. The balance of construction-in-process was $8,906,664 at June 30, 2015.

(8) Compensated Absences

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. The District's liability for compensated absences is determined annually.

Changes in compensated absences for the year ended June 30, are as follows:

	Balance 2014	Additions	Deletions	Balance 2015	Due within One Year	Due in more than one year
$	400,823	138,787	(63,979)	475,631	171,227	304,404

(9) Other Post-Employment Benefits Payable

The District provides other post-employment benefits (OPEB) to qualified employees who retire from the District and meet the District's vesting requirements. During the fiscal year ended June 30, 2009, the District implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for post-employment benefits. Previously, the costs of such benefits were generally recognized as expenses of local government employers on a pay-as-you-go basis. The new reporting requirements for these benefit programs as they pertain to the District are set forth on the following page.

Plan Description – Eligibility

Employees are eligible for post-employment benefits when they retire from the District on or after attaining age 55 with at least 5 years of service under CalPERS. Based on the length of service, the District will pay the retired members' health insurance premiums based on the schedule below.

District contributions to retiree healthcare premiums are as follows:

		Per Month
Less than 15 years of service	$	150
15 to 24 years of service		200
25 + years of service		250

Membership in the OPEB plan consisted of the following members as of June 30:

	2015
Active plan members	26
Retirees and beneficiaries receiving benefits	3
Separated plan members entitled to but not yet receiving benefits	-
Total plan membership	29

Plan Description – Benefits

The District offers post-employment medical and dental benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the District's medical and dental programs. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

(9) Other Post-Employment Benefits Payable, continued

Funding Policy

The District is required to contribute the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 1.54% of the annual covered payroll.

Annual Cost

For the year ended June 30, 2015, the District's ARC cost is $34,446. The District's net OPEB payable obligation amounted to $214,707 for the year ended June 30, 2015. The District contributed $11,741 in age adjusted contributions for current retiree OPEB premiums for the year ended June 30, 2015.

The balance at June 30, consists of the following:

	2015
Annual OPEB expense:	
Annual required contribution (ARC)	$ 34,446
Interest on net OPEB obligation	7,820
Adjustment to annual required contribution	(11,306)
Total annual OPEB expense	30,960
Change in net OPEB payable obligation:	
Age adjusted contributions made	(11,741)
Total change in net OPEB payable obligation	19,219
OPEB payable – beginning of period	195,488
OPEB payable – end of period	$ 214,707

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2015 and two preceding years are as follows:

Three-Year History of Net OPEB Obligation

Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Payable
2015	$ 30,960	11,741	37.92%	$ 214,707
2014	40,973	8,656	21.13%	195,488
2013	39,907	13,265	33.24%	163,171

(9) Other Post-Employment Benefits Payable, continued

Funded Status and Funding Progress of the Plan

The most recent valuation (dated July 1, 2012) includes an Actuarial Accrued Liability of $451,717 and an Unfunded Actuarial Accrued Liability of $315,188. The covered payroll (annual payroll of active employees covered by the plan) was $2,233,145. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 14.11%.

See the Schedule of Funding Status of the District's Other Post-Employment Benefits Obligation in the Required Supplementary Information Section on Page 40.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

Valuation date	July 1, 2012
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll, open
Amortization period	Open
Average remaining amortization period	30 years as of the valuation date
Asset valuation method	15 year smoothed market
Actuarial assumptions:	
Discount rate	4.0%
Individual salary growth	District annual COLA

(10) Long-Term Debt

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

		Balance 2014	Additions	Payments	Balance 2015
Loans payable:					
Felton Safe Drinking Water Loan	$	2,073,045	-	(137,499)	1,935,546
State of California Revolving Fund Loan		-	1,618,584	-	1,618,584
Total loans payable		2,073,045	1,618,584	(137,499)	3,554,130
Bonds payable					
Bank of Nevada Refunding Bond		4,344,115	-	(600,433)	3,743,682
Total bonds payable		4,344,115	-	(600,433)	3,743,682
Total long-term debt payable		6,417,160	1,618,584	(737,932)	7,297,812
Less: current portion		(737,932)			(757,130)
Long-term portion	$	5,679,228			6,540,682

(10) Long-Term Debt, continued

Felton Safe Drinking Water Loan

In fiscal year 2009, the District purchased the Felton water system and assumed Felton's California Safe Drinking Water Loan with a fixed rate of 2.42%, maturing on June 30, 2027. The District will make semi-annual payments of $93,399 including principal and interest on July 1st and January 1st each year.

Year		Principal	Interest	Total
2016	$	140,780	46,017	186,797
2017		144,327	42,471	186,798
2018		147,777	39,021	186,798
2019		151,371	35,427	186,798
2020		155,010	31,788	186,798
2021-2025		833,729	100,257	933,986
2026-2027		362,552	11,040	373,592
Total		1,935,546	306,021	2,241,567
Less: current portion		(140,780)		
Long-term portion	$	1,794,766		

Bank of Nevada Refunding Bond

On March 22, 2012, the District entered into a refunding bond agreement with Bank of Nevada at a rate of 2.6% in order to pay off several other previously held loans. The District makes semi-annual payments of $354,855, including principal and interest on September 1st and March 1st. Final maturity is September 1, 2021.

Year		Principal	Interest	Total
2016	$	616,350	93,360	709,710
2017		632,479	77,231	709,710
2018		649,030	60,680	709,710
2019		666,015	43,695	709,710
2020		582,031	26,267	608,298
2021-2022		597,777	13,699	611,476
Total		3,743,682	314,932	4,058,614
Less: current portion		(616,350)		
Long-term portion	$	3,127,332		

State of California Revolving Fund Loan

On June 30, 2014, the District entered into a grant funding agreement with California Department of Public Health ("State") for a construction loan and grant under the Safe Drinking Water State Revolving Fund Law of 1997 ("Revolving Fund Law"). Grants under the Revolving Fund Law are pursuant with the Operating Agreement between the State of California and the U.S. Environmental Protection Agency. Since the grant that was received by the District originated from a Federal Agency, it is considered a Federal Award. The use of the loan proceeds under the State Revolving Fund Law requires a single audit, which is in a separate report. The funding agreement provides for a total State funding of $1,904,500, which will consist of a $1,904,500 loan at 2.5707% interest rate with a loan repayment term of 20 years.

(10) Long-Term Debt, continued

State of California Revolving Fund Loan, continued

The loan repayment term shall commence on the due date of the first P&I invoice and will expire twenty years after the due date of the first P&I invoice. Total federal award expended for the year ended June 30, 2015 amounted to $1,618,584 and is reported as loan payable. Of the total amount, the District received $950,695 as loan proceeds during the year. The balance of $667,889 is reported under Accounts receivable – grant and capital contributions in the Statement of Net Position.

(11) Defined Benefit Pension Plan

Plan Description

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

Benefits provided

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

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District’s CalPERS 2.5% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2013. All employees hired after January 1, 2013 are eligible for the District’s CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The Plans’ provision and benefits in effect at June 30, 2015 are summarized as follows:

	Miscellaneous Plan	
	Classic	**PEPRA**
Hire date	Prior to January 1, 2011	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	11.032%	6.25%

(11) Defined Benefit Pension Plan, continued

Contributions

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

As of the fiscal year ended June 30, 2015, the contributions recognized as part of pension expense for the Plan was as follows:

	Miscellaneous
Contributions – employer	$ 223,328

As of the fiscal year ended June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous Plan	$ 2,307,630

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determines by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the pension liability for the Plan as of June 30, 2013 and 2014 was as follows:

	Miscellaneous Plan
Proportion – June 30, 2013	0.03919%
Proportion – June 30, 2014	0.03708%
Change – Increase (Decrease)	-0.00211%

As a result of the implementation of the GASB 68 pronouncement at June 30, 2015, the District recognized pension expense of $220,195 at June 30, 2015.

(11) Defined Benefit Pension Plan, continued

Contributions, continued

As of the fiscal year ended June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description		Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$	223,328	-
Net differences between projected and actual earnings on plan investments		-	(775,337)
Adjustments due to differences in proportion of net pension liability		15,501	-
Total	$	238,829	(775,337)

As of June 30, 2015, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of $223,328 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

As of the fiscal year ended June 30, 2015, the District reported deferred outflows of resources for June 30, 2014 related to pensions as part of its adjustment to the beginning net position as of July 1, 2014 (Note 4) from the following sources:

Description		Deferred Outflows of Resources
Pension contributions between the valuation and measurement date	$	311,926

Employer pension contributions reported as deferred outflows of resources related to contributions between the valuation date and measurement date of $311,926 were recognized as an adjustment to the beginning net position as of July 1, 2014.

As a result of the implementation of the GASB 68 at June 30, 2015, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense as follows.

Fiscal Year Ending June 30:		Deferred Outflows/(Inflows) of Resources
2016	$	(188,299)
2017		(188,299)
2018		(189,406)
2019		(193,832)
2020		-
Thereafter		-

(11) Defined Benefit Pension Plan, continued

Contributions, continued

The total pension liability in the June 30, 2013 actuarial valuation report was determined using the following actuarial assumptions:

Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.50%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The Discount rate used to measure the total pension liability was 7.50% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees' Retirement Fund (PERF). The stress test results are presented in a detailed report which can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS confirmed the materiality threshold for the difference in the calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the Discount rate will require CalPERS Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the fiscal year ended 2017-2018. CalPERS will continue to check the materiality of the difference in the calculation until such time as it has changed its methodology.

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

(11) Defined Benefit Pension Plan, continued

Discount Rate, continued

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculates over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1–10*	Real Return Year 11+**
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3	4.50	5.09
Liquidity	2	(0.55)	(1.05)
Total	100.0%		

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

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

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

		Discount Rate – 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate +1% (8.50%)
District's Net Pension Liability/(Asset)	$	4,112,112	2,307,630	810,081

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 41 through 42 for the Required Supplementary Schedules.

(12) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District, a member of the Special District Risk Management Authority (SDRMA), has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources. SDRMA's purpose is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2015, the District participated in the liability and property programs of the SDRMA as follows:

- General and automotive liability: $5,000,000 per occurrence with $500-$1,000 per occurrence for third party general liability property damage.
- Public officials and employees' errors and omissions: $5,000,000 per occurrence with 50% co-insurance of cost expended by SDRMA, in excess of $10,000 up to $50,000 per occurrence for employment related claims. However, 100% of the obligation will be waived if certain criteria are met.
- Public officials' personal liability: $500,000 per occurrence with $500,000 annual aggregate limit per each elected/appointed official and a deductible of $500 per claim.
- Employment practices and benefits liability: $5,000,000 per occurrence with 50% co-insurance of cost expended by SDRMA, in excess of $10,000 up to $50,000 per occurrence for employment related claims. However, 100% of the obligation will be waived if certain criteria are met.
- Employee dishonesty coverage: $1,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage.
- Property loss: $1,000,000,000 per occurrence with a $2,000 deductible per occurrence.
- Boiler and machinery: $100,000,000 per occurrence with a $1,000 deductible.
- Workers compensation: $5,000,000 each accident or each employee by disease.

(13) Net Investment in Capital Assets

Calculation of net position as of June 30, were as follows:

	2015
Net investment in capital assets	
Capital assets, net	$ 30,525,596
Loans payable – current	(140,780)
Loans payable – non-current	(3,413,350)
Bonds payable – current	(616,350)
Bonds payable – non-current	(3,127,332)
Total net investment in capital assets	$ 23,227,784

(14) Restricted Net Position

	2015
Restricted net position:	
Restricted for debt service	$ 229,790
Total restricted net position	$ 229,790

(15) Unrestricted Net Position

		2015
Unrestricted net position:		
Non-spendable net position		
Materials and supplies inventory	$	224,415
Total non-spendable net position		224,415
Spendable net position are designated as follows:		
Unrestricted		1,731,596
Total spendable net position		1,731,596
Total unrestricted net position	$	1,956,011

(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2015, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 72

In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*. The objective of this Statement is to enhance comparability of financial statements among governments by measurement of certain assets and liabilities at their fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 73

In June 2015, the GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions.* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the Scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement No. 68 for pension plans as pensions that are within their respective scopes.

The requirements of this statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after December 15, 2015.

(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 73, continued

The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 74

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No.50, *Pension Disclosures*.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2016. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 75

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 76

In June 2015, the GASB issued Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the source of authoritative GAAP.

(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 76, continued

This Statement replaces the requirements of Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015, and should be applied retroactively.

Governmental Accounting Standards Board Statement No. 77

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. This Statement is effective for financial statements for periods beginning after December 15, 2015. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

(17) Commitments and Contingencies

Grant Awards

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

Litigation

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

(18) Subsequent Event

Events occurring after June 30, 2015 have been evaluated for possible adjustment to the financial statements or disclosure as of December 7, 2015, which is the date the financial statements were available to be issued.

Required Supplementary Information

San Lorenzo Valley Water District
Schedule of Funding Status
For the Fiscal Years Ended June 30, 2015

(1) Defined Benefit Pension Plan

Development of the Actuarial Value of Assets Calculation in a Risk Pool

The District is part of the CalPERS Miscellaneous 2.0% at 55 yrs. Risk Pool		June 30, 2011	June 30, 2012	June 30, 2013*	June 30, 2014*
1. Plan's accrued liability	$	10,564,230	11,347,210	-	-
2. Plan's side fund		(7,059)	(6,899)	-	-
3. Pool's accrued liability		3,619,835,876	4,175,139,166	-	-
4. Pool's side fund		(115,840,552)	(132,335,224)	-	-
5. Pool's actuarial value of assets including receivables		3,203,214,899	3,686,598,343	-	-
6. Plan's actuarial value of assets (AVA) including receivables [(1+2) /(3+4) x 5]		9,650,951	10,341,133	-	-
7. Pool's market value of assets (MVA) including receivables		2,867,303,802	3,120,110,130	-	-
8. Plan's market value of assets (MVA) including receivables [(1+2) / (3+4) x 7]		8,638,886	8,752,099	-	-

* CalPERS has not provided the information for these periods as of the date of the audit report.

Funding History

The Funding History below shows the actuarial accrued liability, the actuarial value of assets, the market value of assets, funded ratios, and the annual covered payroll. The actuarial value of assets is used to establish funding requirements and the funded ratio on this basis represents the progress toward fully funding future benefits for current plan participants. The funded ratio based on the market value of assets is an indicator of the short-term solvency of the plan in the risk pool.

Actuarial Valuation Date		Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Market Value of Assets (MVA) (c)	Funded Ratio AVA (b/a)		Funded Ratio MVA (c/a)	Annual Covered Payroll
June 30, 2011	$	10,564,230	9,650,951	8,638,886	91.4%	$	81.8%	1,792,536
June 30, 2012		11,347,210	10,341,133	8,752,099	91.1%		77.1%	1,794,546
June 30, 2013	*	-	-	-	0.0%		0.0%	-
June 30, 2014	*	-	-	-	0.0%		0.0%	-

* CalPERS has not provided the information for these periods as of the date of the audit report.

(2) Other Post-Employment Benefits Payable

Required Supplemental Information – Schedule of Funding Progress

Actuarial Valuation Date		Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)		Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2012	$	136,529	451,717	315,188	30.22%	$	2,233,145	14.11%
6/30/2010		-	452,179	452,179	0.00%		1,908,411	23.69%

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or annually if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2016 based on the year ending June 30, 2015.

San Lorenzo Valley Water District
Schedule of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2015
Last Ten Years*

		6/30/2014 (a)
District's proportion of the net pension liability (asset)		0.03708%
District's proportionate share of the net pension liability (asset)	$	2,307,630
District's covered-employee payroll (b)	$	1,995,605
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		115.64%
Plan's fiduciary net position as a percentage of the total pension liability		81.15%

Notes:

(a) Historical information is required only for measurement periods for which GASB 68 is applicable.

(b) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll related ratios.

***** Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

San Lorenzo Valley Water District
Schedule of Pension Plan Contributions
As of June 30, 2015
Last Ten Years*

Schedule of Pension Plan Contributions (a):		Fiscal Year 2013-2014
Actuarially determined contribution (b)	$	193,763
Contributions in relation to the actuarially determined contribution (b)		(200,451)
Contribution deficiency (excess)	$	(6,688)
District's covered payroll (c), (d)	$	1,995,605
Contribution's as a percentage of covered-employee payroll (c)		9.71%

Notes:

(a) Historical information is required only for measurement periods for which GASB 68 is applicable.

(b) Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employer’s may choose to make additional contributions towards their side fund or unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

(c) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

(d) Payroll from prior year ($1,937,480) was assumed to increase by the 3.00 percent payroll growth assumption.

* Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

< Page Intentionally Left Blank >

Supplemental Information

San Lorenzo Valley Water District
Combining Schedule of Net Position
June 30, 2015

	Water Fund	Sewer Fund	Total
Current assets:			
Cash & cash equivalents	$ 2,844,867	-	2,844,867
Cash & cash equivalents – restricted	229,790	-	229,790
Accrued interest receivable	3,984	-	3,984
Investments	686,198	-	686,198
Accounts receivable – water sales and services, net	353,681	-	353,681
Accounts receivable – property taxes	2,684	-	2,684
Accounts receivable – settlement agreement	36,392	-	36,392
Accounts receivable – grant and loan receivable	2,660,264		2,660,264
Accounts receivable – other	51,951	-	51,951
Internal balances	55,207	(55,207)	-
Prepaid expenses	49,670	-	49,670
Materials and supplies inventory	224,415	-	224,415
Total current assets	7,199,103	(55,207)	7,143,896
Non-current assets:			
Investments	102,252	-	102,252
Capital assets – not being depreciated	13,951,214	28,213	13,979,427
Capital assets – being depreciated	16,047,632	498,537	16,546,169
Total non-current assets	30,101,098	526,750	30,627,848
Total assets	37,300,201	471,543	37,771,744
Deferred outflows of resources			
Deferred pension outflows	238,829	-	238,829
Total deferred outflows of resources	$ 238,829	-	238,829

Continued on next page

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Combining Schedule of Net Position, continued
June 30, 2015

	Water Fund	Sewer Fund	Total
Current liabilities:			
Accounts payable and accrued expense	$ 1,143,361	-	1,143,361
Accrued wages and related payables	169,301	-	169,301
Unearned revenues – customer deposits	63,285	-	63,285
Unearned revenues – construction deposits	117,606	-	117,606
Accrued interest payable	32,318	-	32,318
Long-term liabilities – due in one year:			
Compensated absences	171,227	-	171,227
Loans payable	140,780	-	140,780
Bonds payable	616,350	-	616,350
Total current liabilities	2,454,228	-	2,454,228
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences	304,404	-	304,404
Other post-employment benefits payable	214,707	-	214,707
Net pension liability	2,307,630	-	2,307,630
Loans payable	3,413,350	-	3,413,350
Bonds payable	3,127,332	-	3,127,332
Total non-current liabilities	9,367,423	-	9,367,423
Total liabilities	11,821,651	-	11,821,651
Deferred inflows of resources			
Deferred pension inflows	775,337	-	775,337
Total deferred inflows of resources	775,337	-	775,337
Net position			
Net investment in capital assets	22,701,034	526,750	23,227,784
Restricted for debt service	229,790	-	229,790
Unrestricted	2,011,218	(55,207)	1,956,011
Total net position	$ 24,942,042	471,543	25,413,585

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

	Water Fund	Sewer Fund	Total
Operating revenues:			
Water consumption sales	$ 5,237,534	-	5,237,534
Wastewater service	-	100,088	100,088
Charges and penalties	99,066	-	99,066
Other charges and services	42,202	-	42,202
Total operating revenues	5,378,802	100,088	5,478,890
Operating expenses:			
Salaries and benefits	3,421,201	7,213	3,428,414
Professional services	743,184	21,500	764,684
Materials and supplies	154,939	2,453	157,392
Vehicle and equipment maintenance	111,084	-	111,084
Building maintenance	39,433	-	39,433
Repairs	20,010	-	20,010
Collection fees and charges	53,443	-	53,443
Utilities and telephone	487,083	8,608	495,691
Insurance	54,488	-	54,488
Rentals and permits	110,924	16,749	127,673
Travel, meals and conferences	16,171	-	16,171
Auto allowance	1,276	-	1,276
Office expenses	278,575	4,000	282,575
Total operating expenses	5,491,811	60,523	5,552,334
Operating income (loss) before overhead absorption	(113,009)	39,565	(73,444)
Overhead absorption	24,644	-	24,644
Operating income (loss) before depreciation expense	(88,365)	39,565	(48,800)
Depreciation expense	(1,097,337)	(41,773)	(1,139,110)
Operating loss	$ (1,185,702)	(2,208)	(1,187,910)

Continued on next page

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Combining Schedule of Revenues, Expenses and Changes in Net Position, continued
For the Year Ended June 30, 2015

	Water Fund	Sewer Fund	Total
Non-operating revenues (expenses):			
Property tax revenue	$ 762,752	-	762,752
Investment earnings	(1,909)	-	(1,909)
Rental revenue	29,713	-	29,713
Interest expense	(127,850)	-	(127,850)
Gain on disposition of capital assets	34,499	-	34,499
Settlement and purchase agreements	145,257	-	145,257
Total non-operating revenues, net	842,462	-	842,462
Net loss before capital contributions	(343,240)	(2,208)	(345,448)
Capital contributions:			
Capital grants - other governments	2,287,233	-	2,287,233
Total capital contributions	2,287,233	-	2,287,233
Change in net position	1,943,993	(2,208)	1,941,785
Net position, beginning of period, as restated	22,998,049	473,751	23,471,800
Net position, end of period	$ 24,942,042	471,543	25,413,585

See accompanying notes to the basic financial statements

Report on Internal Controls and Compliance

Fedak & Brown LLP
Certified Public Accountants

Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Jonathan P. Abadesco, CPA

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
4204 Riverwalk Pkwy. Ste. 390
Riverside, California 92505
(951) 977-9888

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
San Lorenzo Valley Water District
Boulder Creek, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Lorenzo Valley Water District (District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, (continued)

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
December 7, 2015

San Lorenzo Valley Water District

Management Report

June 30, 2015

Fedak & Brown LLP
Certified Public Accountants

San Lorenzo Valley Water District

Management Report

Table of Contents

Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Jonathan P. Abadesco, CPA

Fedak & Brown LLP
Certified Public Accountants

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
4204 Riverwalk Pkwy. Ste. 390
Riverside, California 92505
(951) 977-9888

CONFIDENTIAL

Board of Directors
San Lorenzo Valley Water District
Boulder Creek, California

Dear Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special District, the basic financial statements of the San Lorenzo Valley Water District (District) as of and for the year ended June 30, 2015, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of District internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited period described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or, significant deficiencies. Given these limitations during our audit we did not identify any deficiencies in internal control to be material weaknesses. However, material weaknesses may exist that have not been identified.

Our comments, all of which have been discussed with the appropriate members of management, are summarized as follows:

Summary of Current Year Comments and Recommendations

Investment Policy – Non-Compliance with California Government Code

As part of our audit procedures, we noted that the District's investment policy and investment portfolio are not in compliance with California Government Code (Code) which provides that investments in certificates of deposit should not exceed 30% of the District's total investments. Non-compliance with the Code may expose the District to various interest rate and credit risks. As a result, we recommend that the District review current investment policies and practices and move toward compliance as investments mature.

Management's Response

We concur with the auditor's recommendation. The District has determined to allow current holdings in certificates of deposit to mature. Subsequent reinvestment of District funds will be conducted in compliance with Code requirements and District policy.

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the start of the audit. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system to close-out the District's year-end trial balance at June 30, 2015.

Status of Comments and Recommendations Made in the Previous Year

Investment Policy – Non-Compliance with California Government Code

As part of our audit procedures, we noted that the District's investment policy and investment portfolio are not in compliance with California Government Code (Code) which provides that investments in certificates of deposit should not exceed 30% of the District's total investments. Non-compliance with the Code may expose the District to various interest rate and credit risks. As a result, we recommend that the District review current investment policies and practices and move toward compliance as investments mature.

Management's Response

We concur with the auditor's recommendation. The District has determined to allow current holdings in certificates of deposit to mature. Subsequent reinvestment of District funds will be conducted in compliance with Code requirements and District policy.

Accounting and Financial Reporting – Annual Audit Preparation

During our audit of the District's financial statements for the fiscal year-ended June 30, 2014, we noted that various account balances were not adjusted and reconciled at year-end. As a result, we experienced delays in completing and finalizing the June 30, 2014 audit. We recommend that the District review and reconcile all general ledger account balances prior to the annual financial audit.

Status of Comments and Recommendations Made in the Previous Year, continued

Management's Response

We concur with the auditor's recommendation.

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the start of the audit. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system to close-out the District's year-end trial balance at June 30, 2014.

* * * * * * * * *

This report is intended solely for the information and use of management and the Board of Directors of the District. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
December 7, 2015

APPENDIX

San Lorenzo Valley Water District

Audit/Finance Committee Letter

June 30, 2015

Fedak & Brown LLP
Certified Public Accountants

Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Jonathan P. Abadesco, CPA

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
4204 Riverwalk Pkwy. Ste. 390
Riverside, California 92505
(951) 977-9888

Board of Directors
San Lorenzo Valley Water District
Boulder Creek, California

We have audited the basic financial statements of the San Lorenzo Valley Water District (District) for the year ended June 30, 2015, and have issued our report thereon dated December 7, 2015. Generally accepted auditing standards require that we provide the Governing Board and management with the following information related to our audit of the District's basic financial statements.

Auditor's Responsibility under United States Generally Accepted Auditing Standards

As stated in our Audit Engagement Letter dated June 18, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with oversight of the Governing Board are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. Our audit of the financial statements does not relieve the Governing Board or management of its responsibilities of oversight in the District's external financial reporting process or any other processes.

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing requirements previously communicated to management.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the basic financial statements.

As described in Note 3, 6 and 11 to the financial statements, the District changed accounting policies related to Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, and No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68, as of June 30, 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities.

We noted no transactions entered into by the District during fiscal year 2015 for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Management's Judgments, Accounting Estimates and Financial Disclosures

Accounting estimates play an integral part in the preparation of basic financial statements by management and are based upon management's knowledge, experience and current judgment(s) about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the position in the basic financial statements is (are):

> Management's estimate of the fair value of cash and investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation calculations in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the other post-employment benefits payable is based on an actuarial evaluation of this liability that was conducted by a third-party actuary. We evaluated the basis, actuarial methods and assumptions used by the actuary to calculate the annual required contribution for the District to determine that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the defined benefit pension plan's deferred outflows of resources, net pension liability, and deferred inflows of resources are based on an actuarial evaluation of these amounts which was conducted by a third-party actuary. We evaluated the basis, actuarial methods and assumptions used by the actuary to calculate these amounts for the District to determine that it is reasonable in relation to the financial statements taken as a whole.

Management's Judgments, Accounting Estimates and Financial Disclosures, continued

The disclosures in the basic financial statements are neutral, consistent and clear. Certain basic financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the basic financial statements is (are):

> The disclosure of fair value of cash and investments in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.
>
> The disclosure of capital assets, net in Note 7 to the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.
>
> The disclosure of the District's other post-employment benefits payable in Note 9 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.
>
> The disclosure of the District's defined benefit pension plan in Note 3, 6 and 11 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional Standards require us to accumulate all known and likely misstatements identified during the audit, except those that are considered trivial, and communicate them to the appropriate level of management. (See Pages 5 through 7)

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit of the District.

Management Representations

We have requested certain representations from management that are included in the Management Representational Letter to the Auditor dated December 7, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principal to the District's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Conclusion

We appreciate the cooperation extended us by Brian Lee, District Manager, and Stephanie Hill, Finance Manager, in the performance of our audit testwork.

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the District.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than the specified, parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
December 7, 2015

San Lorenzo Valley Water District
Schedule of GASB 68 Adjustments
June 30, 2015

The District has recorded the following adjustments with regard to the adoption of Governmental Accounting Standards Board No 68 and 71.

GASB 68 Entry No. 1 - To record prior period adjustment for change in accounting principle of GASB 68 as of June 30, 2014.

01-00-1940	DEFERRED OUTFLOWS - PENSIONS	$ 311,926.00	
01-00-3980	RETAINED EARNINGS ADJUSTMENT	2,847,271.00	
01-00-2941	NET PENSION LIABILITY		3,159,197.00
Total		**3,159,197.00**	**3,159,197.00**

GASB 68 Entry No. 2 - To reclassify 2014 contributions to NPL at June 30, 2015.

01-00-2941	NET PENSION LIABILITY	311,926.00	
01-00-1940	DEFERRED OUTFLOWS - PENSIONS		311,926.00
Total		**311,926.00**	**311,926.00**

GASB 68 Entry No. 3 - To reclassify 2015 contributions to Deferred Outflows of Resources at June 30, 2015.

01-00-1940	DEFERRED OUTFLOWS - PENSIONS	223,328.00	
01-01-5840	PENSION EXPENSE - GASB 68		223,328.00
Total		**223,328.00**	**223,328.00**

GASB 68 Entry No. 4 - To record changes in pension liability during FY13/14 at June 30, 2015.

01-00-1940	DEFERRED OUTFLOWS - PENSIONS	21,037.00	
01-00-2941	NET PENSION LIABILITY	539,641.00	
01-01-5840	PENSION EXPENSE - GASB 68	304,871.00	
01-01-5840	PENSION EXPENSE - GASB 68	955,665.00	
01-00-2940	DEFERRED INFLOWS - PENSIONS		969,172.00
01-01-5840	PENSION EXPENSE - GASB 68		130,605.00
01-01-5840	PENSION EXPENSE - GASB 68		721,437.00
Total		**1,821,214.00**	**1,821,214.00**

GASB 68 Entry No. 5 - To record changes in the deferred outflows and deferred inflows (amortization) during FY13/14 at June 30, 2015.

01-00-2940	DEFERRED INFLOWS - PENSIONS	193,835.00	
01-00-1940	DEFERRED OUTFLOWS - PENSIONS		5,536.00
01-01-5840	PENSION EXPENSE - GASB 68		188,299.00
Total		**$ 193,835.00**	**193,835.00**

San Lorenzo Valley Water District
Schedule of Client Adjusting Journal Entries
June 30, 2015

Adjusting Journal Entries JE # 1
CJE - To depreciate Lompico Booster Station

01-04-5273	DEPRECIATION-PUMPING	$ 11,429.55	
01-00-1775	DEPREC. BOOSTER PUMPS		11,429.55
Total		**11,429.55**	**11,429.55**

Adjusting Journal Entries JE # 2
CJE - To depreciate meter reading equipment.

01-04-5673	DEPRECIATION-MAINTENANCE	554.08	
01-00-1752	DEPREC. MACHINERY & EQUIPMENT		554.08
Total		**554.08**	**554.08**

Adjusting Journal Entries JE # 3
CJE - To reclassify all Prop 50 to 1744.

01-00-1744	IN PROGRESS STATE PROJECTS	802,595.98	
01-00-1743	IN PROG. REGULAR CAPITAL PROJ.		802,595.98
Total		**802,595.98**	**802,595.98**

Adjusting Journal Entries JE # 4
CJE - Adjust capital project contributions.

01-00-1306	A/R GRANT FUNDING RECEIVABLE	667,889.29	
01-00-1306	A/R GRANT FUNDING RECEIVABLE	1,992,374.63	
01-00-2826	OLY MUTUAL ASSESSMENT PMNTS	235,444.49	
01-00-2825	OLYMPIA MUTUAL LOAN		667,889.29
01-00-4895	Oly Assessment Revenue		235,444.49
01-00-4896	CAPITAL CONTRIBUTION - STATE		1,992,374.63
Total		**2,895,708.41**	**2,895,708.41**

Adjusting Journal Entries JE # 5
CJE - To adjust investment activities.

01-00-1189	MSDW ADJUSTMENTS	12,969.66	
01-00-4894	REALIZED G/L - MSDW	119,479.40	
01-00-4899	INTEREST DIVIDEND - MSDW		12,969.66
01-00-4899	INTEREST DIVIDEND - MSDW		119,479.40
Total		**132,449.06**	**132,449.06**

Adjusting Journal Entries JE # 6
CJE - To accrue last payroll regarding PERS

01-01-5711	PERS - RETIREMENT	836.38	
01-02-5711	PERS - RETIREMENT	1,274.29	
01-03-5711	PERS - RETIREMENT	430.35	
01-04-5711	PERS - RETIREMENT	3,567.71	
01-05-5711	PERS - RETIREMENT	371.91	
01-08-5711	PERS - RETIREMENT	2,218.17	
01-00-2102	ACCRUED PAYROLL		8,698.81
Total		**$ 8,698.81**	**8,698.81**

San Lorenzo Valley Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2015

Adjusting Journal Entries JE # 1
AJE - To accrue additional accounts payable.

01-00-1743	IN PROG. REGULAR CAPITAL PROJ.	$ 50,612.64	
01-00-1744	IN PROGRESS STATE PROJECTS	633,089.17	
01-05-5020	CONTRACT/PROFESSIONAL SERVICES	69,498.70	
01-08-5140	UTILITIES	23,897.76	
01-08-5143	OPERATING SUPPLIES	11,100.00	
01-08-5640	UTILITIES	3,922.26	
01-08-5840	UTILITIES	4,001.13	
01-00-2103	ACCRUED EXPENSES		796,121.66
Total		**796,121.66**	**796,121.66**

Adjusting Journal Entries JE # 2
AJE - To accrual 7/8 payroll

01-01-5001	REGULAR SALARIES	8,876.40	
01-01-5712	FICA - SOCIAL SECURITY	541.50	
01-01-5716	MEDICARE	126.64	
01-02-5001	REGULAR SALARIES	32,882.45	
01-02-5712	FICA - SOCIAL SECURITY	2,011.71	
01-02-5716	MEDICARE	470.48	
01-03-5001	REGULAR SALARIES	3,900.80	
01-03-5712	FICA - SOCIAL SECURITY	235.82	
01-03-5716	MEDICARE	55.15	
01-04-5001	REGULAR SALARIES	31,747.43	
01-04-5403	O.T.-TRANS. & DISTR.	2,278.88	
01-04-5712	FICA - SOCIAL SECURITY	1,997.70	
01-04-5716	MEDICARE	467.20	
01-05-5001	REGULAR SALARIES	3,371.20	
01-05-5712	FICA - SOCIAL SECURITY	191.14	
01-05-5716	MEDICARE	44.70	
01-08-5001	REGULAR SALARIES	24,391.34	
01-08-5103	O.T.-SOURCE OF SUPPLY	2,422.10	
01-08-5712	FICA - SOCIAL SECURITY	1,634.25	
01-08-5716	MEDICARE	382.20	
01-00-2102	ACCRUED PAYROLL		118,029.09
Total		**118,029.09**	**118,029.09**

Adjusting Journal Entries JE # 3
AJE - To adjust OPEB obligation for the ARC adjustment

01-00-2250	ANNUAL OPEB OBLIGATION	11,304.85	
01-01-5723	ANNUAL OPEB EXPENSE		11,304.85
Total		**$ 11,304.85**	**11,304.85**

San Lorenzo Valley Water District

Single-Audit Report

For the Fiscal Year Ended June 30, 2015

Fedak & Brown LLP

Certified Public Accountants

San Lorenzo Valley Water District
Single Audit Report
For the Fiscal Year Ended June 30, 2015

Table of Contents

Fedak & Brown LLP
Certified Public Accountants

Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Jonathan P. Abadesco, CPA

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
4204 Riverwalk Pkwy. Ste. 390
Riverside, California 92505
(951) 977-9888

Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors of the
San Lorenzo Valley Water District
Boulder Creek, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Lorenzo Valley Water District (District), as of and for the year ended June 30, 2015, and have issued our report thereon dated December 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, continued

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and did not provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
December 7, 2015

Fedak & Brown LLP
Certified Public Accountants

Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Jonathan P. Abadesco, CPA

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
4204 Riverwalk Pkwy. Ste. 390
Riverside, California 92505
(951) 977-9888

Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by OMB Circular A-133

The Board of Directors of the
San Lorenzo Valley Water District
Boulder Creek, California

Report on Compliance for Each Major Federal Program

We have audited the San Lorenzo Valley Water District (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above.

In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by OMB Circular A-133, continued

Report on Internal Control over Compliance, continued

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the basic financial statements of the District as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated December 7, 2015, which contained an unmodified opinion on those basic financial statements. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
December 7, 2015

San Lorenzo Valley Water District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

Federal Grantor/Program Title:	Federal CFDA Number	Amount Receivable June 30, 2014	Grant Expenditures	Grant Funds Received by June 30, 2015	Amount Receivable June 30, 2015
Environmental Protection Agency					
Major Program:					
Safe Drinking Water Law of 1997 State Revolving Funds					
Pass through grant from California Department of Public Health					
SRF14CX108	**66.424**	$ -	1,618,584	950,695	667,889
Total for CFDA No.	**66.424**	-	1,618,584	950,695	667,889
Total Federal Awards		$ -	1,618,584	950,695	667,889

Notes to Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of San Lorenzo Valley Water District (District) and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

(2) Reconciliation of the Schedule of Expenditures of Federal Awards to the Financial Statements

Statement of Activities:	
Program income - Revolving Loan Charges for federal award grants	$ 1,618,584
Total federal awards	1,618,584
Add – Accounts receivable – federal funding – June 30, 2014	-
Less – Accounts receivable – federal funding – June 30, 2015	(667,889)
Federal receipts recognized per Schedule	$ 950,695

(3) Revolving Loan – Program Income

The District has a funding agreement for a revolving loan program with the California Department of Public Health (State) under the Safe Drinking Water Law of 1997. Under this federal program, repayments to the District are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The funding agreement provides for a total State funding of $1,904,500, which will consist of a $1,904,500 loan at 2.5707% interest rate with a repayment term of 20 years.

Total federal awards expended by the District for the year ended June 30, 2015 amounted to $1,618,584. Of the total, loan funds in the amount of $950,695 were disbursed to the District for the year and are presented in the schedule. The balance of $667,889 is still outstanding from the State. The loan repayment shall commence on the due date of the first principal and interest (P&I) invoice from the State and will expire twenty years after the due date of the first P&I invoice.

San Lorenzo Valley Water District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

Section I—Summary of Auditor's Results	***Response***
Basic Financial Statements	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133:	No
Identification of major programs tested include:	
Environmental Protection Agency	
Safe Drinking Water Law of 1997 – CFDA No. 66.424	
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as a low-risk auditee?	Yes

Section II—Financial Statement Findings

No matters were reported.

Section III—Federal Award Findings and Questioned Costs

No matters were reported.

Section IV—Prior Year Findings and Questioned Costs

No matters were reported.